



## Nolato AB (publ) Annual Report 2010





Front cover: Seals for pacemakers, injection-moulded in liquid silicone – an area in which Nolato is a world leader.

# 2010 in brief

**I**n terms of income, 2010 was the best year in Nolato's history. The recovery following the global financial crisis was much quicker than expected, and both sales and income rose considerably.

All three of our business areas showed an improvement: Nolato Medical's sales rose by 17% (including the significant acquisition in North America), Nolato Telecom's by 44% and Nolato Industrial's by 21%.

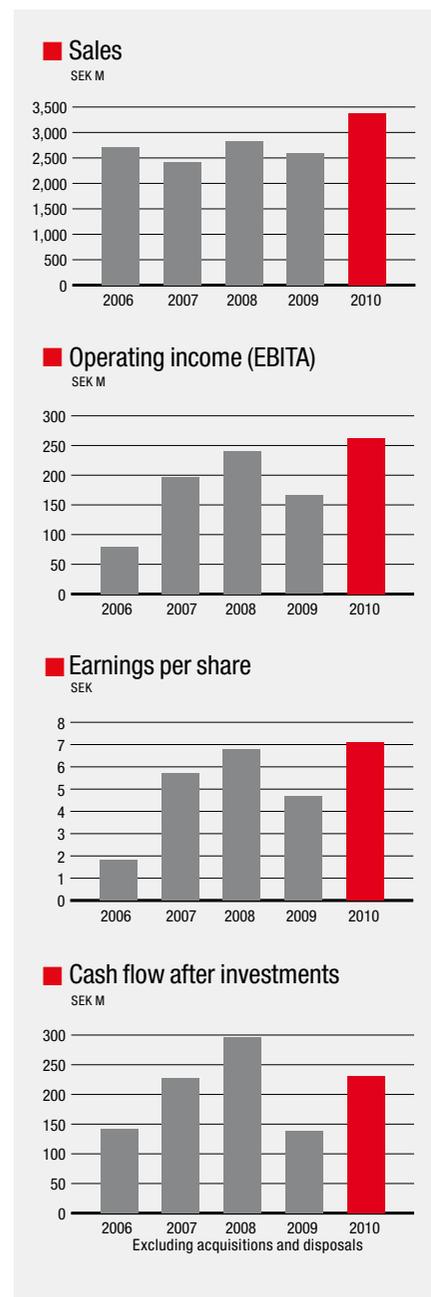
The proactive, forward-looking work carried out by our employees during the downturn of 2008/09 has proven to be decisive in terms of our competitiveness. The Group's strong financial position also helped us to survive the recession while retaining key competence and sufficient resources to enable us to respond quickly to our customers' increased demand when the recovery came.

This has ensured both quality and our ability to deliver, and has created even greater confidence among our customers.

→ *Read more in the CEO's comments on pages 6 – 7*

## Financial highlights

SEK millions (unless otherwise specified)	2010	2009
Net sales	3,375	2,602
Operating income (EBITDA)	407	343
Operating income (EBITA)	262	166
EBITA margin %	7.8	6.4
Income after financial items	243	148
Net income	187	123
Cash flow after investments, excl. acquisitions and disposals	230	139
Return on capital employed, %	18.4	12.1
Return on shareholders' equity, %	16.5	11.5
Net debt	34	40
Equity/assets ratio, %	50	51
Earnings per share, SEK	7.11	4.68
Adjusted earnings per share, SEK	7.37	4.90
Average number of shares, thousands	26,307	26,307
Average number of employees	7,563	4,308



## Contents

Nolato in brief ..... 4	<b>Directors' report</b>	<b>Financial reports</b>	<b>Shares and corporate governance</b>	<b>Key highlights</b>
The CEO's comments ..... 6	Sustainable development ..... 24	Consolidated reports ..... 36	Nolato's shares ..... 70	Five-year review ..... 82
The Nolato Group ..... 9	Social responsibility ..... 30	Parent Company reports ..... 42	Corporate governance ..... 72	Definitions ..... 83
Nolato Medical ..... 12	Risks and risk management .... 32	Notes ..... 45	Board and auditors ..... 78	Nolato terms ..... 83
Nolato Telecom ..... 16	General information ..... 34	Prop. distribution of earnings ... 68	Group Management ..... 80	Addresses ..... 84
Nolato Industrial ..... 20		Auditor's report ..... 69	AGM and calendar ..... 81	

# The Nolato Group in brief



## Nolato Medical

**Sales:** SEK 808 million (692)  
**Operating income (EBITA):** SEK 100 million (89)  
**EBITA margin:** 12.4% (12.9)  
**Employees (year average):** 664 (467)

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

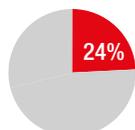
### The business area's units:

- Nolato Beijing Medical, China
- Nolato Cerbo, Trollhättan, Sweden
- Nolato Contour, Baldwin, Wisconsin, USA
- Nolato Hungary, Mosonmagyaróvár, Hungary
- Nolato MediTech, Hörby and Lomma, Sweden
- Nolato MediTor, Torekov, Sweden

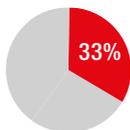
Sales offices in France, Norway, the Czech Republic and Germany.

### Customers include:

Large medical technology and pharmaceutical companies, e.g. Astra Tech, Coloplast, Gambro, Nonin, Novo Nordisk, Nycomed and Phadia.



Share of the Group's net sales



Share of the Group's operating income (EBITA)



## Nolato Telecom

**Sales:** SEK 1,575 million (1,090)  
**Operating income (EBITA):** SEK 122 million (86)  
**EBITA margin:** 7.7% (7.9)  
**Employees (year average):** 6,252 (3,295)

Nolato Telecom offers companies within the mobile phone sector design, development and production of components, complete products and specialist solutions, often with significant cosmetic content.

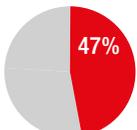
### The business area's units:

- Nolato Beijing, China
- Lövepac, Beijing and Shenzhen, China and Chennai, India
- Nolato Siilikonteknik, Hallsberg, Sweden, Beijing, China and Kuala Lumpur, Malaysia

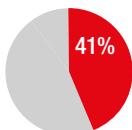
Sales and technology offices in Sweden, Taiwan and the US.

### Customers include:

Alcatel-Lucent, Ericsson, Huawei, Motorola, Nokia, Nokia Siemens Network, RIM and Sony Ericsson.



Share of the Group's net sales



Share of the Group's operating income (EBITA)



## Nolato Industrial

**Sales:** SEK 994 million (824)  
**Operating income (EBITA):** SEK 79 million (19)  
**EBITA margin:** 7.9% (2.3)  
**Employees (year average):** 642 (541)

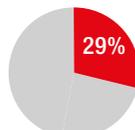
Nolato Industrial's operations are based on strong, individual entrepreneurial companies that develop and manufacture products in plastic and rubber for customers in the automotive industry, white goods, gardening/forestry, hygiene and furniture, as well as other selected areas.

### The business area's units:

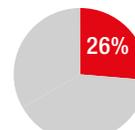
- Nolato Gota, Götene, Sweden
- Nolato Hungary, Mosonmagyaróvár, Hungary
- Nolato Lövepac, Skånes Fagerhult, Sweden
- Nolato Plastteknik, Gothenburg, Sweden
- Nolato Polymer, Torekov, Åstorp and Ängelholm, Sweden
- Nolato Sunne, Sunne, Sweden

### Customers include:

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



Share of the Group's net sales



Share of the Group's operating income (EBITA)

### 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.

### 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 information technology sector.

### Our business mission

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

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

### Our vision

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

### Our world

Nolato has development and production units in Sweden, China, Hungary, the US and India, and sales offices in France, Norway, the Czech Republic, Germany and Taiwan.

### Our operations

Nolato’s broad customer offering spans much of the value chain, encompassing concept proposals, materials expertise, product development, prototype production, purchasing additional components, verification, production, painting, decoration, assembly, testing and logistics.

### Our employees

The average number of employees in 2010 was 7,563. Of these, 88% were outside Sweden.

### Our values

Key values within Nolato’s operations include professionalism, profitability, customer focus, knowledge, innovative thinking, decentralisation, good organisation, sustainable development, social responsibility and integrity.



Injection-moulding of connectors for medical tubing.

# A strong year following a swift recovery

*Dear shareholders,*

2010 was a strong year for Nolato. In terms of income, this was the best year since the company was founded in 1938. The recovery following the global financial crisis was much quicker than expected, and both sales and income rose considerably.

All three of our business areas showed an improvement: Nolato Medical's sales rose by 17%, Nolato Telecom's by 44% and Nolato Industrial's by 21%.

The proactive, forward-looking work carried out by our employees during the downturn of 2008/09 has proven to be decisive in terms of our competitiveness. The Group's strong financial position also helped us to survive the recession while retaining key competence and sufficient resources to enable us to respond quickly to our customers' increased demand when the recovery came. This has ensured both quality and our ability to deliver, and has created even greater confidence among our customers.

Despite a good year, however, we will not allow ourselves to rest on our laurels. Instead, we will continue to strive for further improvements. By becoming even more innovative and proactive, we will offer our customers new technological and material solutions, ideally before they have even identified the need for these themselves.

## Optimum solutions for every customer

Nolato features a decentralised organisation, operating in three customer-focused business areas: *Nolato Medical*, *Nolato Telecom* and *Nolato Industrial*. The aim of this is to create the industry-specific conditions within 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 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.

Our three business areas are based on in-depth expertise within polymer technology, excellent project management and a high degree of efficiency within both production and logistics. This is what unites us, and it is here that we can draw on each other's experiences to find the optimum solutions for each individual customer.

## Continued expansion

Thanks to the acquisition of the US company Contour Plastics in July 2010, Nolato Medical now has an excellent geographical platform with production in Europe, Asia and North America. Our customers now see us as a reliable, long-term and global partner.

The work involved in integrating the company into Nolato Medical has gone extremely well, and we have started the process of transferring liquid silicone injection moulding technology – an area in which Nolato is the world leader.

Nolato Medical has also expanded in Sweden, beginning the large-scale expansion of the unit in Hörby during the summer. This expansion, which at the time of writing is just reaching completion, gives us the ideal conditions for continuing to grow within major system projects, featuring advanced development and large-scale production.

Our operations in Hörby, which previously focused mainly on liquid silicone injection moulding, are now being expanded to include plastic injection moulding, high-speed assembly of complex product systems, and development and project work relating to these activities.

## Strong growth

During 2010 Nolato Telecom had a consistently strong project portfolio, leading to strong growth in both sales and income.

The trend within the mobile phone sector,

whereby more and more phones consist of just a large touchscreen and a back section, has made it harder for manufacturers to differentiate the appearance of their products from those of their competitors.

Advanced, creative technologies within materials, cosmetic design and haptic technology have therefore become increasingly important.

In line with this, Nolato Telecom has developed technologies for unique design solutions and has positioned itself as a strong quality manufacturer of mobile phone components with significant cosmetic content. The aim is to be able to offer attractive solutions in a proactive manner that can be applied to future phone models, at a very early stage of manufacturers' product development processes.

## Strong recovery

Nolato Industrial, which was hit hard by the economic downturn in late 2008 and early 2009, showed a great improvement in 2010. Volumes have risen in virtually all customer segments, and market positions have been strengthened.

The business area has emerged from the recession even stronger and even more competitive. However, continuous improvement and efficiency measures continue unabated. After all, it is the companies' productivity in combination with a high level of technological content that results in Nolato Industrial's market successes.

During the year, a number of new customer projects went into production, including in market segments where we have not previously been active.

## Winding down operations in Kristianstad

Preparations have been made for the previously announced winding down of Nolato Alpha in Kristianstad during 2011, by transferring the company's remaining industrial and telecommunications products to other Group companies in Sweden.

This marks the end of an important chapter in Nolato's recent history. It was through the acquisition of Ericsson's plastics factory in Kristianstad in 1997 that our growth within the mobile phone sector began. At

that time – just over ten years ago – the Nordic region was the obvious choice as the best location for manufacturing high-tech mobile phones. The electronics industry flourished, and there was absolute faith in the future. In a short space of time, Nolato grew to become an important player within automated high-speed assembly of mobile phone shells, and many of Ericsson's innovative handsets were given their characteristic shape in Kristianstad.

Today, the situation is completely different. A high degree of automation has been replaced by flexibility and demands for ever faster model changes. The Nordic region has been replaced by Asia, and Kristianstad by Beijing. By listening to our customers and adapting quickly in line with changing conditions, Nolato has remained a key player in this segment.

### Sustainable development comes naturally to us

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 natural aspects of our business activities.

Over the course of the year, we have seen growing interest from various stakeholders in relation to these issues. We have therefore followed the criticism directed at certain major sub-suppliers to the mobile phone industry in China with great interest, and have carried out a thorough analysis of our own strengths and weaknesses in the light of this. We have reached the conclusion that most of what we do is done well and to a high international standard, but there are of course certain areas where further improvements are needed.

The certification of Nolato Beijing in China in accordance with OHSAS 18001 – the international standard for health and safety in the workplace – is an important step in this respect, not least since around 80% of our employees are now based in China.

### Focusing on the managers of the future

Nolato's decentralised organisation, in which decisions are made close to our customers, places tough demands on the Group's managers. In order to reinforce the supply of future leaders, another round of our Young Managers' Programme was launched in 2010. Around twenty young



Hans Porat  
President and CEO

employees who have demonstrated great promise and performed particularly well were offered the opportunity to spend a number of weeks completing basic training in external analyses, business acumen, strategy, finance, leadership, sustainable development and corporate culture.

I am firmly convinced that a business climate in which employees feel that they are able to influence, develop and progress within the company helps to create even better business.

### Strategic priorities

Now that 2011 has begun, we are well placed to face the future. Our financial position is strong, with net debt at the year-end of just SEK 34 million and an equity/assets ratio of 50%.

We have achieved the overall operational and strategic objectives that we set for 2010. The time has now come to step up our financial target in terms of operating margin from 7% to 8%. The target for return on capital employed remains at 15%, and the equity/assets ratio target remains at 35%.

Our overall strategic priorities for 2011 are as follows:

– We shall continue to develop Nolato

Medical's *global, customer-focused production platform*. Our objective is also to carry out an acquisition in Europe or to be involved in a major *outsourcing project*, whereby a customer outsources all or parts of its production to us.

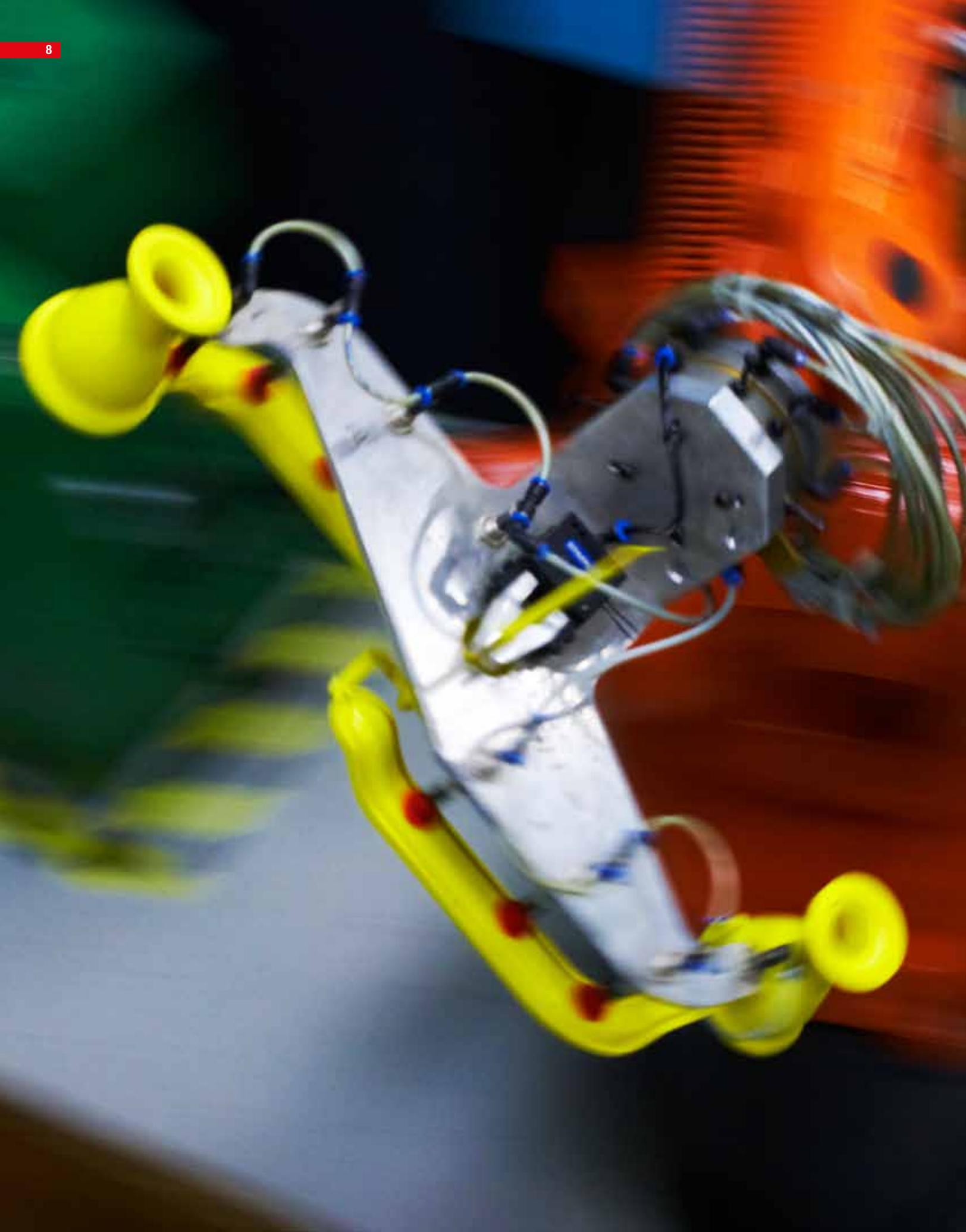
– We shall continue to build on Nolato Telecom's cutting-edge technology with *significant cosmetic content* while also striving to broaden our customer base.

– We shall progress Nolato Industrial's market positions even further through a continued focus on *technology, productivity and greater cost-effectiveness*. We will also start *manufacturing hygiene products in Romania*.

Finally, I would like to take the opportunity to thank all my colleagues within Nolato for their excellent work and commitment during 2010. Together, we will now continue our exciting journey into the future.

Torekov, March 2011

Hans Porat  
President and CEO



# The Nolato Group's business concept

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

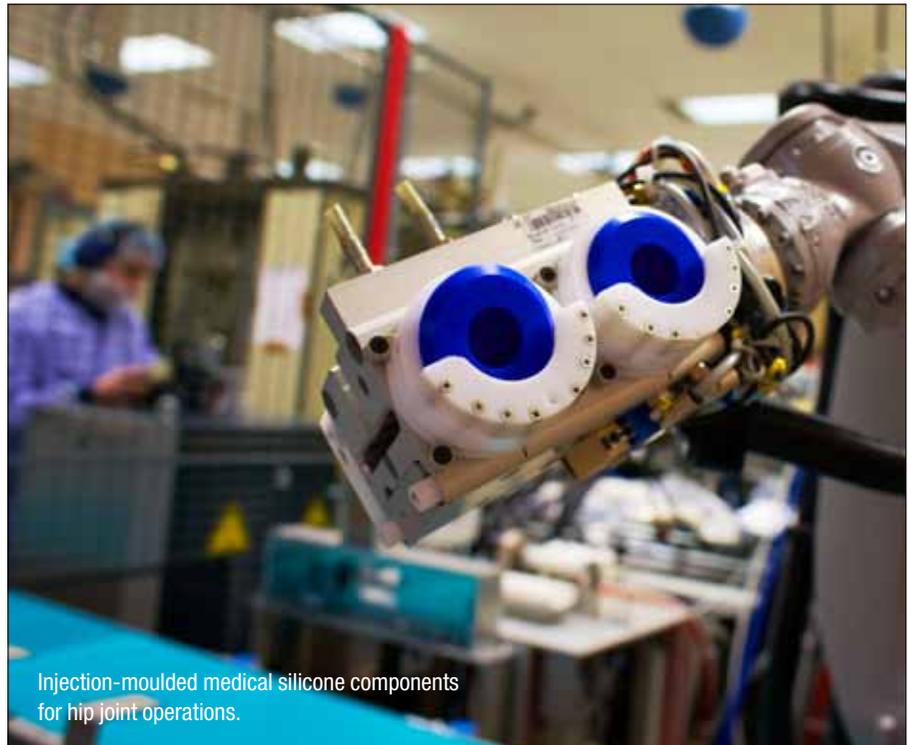
We develop and manufacture products including medical devices for treating asthma and diabetes (such as inhalers and insulin pens), plastic components for mobile phones (such as complete front and back sections, display windows and other specialist components) and components for industrial companies (such as packaging, interior fittings and vehicle components).

Nolato often gets involved at an early stage of customers' development work in order to optimise materials, design and production technology, thereby helping to improve its customers' profitability.

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

## Broad customer offering

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



Injection-moulded medical silicone components for hip joint operations.

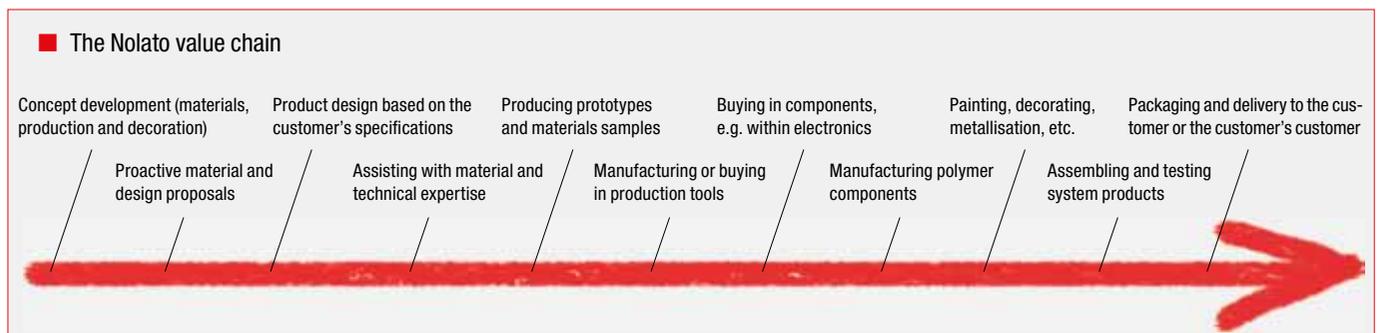
other selected areas. Our customers include companies such as Astra Tech, Coloplast, Ericsson, Flextronics, Huawei, Husqvarna, Nokia, Novo Nordisk, RIM, Sony Ericsson, SKF, Volvo and Volvo Car Corporation.

Our base technologies include injection moulding, injection blow moulding, dipping, extrusion and die-cutting. We also use a number of other technologies for processing and decoration, such as metallisation, painting and printing.

Our broad customer offering spans much

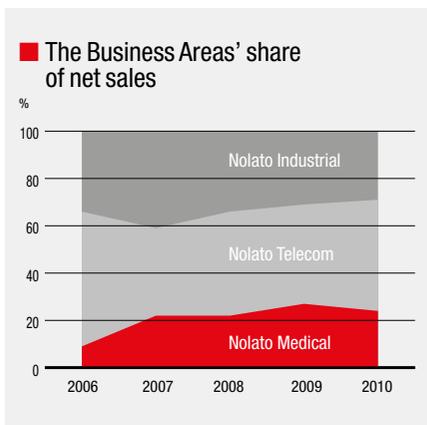
of the value chain, encompassing concept proposals, materials expertise, product development, prototypes, purchasing additional components, verification, production, painting, decoration, assembly, testing and logistics solutions.

Nolato Cerbo (pharmaceutical packaging), Nolato Polymer (standard range of plugs and protective caps) and Nolato Silikonteknik (methods and materials for shielding electronics) also sell standard products that have been developed in-house.





Injection-moulded safety casings.



### Business model and strategy

Nolato has a strong, customer-focused organisation. Our business model is based on close, long-term, innovative collaboration with our customers. Through an active exchange of experience and technological skills between the units within the Group, we create added value both for our customers and for ourselves.

A key element of our business strategy involves developing collaboration with our customers by focusing on each customer's individual circumstances and needs. We constantly strengthen and broaden our customer offering through investing proactively in the cutting-edge technology which our customers demand and gaining a better insight into the needs of our customers' customers.

Today, Nolato has a strong financial position, in-depth and broad expertise, and a highly developed and modern technology platform. Our production structure is both effective and flexible which, together with a business model in which decisions are made close to the market, ensures the ideal conditions for dealing quickly and effectively with changes in the world around us.

### Decentralised organisation

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

In order to create the optimal conditions for specialisation and close collaboration

with our customers, the Group is divided into three business areas: *Nolato Medical*, *Nolato Telecom* and *Nolato Industrial*.

With thorough knowledge of industry-specific circumstances and needs, each business area is able to provide exactly the kind of cutting-edge expertise, working methods and applications skills which its customers require and demand.

A more detailed description of Nolato's business areas can be found on pages 12–23.

### Sustainability and social responsibility

Ever since Nolato was founded in 1938, its operations have featured a down-to-earth combination of professionalism, ethics and environmental awareness. This means that the growing focus on sustainability issues and social responsibility that is now such a feature of both society and business is nothing new to us – it has always been a fundamental element of our business activities.

A description of our sustainability and social responsibility work can be found on pages 24–31.

### Quality

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

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

We also require that our suppliers have

effective systems and share our views when it comes to quality.

We continually record deviations and complaints and monitor quality measures such as customer satisfaction throughout the Group. Through Nolato's decentralised organisation, this work takes place as close to the relevant customer as possible.

Our quality work is also adapted according to the conditions that apply within each project area, meaning that a joint Group measurement within this field would be irrelevant.

Through continuous improvement, active quality work and technologically advanced production systems, we ensure that quality and delivery precision are in line with customers' expectations.

### Growth target

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

In 2010, all three business areas met this target.

Nolato Medical's sales were up 8% (adjusted for currency effects and acquisitions). According to estimates, growth in those market segments in which Nolato Medical operates is 5–10%.

Nolato Telecom's sales rose by 51% (excluding currency effects). This is considerably better than growth in the global mobile phone market, which according to IDC was 18%.

Nolato Industrial's sales rose by 21%. This is significantly higher than the increase in production within Swedish industry as a whole, which according to Statistics Sweden was 10%.

### Growth strategy

Nolato's growth strategy is based on creating organic growth within all business areas and further strengthening Nolato Medical's presence in Europe and America through acquisitions and through customers outsourcing their production.

Nolato Medical and Nolato Telecom's strategy is to be sensitive to customers' needs for production in new geographic markets, and Nolato Industrial shall grow primarily in its current Nordic and Central European markets. Selective acquisitions within Nolato Industrial may however be of interest if these bring new technology or new customer segments. ■

## Financial targets and target fulfilment

### Financial targets for 2010

The following financial targets were set by the Board for 2010:

- EBITA margin above 7%
- A return on capital employed above 15%
- Equity/assets ratio above 35%

### Target fulfilment in 2010

All financial targets were met for the 2010 financial year:

- The EBITA margin was 7.8%, which is 0.8 percentage points above the target
- The return on capital employed was 18.4%, which is 3.4 percentage points above the target
- The equity/assets ratio was 50%, which is 15 percentage points above the target

### Financial targets for 2011

The Board has set the following financial targets for 2011:

- EBITA margin above 8% (an increase of one percentage point compared with before)
- A return on capital employed above 15% (unchanged compared with before)
- An equity/assets ratio above 35% (unchanged compared with before)

These targets should be seen as average figures over the course of a business cycle.

The changed margin target is due to the growing proportion of medical technology, where the margin is normally somewhat higher than within the Group's other operations.

### EBITA margin



### Return on capital employed



### Equity/assets ratio



# Nolato Medical

## Acquisition of US plastics company strengthens global customer offering



### ■ Nolato Medical in brief

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

#### Market:

Nolato Medical's market consists of large, global medical technology and pharmaceutical companies. Its products are characterised by demanding development work, long product life-cycles and strict 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 US.

#### Examples of products:

Silicone anchors for pacemaker electrodes, plastic components for insulin pens, medical tubing and silicone products for incontinence aids, catheter balloons used in heart surgery, plastic and silicone components for inhalers used to treat asthma, pharmaceutical containers.

#### Customers include:

Astra Tech, Coloplast, Gambro, Nonin, Novo Nordisk, Nycomed, Phadia.

#### Competitors include:

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

#### Geographic information:

Development and production in Sweden, China, Hungary and the US. Sales offices in France, Norway, the Czech Republic and Germany.

#### The business area's units:

**Nolato Beijing Medical** Beijing, China.

Senior Manager Johan Jeppsson

**Nolato Contour** Baldwin, Wisconsin, USA.

MD Barry Grant

**Nolato Cerbo** Trollhättan, Sweden.

MD Glenn Svedberg

**Nolato Hungary** Mosonmagyaróvár, Hungary.

MD Johan Arvidsson

**Nolato MediTech** Hörby and Lomma, Sweden.

MD Johan Iveberg

**Nolato MediTor** Torekov, Sweden.

MD Anders Ekberg

#### Financial highlights:

**Sales:** SEK 808 million (692)

**Operating income (EBITA):** SEK 100 million (89)

**EBITA margin:** 12.4% (12.9)

**Employees (year average):** 664 (467)

#### Head of Business Area:

Christer Wahlquist

Nolato Medical operates in a market consisting of large, global customers, primarily within medical technology and pharmaceuticals. Its operations are characterised by long development processes, product life cycles that span many years, and strict requirements in terms of quality, traceability and safety.

#### Significant events in 2010

The US company Contour Plastics was acquired on 23 July. The company, which has been renamed Nolato Contour, strengthens Nolato Medical's customer offering and provides a good presence in the North American market.

The purchase price was SEK 165 million. The Company recorded sales for 2010 of SEK 179 million, with a pro forma EBITDA margin of 13%. The acquisition has brought an additional SEK 80 million in sales during the period Nolato has owned the company, and has had a marginal positive effect on earnings per share.

The process of transferring liquid silicone injection moulding expertise and technology from Nolato Medical in Europe to Nolato Contour in the US has begun.

The expansion of Nolato Medical's existing factory in Hörby, in order to create the optimum opportunities for contin-

ued growth, began during the summer. The 3,700 m<sup>2</sup> extension will include new clean rooms for medical technology production, and will be gradually brought into use during the first half of 2011. The premises are rented from Hörby Municipality's property company, which is also responsible for the enlargement work.

During 2010, Nolato Medical's Technical Design Center has been expanded to create better opportunities for assisting large customers with their product development.

A decision was made during the autumn to create a niche company for extrusion and dipping and for small-volume injection moulding, by hiving off Nolato MediTech's operations in Torekov on 1 January 2011 to form a separate company, Nolato MediTor.

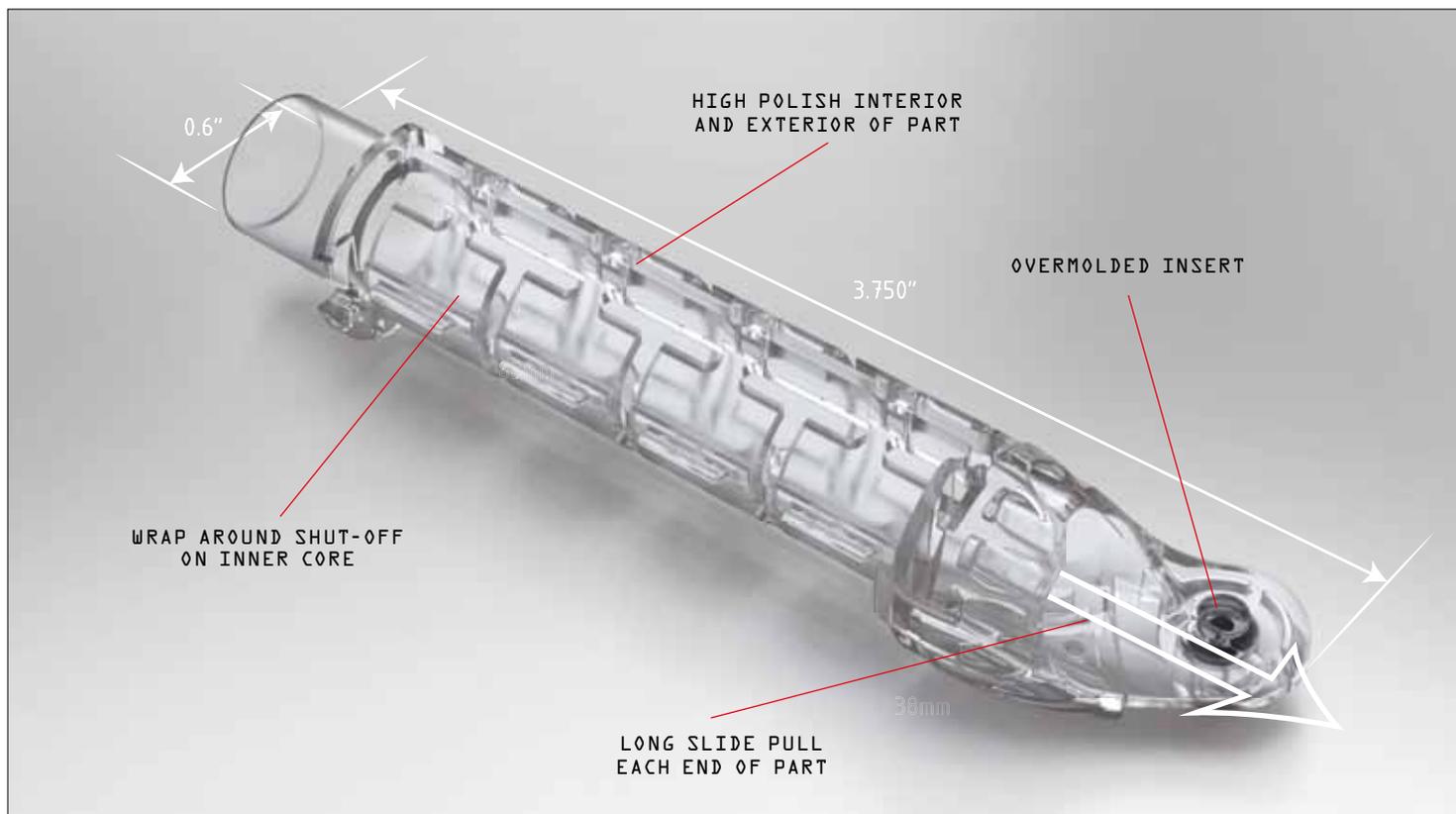
#### Sales and income

Sales rose to SEK 808 million (692), corresponding to growth of 17%. Organic growth was 5%. Excluding currency conversion effects and acquisition effects, growth was 8%. Operations have developed very much in line with market growth.

Operating income (EBITA) rose to SEK 100 million (89). The EBITA margin was 12.4% (12.9). This margin was affected by continued investments in project resources and technical resources, and by the acquisition.



Components injection-moulded in liquid silicone.



## The business area's operations

### Medical technology

Within this area, Nolato Medical develops and manufactures polymer products and product systems for applications such as drug delivery, treating diabetes and asthma, analysis/diagnostics and self-care.

These operations require particular insight into the specific circumstances which determine customers' needs, with risk analyses, quality assurance, sound expertise and an understanding of complex medical processes being absolutely essential.

Product development often takes several years, but the completed products have long lifecycles – in some cases almost twenty years.

Nolato Medical has a broad technological offering, including 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 carried out in hygiene rooms and clean rooms, with extremely strict requirements in terms of quality, trace-

ability and safety. Development and production take place in Sweden, Hungary, the US and China.

### Pharmaceutical packaging

This area includes the development and production of primary plastic pharmaceutical packaging. Nolato is the Scandinavian market leader, and also sells packaging to the rest of Europe and, to a certain degree, to the Middle East and North Africa.

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, containers must be easy for consumers to open. Nolato Medical works closely alongside various professional associations and research centres to develop the packaging of the future, which works for people of different ages and with varying physical circumstances.

Production is carried out in hygiene rooms, with strictly controlled conditions. Development and production are carried out in Sweden. The product range includes both standard products and customer-specific packaging.

## ■ Examples of products

### Medical devices

Injection-moulded, decorated plastic components, injection-moulded silicone components, extruded tubing and components dipped in latex.

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



### Pharmaceutical packaging

Injection blow moulding of primary pharmaceutical packaging in plastic.





## Nolato Medical grows through acquisition in the US

As part of the Nolato Group's strategic focus on medical technology, Nolato acquired the US company Contour Plastics in Baldwin, Wisconsin on 23 July 2010. The purchase price was SEK 165 million.

The company, which changed its name to Nolato Contour as part of the acquisition, recorded sales for 2010 of SEK 179 million, with a pro forma EBITDA margin of 13%. Nolato Contour has around 180 employees. Its premises are 9,000 m<sup>2</sup> in size, with clean rooms accounting for 700 m<sup>2</sup>.

The business area's strategic plan is based on having separate units in Europe, Asia and North America, allowing it to offer its customers a global production structure that is close to both their development units and their delivery addresses.

The work to integrate the company into the Nolato Group began in the autumn. This includes broadening Nolato Contour's technological offering with the addition of liquid silicone injection moulding technology – an area in which Nolato is the world leader.

Starting this production in the US brings additional promising market opportunities for Nolato Medical.

## Market

The global medical technology market has been estimated at SEK 2,000-2,500 billion per year, with annual growth of 5–10%.

An aging and growing population, combined with rising prosperity in growth countries, is creating ever greater global pressure on all players within the healthcare sector. At the same time there are growing demands for savings, leading to additional price pressure from the authorities and hence an ever larger proportion of self-care. Hospitals are becoming emergency and diagnosis centres, while the actual care increasingly takes place in the home.

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

These products are also becoming increasingly complex, with integrated electronics. This brings new requirements, but also creates new opportunities for Nolato Medical to broaden its business by offering customers additional support during the development phase. Here, the Nolato Group's experience and expertise from the development and production of similar products for the mobile phone sector are a real benefit.

Requirements from the field of healthcare to make savings lead to demands for improving efficiency throughout the entire

process. Medical technology companies are therefore increasingly choosing to concentrate on their core expertise, resulting in them outsourcing some of their product development, production and assembly to subcontractors, creating new business opportunities for Nolato Medical.

Companies are also making greater demands in terms of their suppliers' size, global presence and opportunities for parallel production flows. This is leading to a consolidation, with smaller, local suppliers being eliminated or taken over, while larger, global companies advance their market positions.

## Nolato's market position

### Medical technology

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

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



Manufacturing catheter balloons for heart surgery by dipping in liquid latex.

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

**Pharmaceutical packaging**

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

**Continued development**

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

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

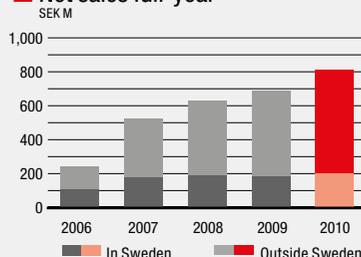
The geographic platform will continue to be strengthened through increasing production capacity in low-cost countries, transferring technology to the company acquired in the US, and acquisitions in Europe.

Within pharmaceutical packaging, the strategic plan involves a broadened product platform and a sharper international focus. ■

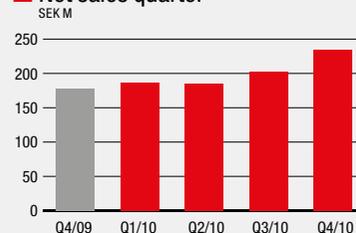


**Nolato Medical: five-year review**

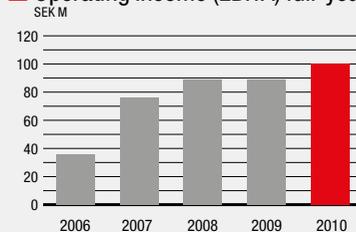
■ Net sales full-year



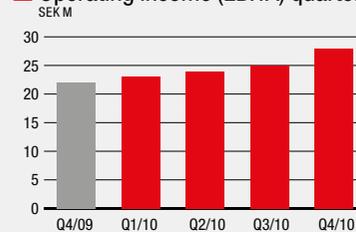
■ Net sales quarter



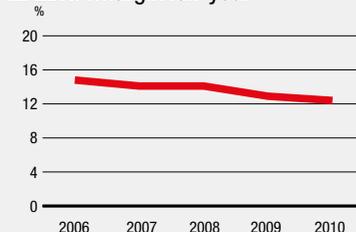
■ Operating income (EBITA) full-year



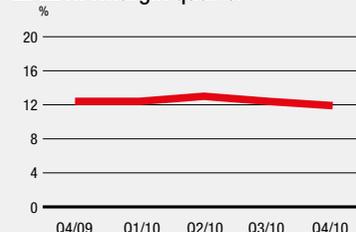
■ Operating income (EBITA) quarter



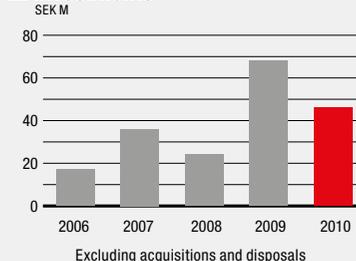
■ EBITA margin full-year



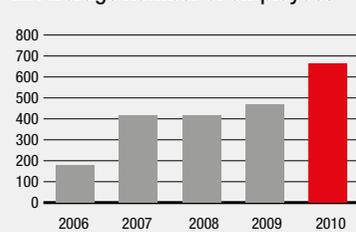
■ EBITA margin quarter



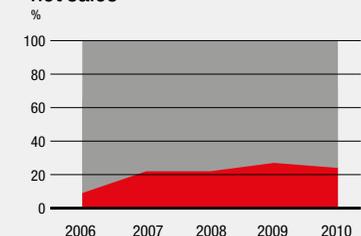
■ Investments



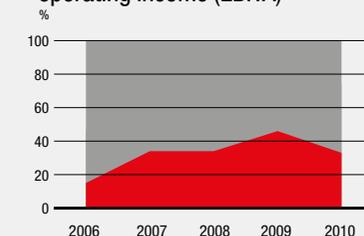
■ Average number of employees



■ Share of Group's net sales



■ Share of Group's operating income (EBITA)



# Nolato Telecom

## Focusing on cosmetic design and setting up in India



### ■ Nolato Telecom in brief

Nolato Telecom offers companies within the mobile phone sector design, development and production of components, complete products and specialist solutions, often with significant cosmetic content.

#### Market:

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

#### Examples of products:

The external, visible parts of a mobile phone. Display windows and camera windows. Die-cut, self-adhesive components such as logos and speaker protection. Shielding electronics.

#### Customers include:

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

#### Competitors include:

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

#### Geographic information:

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

#### The business area's units:

**Nolato Beijing** Beijing, China.

MD Jörgen Karlsson

**Lövepac** Beijing and Shenzhen, China and Chennai, India.

MD Dan Wong

**Nolato Silikonteknik** Hallsberg, Sweden, Beijing, China and Kuala Lumpur, Malaysia.

MD Anders Ericsson

#### Financial highlights:

**Sales:** SEK 1,575 million (1,090)

**Operating income (EBITA):** SEK 122 million (86)

**EBITA margin:** 7.7% (7.9)

**Employees (year average):** 6,252 (3,295)

#### Head of Business Area:

Jörgen Karlsson

Nolato Telecom operates in a market featuring a few large, global customers within the mobile phone sector. These companies have extremely high demands in terms of their suppliers' technology and their expertise and resources for dealing with extremely short development times and quick production start-ups.

#### Significant events in 2010

The work to form strategic networks with complementary suppliers within the mobile phone sector has been intensified. The aim of this clustering strategy is to reduce technological interfaces and offer our customers integrated solutions.

A sales office has been opened in Taipei in order to be closer to Taiwanese customers.

Lövepac has moved to new, larger premises in Shenzhen and Beijing, and has started to make deliveries from the new factory in Chennai, India.

Nolato Telecom's offering of its own technologies for cosmetic effects has been expanded even further. The company has also introduced new technology for laminating touchscreens. This new technology ensures very low reject levels, which is important in this type of production.

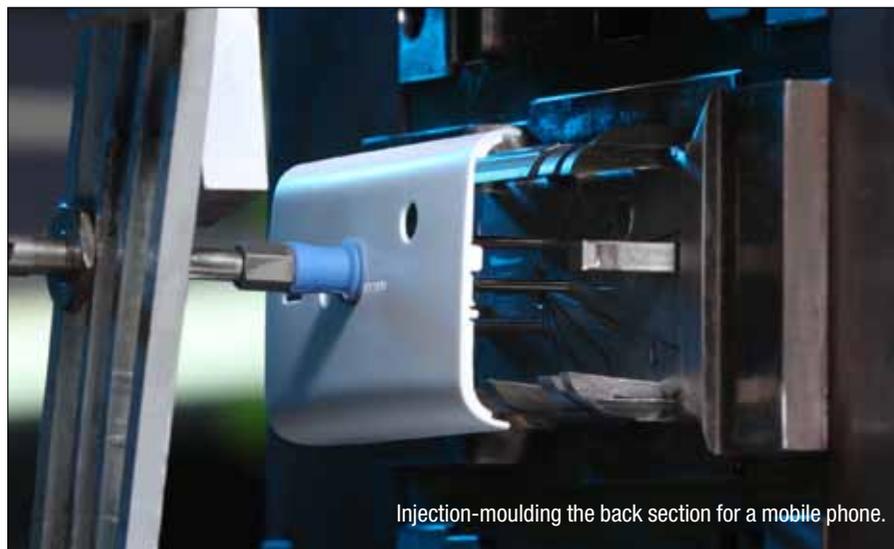
Nolato Silikonteknik has launched extruded shielding components. This brand new product family has interesting properties and is expected to bring excellent development opportunities.

#### Sales and income

Sales rose by 44% to SEK 1,575 million (1,090) as a result of a generally strong product portfolio and onward sales of components (touchscreens) worth approximately SEK 200 million. Excluding currency conversion effects, sales rose by 51%.

Volumes were high as a result of customers building up stocks in connection with product launches, particularly during the first six months. This meant that the normal seasonal variation, involving a weaker first six months, did not apply during 2010.

Operating income (EBITA) rose to SEK 122 million (86). The EBITA margin was 7.7% (6.5 excluding non-recurring items). With the exception of the fourth quarter, new products and high levels of capacity utilisation have had a positive impact on the margin compared with 2009, while a higher proportion of components has had the opposite effect.



Injection-moulding the back section for a mobile phone.



**The business area's operations**

**Subsystems for mobile phones**

Products for mobile phones dominate Nolato Telecom's operations, which include the development and production of complete mechanical modules and specialist components, such as mobile phone windows with a high degree of scratch resistance.

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

This sector features intensive product development, extremely short lead times and short product life spans, placing tough demands on suppliers' technology, project management and ability to deal with fast changeovers.

A global project management organisation enables Nolato Telecom to work closely with its customers, often on-site at their development centres around the world.

Production takes place in Beijing, China.

**Die-cut, adhesive components**

Within this area, Nolato Telecom focuses on

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

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

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

**Shielding**

This area involves developing process solutions and material solutions for shielding electronics, including in mobile phone network base stations.

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

The development and production of shielding materials takes place mostly in Sweden, and to a lesser extent in China and Malaysia.

**Examples of products**

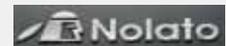
**Subsystems for mobile phones**

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



**Die-cut adhesive components**

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



**Shielding**

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



## Lövepac Converting sets up in India



Shridhara E.C.

Lövepac Converting's new factory in Chennai, India, manufactures small die-cut, adhesive components for mobile phones, including logos and speaker meshes for the Indian market.

India is the world's fastest growing mobile phone market. Between 2009 and 2010, the number of subscribers rose by 30% to 720 million.

## Stricter requirements with transmitters in masts



One strong desire from mobile phone network manufacturers is that it should be possible to position the base stations high up on the masts. This leads to tougher demands in terms of shielding electronics, not only to reduce the risk of interference between different electronic units arising due to units being packed increasingly tightly into the ever small base stations, but also to prevent dirt and moisture from affecting the equipment. In 2010, Nolato Silikonteknik developed a new type of extruded gasket that meets these specific requirements.

## Market

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

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

This trend means that customers are demanding more in terms of the materi-

als and design of high-end phones. Creative uniqueness when selecting materials and cosmetic effects has therefore become increasingly important.

## Nolato's market position

Sub-suppliers within the mobile phone sector can be split up into three main groups:

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

A large proportion of the volumes within the mobile phone sector is therefore dealt with by a few global vertical integrators,

## Developing our own, productised technologies



### Nolato SurfaceTech

With Nolato SurfaceTech, the surfaces of mobile phones can be given complex structures, optical effects, texture and depth.



### Nolato ImageTech

Nolato ImageTech can give smaller runs of mobile phones a unique appearance, for example for special campaigns, applying an operator's brand, or colours and patterns to match a company's profiling.



### Nolato LogoTech

Nolato LogoTech offers new and exciting opportunities for innovative, decorative, environmentally friendly and cost-effective solutions for applying logos.



### Nolato ClearTech

Nolato ClearTech creates mobile phone windows with outstanding mechanical and optical properties. These windows feature first-rate functionality, and are highly resistant to mechanical damage.



### Nolato ACM (Acoustic Cosmetic Modules)

By protecting components such as the speaker using Nolato's cosmetic mesh modules, a mobile phone can be given the desired appearance right down to the smallest detail, without having to compromise on functionality.

which can offer a global presence, a comprehensive technology offering, low production costs and resources for producing extremely large volumes.

Compared with these, Nolato Telecom is a small player. We focus mainly on the upper segment of the market, and differentiate ourselves through technological cutting-edge expertise within fields such as developing mechanical components with significant cosmetic and haptic content. Nolato's global market share is only a few percent, which varies depending on whether this is calculated by the number of units produced or by value.

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

**Continued development**

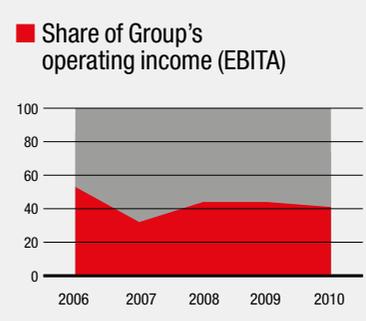
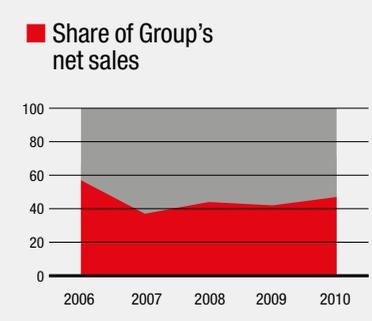
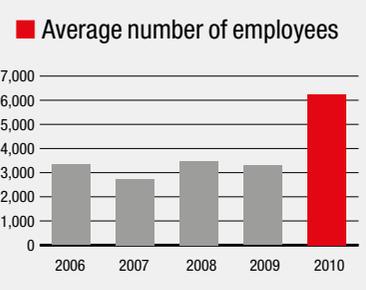
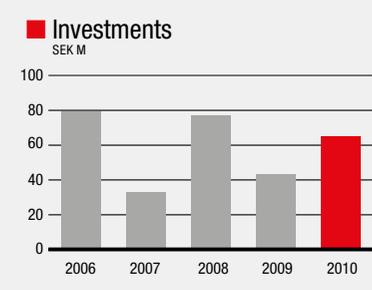
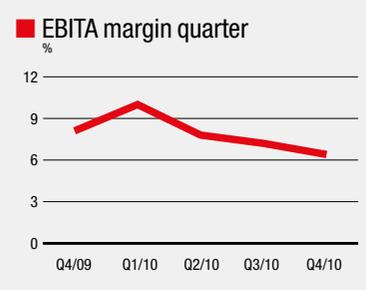
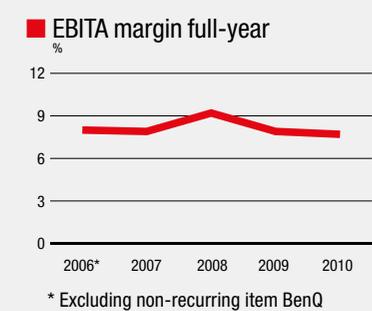
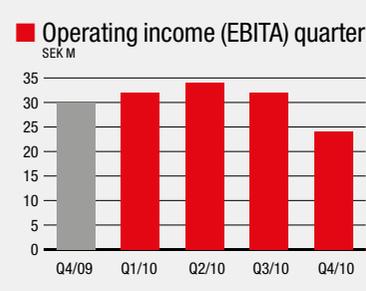
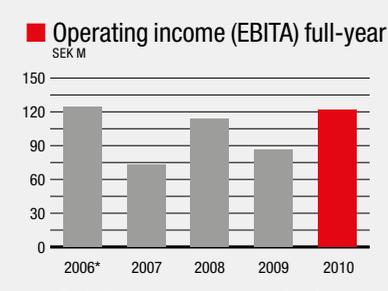
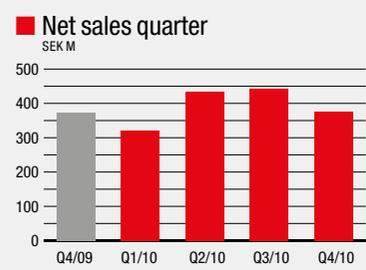
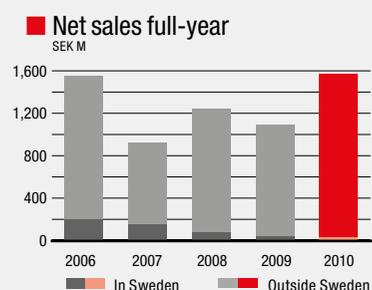
The design trend within mobile phone manufacturing is heading towards fewer components, but with more added value per component.

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

The strategy is not to be a high-volume manufacturer, but to be the best technology supplier and to offer our customers clearly differentiated products. ■



**Nolato Telecom: five-year review**



# Nolato Industrial

## Increased demand and a stronger market position



### ■ Nolato Industrial in brief

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

#### Market:

Nolato Industrial's market is fragmented and diversified, with a large number of customers and a large number of suppliers. The companies within Nolato Industrial enjoy a strong position in the Nordic region and parts of Central Europe.

#### Examples of products:

Packaging, gaskets, flush fittings, caps, fuel hoses, components for white goods, transport tracks.

#### Customers include:

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

#### Competitors include:

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

#### Geographic information:

Development and production in Sweden and Hungary.

#### The business area's units:

**Nolato Gota** Götene, Sweden.

MD Peter Holterberg (from January 2011)

**Nolato Hungary** Mosonmagyaróvár, Hungary.

MD Johan Arvidsson

**Nolato Lövepac** Skånes Fagerhult, Sweden.

MD Henrik Enoksson (from January 2011)

**Nolato Plastteknik** Gothenburg, Sweden.

MD Magnus Hettne

**Nolato Polymer** Torekov, Åstorp, Ängelholm, Sweden.

MD Anders Willman

**Nolato Sunne** Sunne, Sweden.

MD Bo Norlin

#### Financial highlights:

**Sales:** SEK 994 million (824)

**Operating income (EBITA):** SEK 79 million (19)

**EBITA margin:** 7.9% (2.3)

**Employees (year average):** 642 (541)

#### Head of Business Area:

Hans Porat

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

The market is fragmented and diversified, consisting of a large number of customers and a large number of suppliers.

#### Significant events in 2010

The dramatic improvement in the industrial business cycle has led to an increase in demand.

In Hungary, the production of components for a new product segment has begun. A decision has been made to increase capacity, and to move this production to a new factory in Romania. Manufacturing is expected to get underway during the third quarter of 2011.

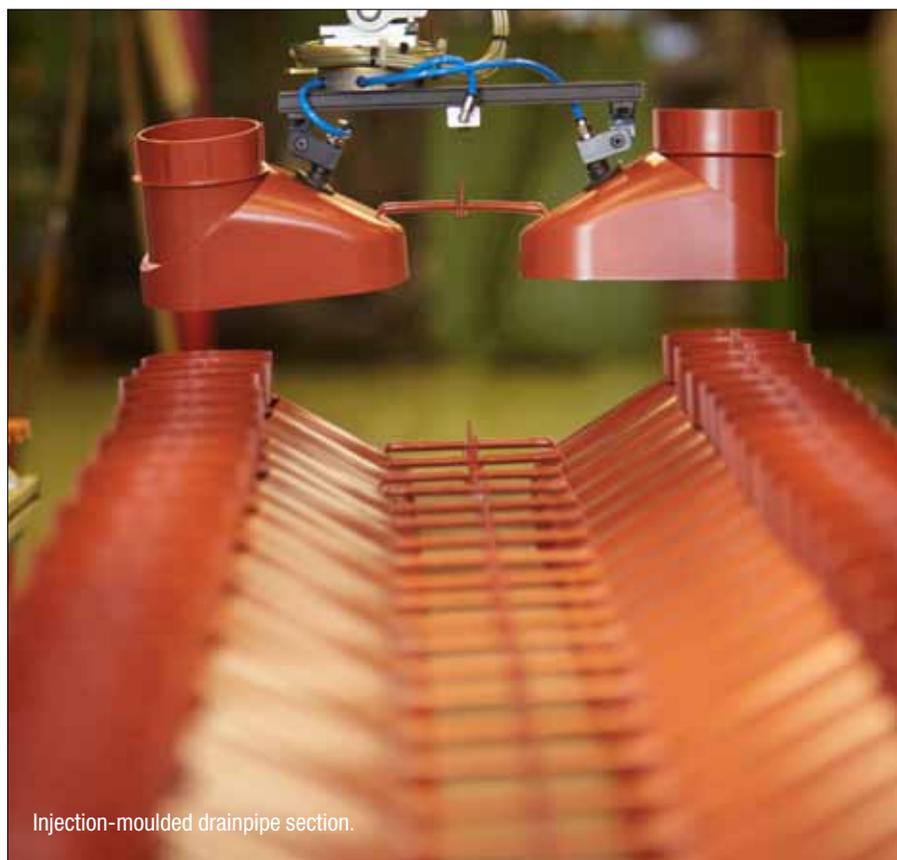
Increased demand has also resulted in investing in greater production capacity for Nolato Plastteknik and Nolato Polymer.

#### Sales and income

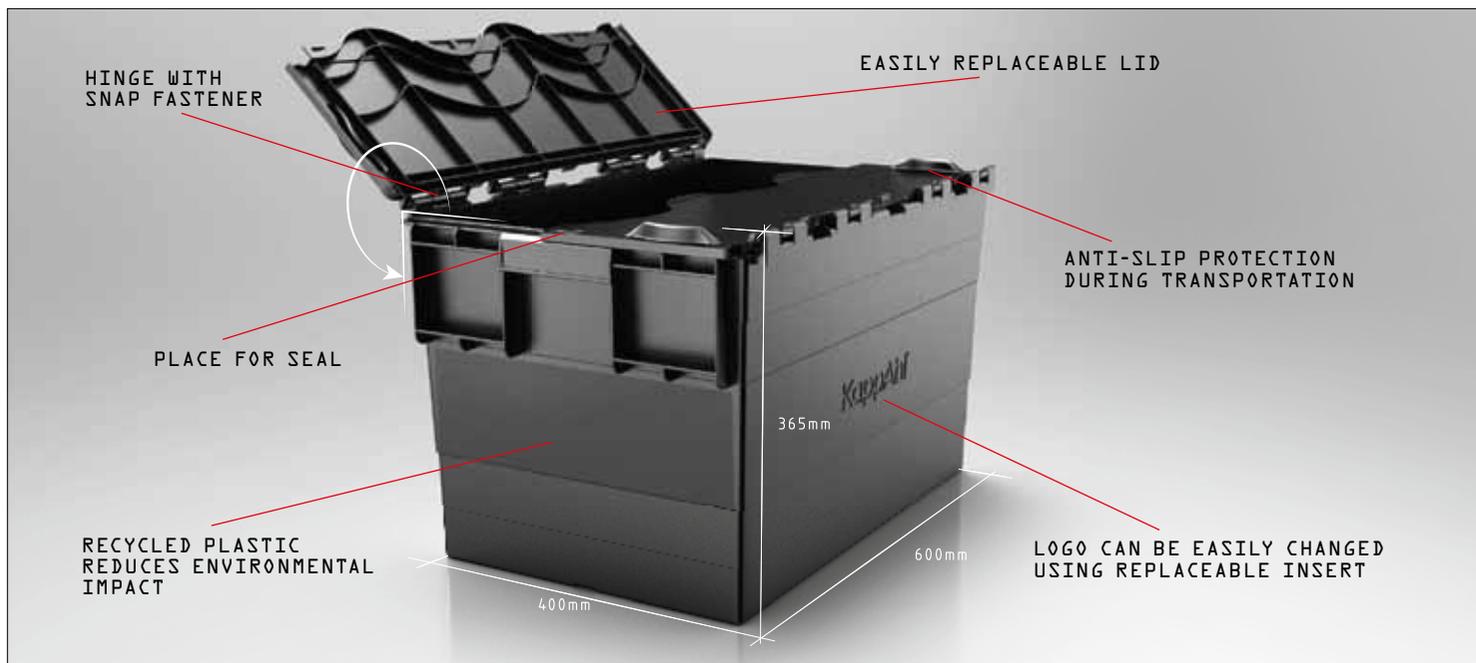
Sales rose by 21% to SEK 994 million (824). Demand has gradually risen within most customer segments, albeit from low levels in 2009. A focus on new projects and new market segments has also had a positive impact on sales.

Operating income (EBITA) was SEK 79 million (31 excluding non-recurring items), with an EBITA margin of 7.9% (3.8 excluding non-recurring items).

High levels of capacity utilisation, new products and the full effect of earlier restructuring measures have had a positive impact on the margin.



Injection-moulded drainpipe section.



### The business area's operations

The business concept is based on strong, individual entrepreneurial companies – five in Sweden and one in Hungary – which create business opportunities both individually and in cooperation with each other.

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

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

Operations are aimed mainly at larger industrial companies which attach great importance to development expertise, accurate deliveries, production capacity, quality and capacity for turnkey solutions.

#### White goods, gardening/forestry, hygiene and packaging

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

Within the *gardening/forestry* customer area, products include casings, gaskets and fuel systems for chainsaws.

Within *hygiene*, large volumes of consumer products are supplied. Production is carried out mainly in Hungary, but also in Sweden.

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

#### Automotive industry

The automotive industry, in which Nolato Industrial is both a tier-one supplier and a tier-two supplier, accounts for more than a quarter of the business area's sales.

Examples of products include gaskets, oil traps, membranes, filter holders, side valances, interior components and specialist fuel system tubes.

#### Other industry

This area primarily includes customers located close to the company in question. Here, too, there are large global companies with significant purchasing operations and large volumes, but there are also a number of medium-sized and small companies. Customer relationships tend to be long term, featuring joint technological development and ongoing production.

### Examples of products

#### White goods, gardening/forestry, hygiene and packaging

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



#### Automotive industry

Brake components for heavy vehicles, gaskets for engines and exhaust systems, oil suction pipes, fuel hoses, membranes for crankcase ventilation, battery boxes with sintered thread boxes, ducts, damping, runners, fuel gaskets.



#### Other industries

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





The crate undergoes tough conditions.

## Custom-made crates for improved cost-effectiveness

*KappAhl is one of the Nordic region's leading fashion chains, and transports large quantities of clothing from a central warehouse to its stores in Sweden, Norway, Finland, Poland and the Czech Republic.*

*This clothing was previously packed into standard crates that were purchased from France. These crates were expensive, and if the lids were damaged, replacing them was a time-consuming process.*

*In order to achieve a better solution, KappAhl decided to produce crates that were custom-made for its own operations. The job was awarded to the consultancy firm Elator, which chose Nolato to carry out materials development and production.*

*Key requirements were that the crate had to have a lid that could be easily replaced if it was damaged, and that every lid needed to fit every crate. The new crates also had to cost less, have a low environmental impact – both during production and at end-of-life – and be compatible with the old crates.*

*The new crates were made from recycled polypropylene, and have proven effective in the tough conditions during transportation to the company's shops.*

## Market

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

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

The degree of differentiation within the Nordic region is just as strong as elsewhere in Europe. There are over 700 manufacturers of polymer products in Sweden, of which just under two thirds have fewer than five employees. Within plastic injection moulding, Nolato has around thirty Swedish competitors with sales of more than SEK 30 million. Nolato's companies are among the largest in the market.

The market as a whole experienced an upturn during 2010 following the dramatic downturn of 2009. According to Statistics Sweden, industrial production in Sweden rose by 10% and automotive production by 36% compared with 2009. The market trend is heading towards increased use of

plastic as a replacement for metal, particularly within the automotive industry, where weight is of great importance.

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

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

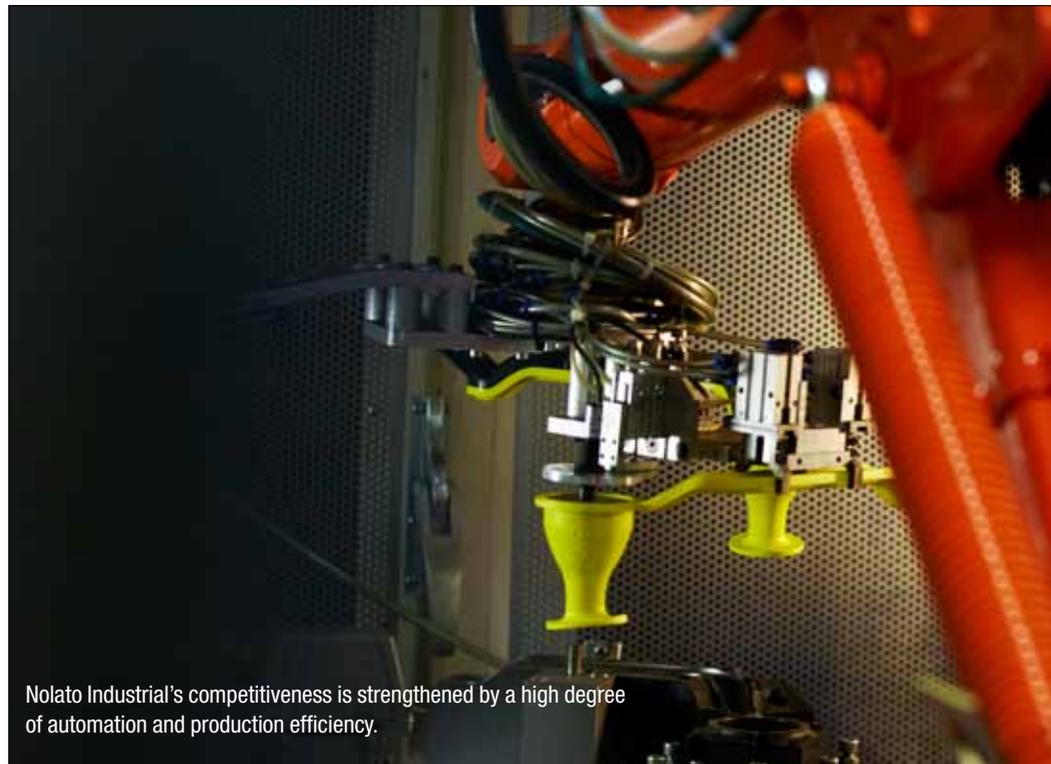
The biggest risk in the market is that the larger customer companies will transfer their production to low-cost countries, looking for new, local suppliers there.

## Nolato's market position

Nolato Industrial is the Swedish market leader, with a market share of around 25% of business with those supplier companies with sales of over SEK 30 million.

In Hungary, Nolato Industrial has a strong position as a quality supplier of products mainly within the hygiene segment.

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



Nolato Industrial's competitiveness is strengthened by a high degree of automation and production efficiency.

employees, helps to create a stable market position.

**Continued development**

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

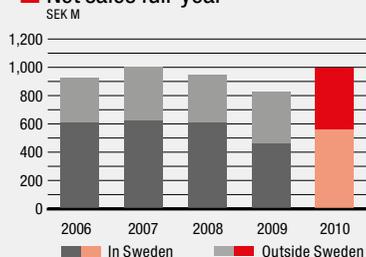
Nolato Industrial's combined strength is also of great importance, and the aim is to continue to take advantage of shared resources. Examples of this include joint purchasing, distribution of work and cooperation between different units, as well as clusters for customer groups or large customers. At the same time, it is important to safeguard each individual company's entrepreneurship, since this is where business is generated and, together with accurate product estimates, profitability is created.

Nolato Industrial continues to focus sharply on the Nordic market and Nordic customers' exports. Growth will mainly 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. ■

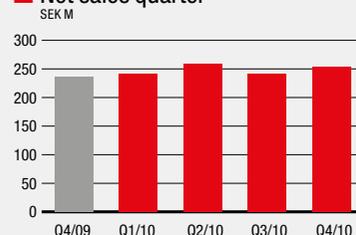


**Nolato Industrial: five-year review**

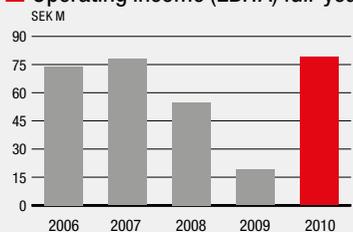
■ Net sales full-year



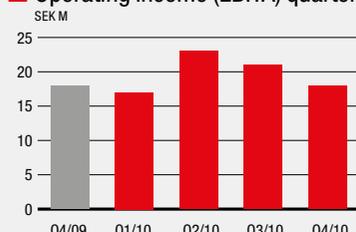
■ Net sales quarter



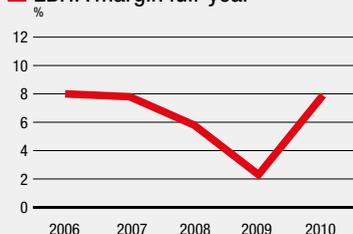
■ Operating income (EBITA) full-year



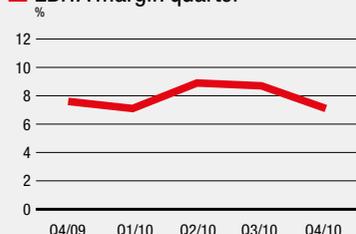
■ Operating income (EBITA) quarter



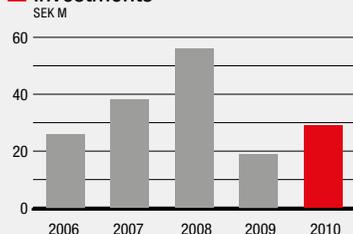
■ EBITA margin full-year



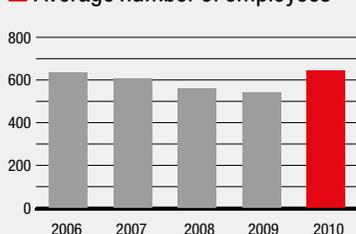
■ EBITA margin quarter



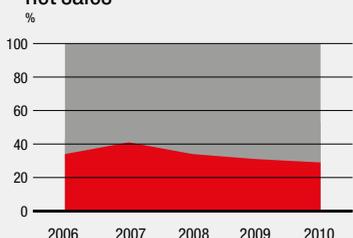
■ Investments



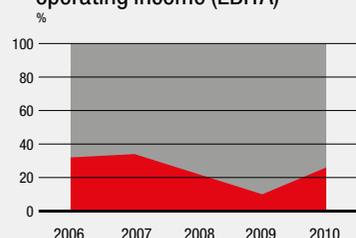
■ Average number of employees



■ Share of Group's net sales



■ Share of Group's operating income (EBITA)



## Directors' report

# Our sustainability work

Nolato has strong core values, which have evolved from the down-to-earth, ethical and professional philosophy that has characterised the company ever since it was founded in 1938.

In order to convey the values, principles and attitudes that make up these core values, the Group has five fundamental value and policy documents.

Nolato's Basic Principles			
Code of Conduct	Environmental Policy	Quality Policy	Information Policy

Nolato's Basic Principles make up the common platform for all Group operations. These core values are concretised in our Code of Conduct and our three main policies, which are mandatory for all the Group's employees – wherever they work, and whatever their role.

We also require our suppliers and partners to apply the same values and principles.

### The UN's Global Compact

In order to reinforce the work relating to our core values, we signed up to the UN's Global Compact – an initiative containing ten principles relating to the environment, working conditions, human rights and anti-corruption measures – in 2009.

During 2010, Nolato published its first annual report for the UN, in which it detailed the Group's work to comply with these principles.

### GRI reporting

Since 2008, the Group's sustainability performance has been reported on in accordance with the GRI (Global Reporting Initiative) guidelines. The aim of the GRI is to create uniform, comparable sustainability reporting, making it easier to assess and compare organisations from a social, environmental and financial perspective. We report at level B in accordance with the GRI.

→ Read more about our sustainability work at [www.nolato.com](http://www.nolato.com)

### Strategy and environmental targets

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

#### Integration with business operations

Sustainability work is essential for good business operations. Considerations relating to sustainable development are therefore taken into account when making investments and acquisitions, in our relationships with customers and suppliers, in our communication and when developing environmentally friendly products.

#### Systematic work

We work in accordance with the basic principle of "what gets measured gets done". Nolato therefore has a comprehensive system to gather in data within the field of sustainability, and then follow up what is done.

This also includes an environmental management system, which is certified by external organisations. In addition, suppliers are systematically evaluated.

#### Openness and dialogue with stakeholders

Openness and transparency have long been a matter of course for Nolato. This includes our sustainability reporting and our dialogue and contact with various stakeholders.

#### Target-oriented activities

Improvement work within the Group is based on the environmental targets set within the framework of the environmental management systems.

In order to guide our continuous improvement work, Nolato set the following Group-wide targets ahead of 2011.

Group-wide targets		
Area		Overall targets
Environmental responsibility	Energy and climate	Energy consumption and emissions of greenhouse gases shall be reduced in relation to the Group's key ratios. As an intermediate target, every unit shall report energy targets for 2011 and carry out at least one energy efficiency project during the year.
	Chemicals	Chemicals that are particularly hazardous to the environment or health shall be identified and phased out.
	Waste	The amount of waste produced shall be reduced in relation to the Group's key ratios. As an intermediate target, every manufacturing facility shall report waste targets for 2011 and carry out at least one waste-related project during the year.
	Environmental management systems	Certified environmental management systems shall be introduced at all units. Company acquisitions and other changes may, however, mean that there are units at times that are not certified.
	Environmentally-friendly products	During 2011, Nolato shall take part in at least three projects aimed at reducing the environmental impact of new or existing products. These projects shall be carried out under Nolato's own management and/or together with customers or other partners.
Social responsibility	Safe workplaces	Continued preventive work shall minimise the number of workplace-related accidents and illnesses. The reporting of incidents (near misses) at production units shall be improved.
	Ethical and compassionate principles	There shall be no cases of infringements of human rights, discrimination or forced labour. Active information shall continue to be provided to employees and new employees.
Business partners and other stakeholders	Anti-corruption work	There shall be no cases of bribes, corruption or cartel formation. Active information shall continue to be provided to employees and new employees.
	Suppliers	When entering into agreements with suppliers, requirements shall be imposed in relation to the environment and social responsibility. During 2011, Group-wide tools shall be devised for effective supplier evaluation. Every company shall have evaluated at least five sub-suppliers during 2011 with regard to the environment and sustainable development.
	Customers	Customer requirements in relation to the environment and social responsibility shall be met by a comfortable margin. During 2011, collaborative projects with key customers on sustainability issues shall be developed further.
	Society, investors and analysts	Reporting shall take place in accordance with the GRI at level B. Nolato shall continue to subscribe to the Global Compact. We shall achieve good results in evaluations by analysts and independent institutions through transparent information within the field of sustainability.



### Governance of sustainability issues

The Group has 19 production units at 17 locations in five countries. Sustainability work is therefore decentralised, and every company is responsible for these issues within its own operations. Every unit has an environmental coordinator or some other representative with responsibility for the environment, the working environment and related areas.

The overall responsibility for sustainable development lies with the CEO, and sustainability issues are dealt with regularly by the Group management and at the companies' board meetings and conferences for senior executives. Within the framework of our environmental management systems, operations are reviewed via internal and external environmental audits.

One underlying requirement for all manufacturing units is that the Group's fundamental value and policy documents are followed. This means that environmental management systems in accordance with ISO 14001 must be incorporated into operations.

Around 90% of the units are currently certified. At the two units which are not certified – Nolato Contour, which was acquired in 2010, and the unit in India that started operating during the year – activities to introduce ISO 14001 are underway.

Nolato Beijing in China was certified dur-

ing the year in accordance with the occupational health and safety management standard OHSAS 18001.

The new standard for social responsibility (ISO 26000) was published in 2010, and we are currently analysing how these guidelines can be applied within Nolato. A preliminary assessment suggests that the Group's policies and working methods comply with the intentions of ISO 26000 in all significant respects.

### Dialogue with stakeholders

Nolato engages in communication and dialogue with various stakeholder groups in relation to many different issues.

At Group level, this communication is directed primarily at the capital market, employees and authorities. Within the individual Group companies, the emphasis is on communication with customers, suppliers, employees, local authorities and the local community.

We have identified the following groups as being particularly important:

■ **Customers:** It has become increasingly common for Nolato's customers to place requirements in relation to sustainable development and to follow up on these requirements in various ways. The most important communication channel is direct contact with customers, for example in connection with development work or when

customers carry out audits and evaluations in relation to quality, the environment and social responsibility. In 2010, almost 70% of the units participated in customer evaluations relating to sustainable development.

■ **Employees:** Internal communication on sustainability issues normally takes place as part of the units' environmental management systems and within safety committees or similar forums.

■ **Authorities:** Units that require permits have contact with local authorities regarding specific issues. It is relatively common for these authorities to visit Nolato's units. During 2010, inspections were carried out by the authorities at more than half of the units.

■ **Shareholders and investors:** Sustainability assessments have become increasingly important for investors in various listed companies. Large institutional investors now also assess companies from a sustainability perspective, and various special funds choose to invest in the best companies within this area. In the past year, Nolato's shares have been included in business publication *Veckans Affärer's Green Portfolio*, and the Group has been praised highly in terms of environmental issues, ethics and social responsibility.

■ **Suppliers:** Nolato places demands on its suppliers' performance in terms of the environment, ethics and social responsibil-

## New packaging halves costs and reduces environmental impact

*Triomega omega-3 capsules have been packaged in a round aluminium container for many years. In recent years this packaging has not been deemed to be ideal from either a sales perspective or an environmental point of view, and so Midsona – the brand owner – decided to develop new packaging.*

*Nolato Cerbo was therefore tasked, together with the Norwegian design company Design 2025, with devising a new container. The requirements were better in-store visibility, a lower environmental impact and lower production costs.*

*The result of this collaboration was a brand new way of thinking, whereby an unusual shape creates on-shelf visibility, while also making it possible to*



*use large labels with a high-end feel. The new packaging is injection-moulded in white, easily recyclable polypropylene. Compared with the old aluminium container, production costs have been halved and the carbon footprint of the new container is 45% smaller.*

## Can the cars of the future be made using forestry waste and plastic?

*Could a mixture of wood fibre and plastic be a good material for the cars of the future? This is a question that Volvo is trying to find the answer to, together with system manufacturer Brose and Nolato Plastteknik.*

*Car doors include a functional carrier plate, a module that holds the equipment inside the door – the window opening mechanism, the locking mechanism, speakers, cabling, etc. – in place.*

*This module is currently injection-moulded by Nolato Plastteknik using a mixture of polypropylene and glass fibre to achieve the strength, rigidity and flatness required, while also keeping weight down.*

*In a current project, the glass fibre has been replaced with waste from the forest industry. By using wood fibre instead of glass fibre, an additional weight saving of around ten per-*



*cent can be achieved, while the use of renewable raw materials helps to reduce the car's environmental impact.*

*In order to find out how the new material performs in practice, practical tests are being carried out by Volvo Car Corporation during the year. If these trials go well, the idea is that the wood fibre mixture could also be used in other components and applications in the cars of the future.*

ity. This is monitored via supplier assessments, questionnaires, site visits and audits.

During 2010, almost 70% of our units monitored their suppliers' sustainability work in various ways. The starting point is that Nolato places the same requirements on its suppliers as it does on its own companies and employees when it comes to dealing with these issues.

In China, all Nolato Telecom's main suppliers have signed a contract whereby they commit to following the rules of Nolato's Code of Conduct.

■ **Society:** The individual units within the Group interact with their surrounding society. For example, Nolato has regular contact with schools and universities.

### Environmental responsibility

#### Environmental aspects

Nolato's production units are located in Sweden, Hungary, China, India and the US. Production consists primarily of manufacturing components and product systems in polymer materials, metals and combinations of polymer materials and metals.

Common production methods include injection moulding, injection blow moulding, compression moulding, extrusion and dipping. One unit carries out painting. At the Sunne unit, rubber compounds are produced both for Nolato's own use and for external customers' use. At other units, ready-made polymers and other input materials are bought in.

Nolato's main direct environmental aspects are the use of energy, raw materials and chemicals, emissions into the air and water, and waste. Suppliers' activities, transportation and the use of our products are examples of key indirect environmental aspects.

Preventive work is carried out within the Group to reduce environmental impact and environmental risks, and to improve resource efficiency.

#### Legislation

In Sweden, the Group carries out operations with permit requirements in accordance with the Swedish Environmental Code at the unit in Sunne. Other units have notification obligations in relation to the local environmental authorities. In connection with the expansion of operations in Hörby,

the authorities granted permission for the expanded operations there.

The units in China, Hungary, India and the US require permits or are covered by similar requirements in accordance with environmental legislation in the country in question. 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 in many cases the supervisory authorities carry out inspections.

During 2010, there was one infringement of environmental legislation in Sweden which resulted in a small fine. There were no complaints from neighbours or other stakeholders during the year.

## Energy

Around 90% of the Group's energy consumption consists of electrical energy. Electricity is used for production equipment, lighting, ventilation, cooling and many other purposes. In addition to this, fuel oil, natural gas, district heating and geothermal heating are used for heating production premises and offices.

The highest levels of energy consumption are at the Group's largest units in China and Hungary.

Increased production and more units have led to an increase in energy consumption during 2010 compared with previous years. However, energy consumption has been reduced in relation to the Group's sales.

A number of energy efficiency projects have been carried out or are currently being carried out, which will have a positive effect on energy consumption in the short and long terms. Examples of such measures include investing in free cooling systems, more efficient lighting systems, replacing hydraulic injection moulding machines with more energy-efficient electric versions, better production planning and the installation of heat pumps.

The Group's overall energy costs for 2010 were around SEK 104 million (82).

## Water

From a global perspective issues relating to access to good quality water have become increasingly important, and the term "water footprint" has become more established. However, water consumption at our units is

limited, with water being used primarily for cleaning, sanitary purposes and cooling.

Nevertheless, there are some processes where water consumption is relatively high. This is true of production in latex rubber in Torekov and the spray painting cleaning plant in Beijing. In order to reduce water consumption, a number of units have closed cooling water systems for injection moulds and other equipment.

However, increased production, more production units and, above all else, a higher number of employees has resulted in increased water consumption. This means that the Group's water footprint was higher in 2010 than in 2009.

The amounts of pollutants discharged to wastewater are extremely limited, and consist mainly of sanitary water. All the production units are connected to public sewage treatment plants.

The costs incurred by the Group for water and cleaning wastewater totalled approximately SEK 1.4 million (1.2).

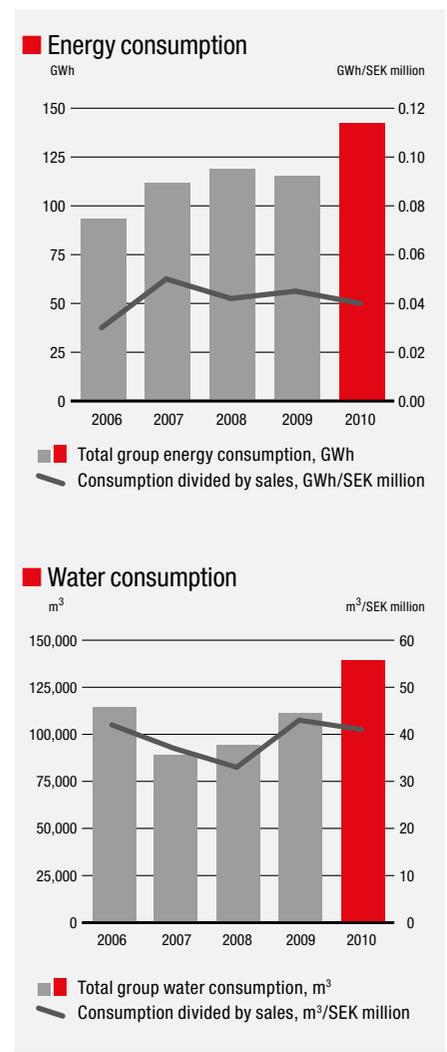
## Raw materials and chemical products

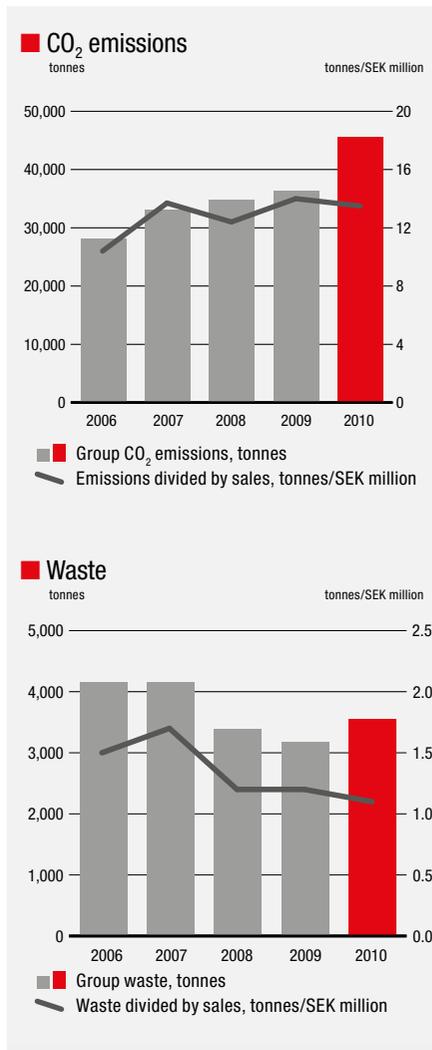
Important raw materials used at our production units include plastic and rubber polymers, metal components, paints and various other constituent substances. Various plastics make up more than 90% of the raw materials used within the Group. The proportion of rubber material is around 7%. The majority of plastic materials are virgin raw materials, which is a requirement within our medical operations.

One product in which recycled plastic has been used to a significant extent is Sony Ericsson's Elm mobile phone, for which the environmental impact during manufacture and use has been reduced from an overall perspective. Another example is the manufacture of clothing crates from recycled plastic for KappAhl (see page 22). As a whole, however, the proportion of recycled plastic within the group is low, accounting for around 2% of plastic raw materials.

At the same time, a number of interesting development projects are being carried out, including in partnership with the automotive industry, where a mixture of plastic and wood fibre is injection-moulded into a composite material with useful properties (see also page 26). At a number of our units, we are also studying the possibility of using various types of bioplastics.

Nolato has high ambitions in terms of





complying with the new REACH chemical legislation. A number of projects are therefore being carried out with the aim of replacing chemical substances which have been highlighted as particularly harmful from an environmental or health perspective. This will benefit both the environment and the working environment. In this context, it is also important to comply with the chemical safety requirements imposed by Nolato's customers.

### Atmospheric emissions

The greenhouse gas carbon dioxide is emitted as a result of using energy in the form of fossil fuels and electricity generated using fossil fuels. More than 90% of Nolato's emissions are indirect, and are generated by the Group's district heating and electricity suppliers.

Energy consumption – and thus carbon dioxide emissions – has increased in recent years as a result of the Group's expansion. The energy-efficiency measures being carried out are therefore important, and contribute towards reducing both emissions and costs.

Energy consumption at Nolato Beijing in China is considerable, and because the electricity there is generated mainly at coal-fired power stations, there are significant indirect emissions of carbon dioxide. There are also significant indirect emissions in Hungary, partly due to energy consumption and partly due to the way in which electricity is generated there.

In both cases, energy-efficiency measures at our units are currently the only way of reducing the size of these emissions. From a longer-term perspective, we expect access to greener electricity to increase in most countries where Nolato has operations.

Emissions of air pollutants such as sulphur dioxide and nitric oxides are low, accounting for 3 tonnes per year (3). During 2010, the use of more than 420 tonnes of paints and solvents resulted in emissions of around 22 tonnes (19) of VOCs (volatile organic compounds). This increase is due to greater production volumes.

The majority of these paints and solvents are used in mobile phone-related production at Nolato Beijing. A modern, highly effective cleaning plant significantly reduces atmospheric emissions. The use of water-based paints has also increased significantly.

Emissions of dust and malodorous sub-

stances from Nolato's units are extremely low, reducing the emission of VOCs.

A couple of incidents during the year involving leaking air-conditioning equipment caused emissions of just over 100 kg of ozone-depleting substances (HCFCs).

### Waste

Within the framework of the environmental management and quality systems, most of the units are working to reduce production waste and improve waste management. This work has been successful in many cases, and the waste generation ratio is improving; in other words, the amount of waste generated is declining in relation to the Group's net sales.

However, the significant increase in production during 2010 and several new production units resulted in greater quantities of waste. One positive trend is that less and less waste is ending up in landfill sites, and that energy recovery and recycling of materials are both increasing.

External waste processing costs during the year amounted to SEK 3.0 million (3.1).

### Product development

Many of Nolato's customers are working to improve the environmental performance of their products. This means that Nolato's research and development departments are working together with our customers to devise environmentally friendly solutions.

### Sustainable development and finance

During 2010, Nolato invested SEK 15.6 million (2.9) in measures relating to environmental and working environment improvements. The biggest investments were made at the units in Hungary, Gothenburg, Hallsberg and Trollhättan, and consisted of various equipment for increased energy efficiency. Significant investments were made in working environment measures at several of the units.

Over the course of the year, environmental costs totalled SEK 6.4 million (7.2), and were dominated by costs relating to waste management, administration, operating purification equipment and bought-in services.

During the year, environmental improvement measures generated cost savings of SEK 1.3 million (0.7). The majority of these savings relate to energy use. ■

Emissions are reduced when painting mobile phone components thanks to effective purification plants and greater use of water-based paints.



# Our social responsibility

Our employees' commitment and knowledge are essential to Nolato's development and profitability. We therefore strive to create a positive and stimulating working environment, which contributes towards our competitiveness and also means that Nolato is seen as an attractive employer.

Here, Nolato's Basic Principles play an important part together with our other fundamental value and policy documents. They provide us with sound guidance for how we are expected to act in our day-to-day work and in our relationships with various business partners.

Nolato's role in society is important, as the individual units are significant employers locally and also create employment for sub-suppliers.

## Employee information

The average number of employees at Nolato during 2010 was 7,563 (4,308), of which 6,084 (3,180) were in China, 924 (798) in Sweden, 365 (311) in the rest of Europe, 138 (0) in the US and 52 (19) in India.

The number of employees at Nolato Medical was 664 (467), with 6,252 (3,295) at Nolato Telecom, 642 (541) at Nolato Industrial and 5 (5) within Group functions.

88% (81) of the average number of employees during 2010 were outside Sweden.

## Absence due to illness

Absence due to illness within the Group was 1.2% (1.9). Of this, long-term absence made up 0.5 percentage points (0.9). Absence due

to illness was 4.4% (5.4) in Sweden, 0.4% (0.3) in China, 9.1% (8.2) in Hungary, 1.3% (—) in the US and 0.6% (0) in India.

## Occupational accidents and work-related illnesses

During 2010, 44 (46) occupational accidents resulting in more than one day's absence (LWC, lost work cases) were reported. Total absence due to illness caused by occupational accidents was 534 days (283). The most common causes were injuries caused while working with machinery and equipment (38%), falls and slips (22%) and heavy lifting and repetitive work (13%).

There were no occupational accidents during the year at seven of the production units, which is of course pleasing. One employee in China died in a traffic accident on the way home from work.

Preventive working environment initiatives include risk analyses, working environment measurements, training, safety rounds, safety committee work and investments in various technical protective measures.

Nolato Beijing was certified during 2010 in accordance with the occupational health and safety management standard OHSAS 18001.

One goal for the next few years is to improve reporting of incidents in the workplace, which we believe will be a key factor in preventing occupational accidents.

## Setting salaries and entitlement to collective agreements

All production units are wholly-owned, and

Nolato's Basic Principles, Code of Conduct and policies apply in the same way all over the world. Salaries follow statutory setting of salaries, exceed the social minimum wages and are in line with the market.

In China we have paid particular attention during the year to issues relating to minimum wage, salaries, overtime and overtime pay. We believe that our control mechanisms are good, but internal and external auditors have highlighted particular complexity in these issues.

We have therefore carried out several measures over the course of the year to ensure that all relevant requirements are met. One example of how complex these issues can be is that many of the employees in China want to work as much overtime as possible, which can risk coming into conflict with legislation.

All employees within the Group have the right to be represented by unions or other employee representatives. They also have the right to collective negotiations and agreements.

At Nolato Beijing in China, there is a union in accordance with the rules which apply to large companies in China. All staff are provided with information about the union on employment, and employees can then make their own decision on membership. As at 31 December 2010, all employees at Nolato Beijing were covered by collective agreements.

At the Hungarian unit, there are neither unions nor collective agreements. This is representative of the normal situation at privately-owned companies in Hungary.

## Social conditions

During the year, social conditions at certain larger Chinese sub-suppliers to the telecommunications sector have attracted the attention of the mass media. We have followed developments closely, and have analysed the situation at Nolato Beijing in particular. We have reviewed terms of employment and employees' social situation, and have carried out a number of audits focusing on fire safety, evacuation routes and protective



equipment. A large-scale employee survey has been carried out into employees' working situation and job satisfaction. We have also analysed our agreements with the staffing agencies.

We have reached the conclusion that much of what we do is done well and to a high international standard, but that there are of course certain areas where further improvements are needed.

**Training**

Significant investments were made in training at several of the units, and the total number of training hours was more than 26,000.

Issues relating to the environment, the working environment and safety are important elements of this training, accounting for an average of 4.2 (1.9) hours of training per employee. This training included fire safety drills, first aid, the use of personal protective equipment, the content of Nolato's Basic Principles and the application of various environmental management system routines.

**Human rights, diversity and equality**

By undertaking to follow the principles of the UN's Global Compact, and by emphasising the importance of complying with Nolato's Basic Principles and Code of Conduct in our day-to-day work, Nolato supports and respects internationally-upheld human rights. We encourage diversity, and we distance ourselves from all forms of victimisation and discrimination.

Work to inform employees about Nolato's Basic Principles was carried out during 2010, and it is estimated that more than 90% of employees have received this information. Nothing occurred during the year to suggest that anyone breached our internal guidelines or the principles of the Global Compact.

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

67% (68) of the Group's employees were women. This statistic is noticeably affected by the large proportion of female employees in China – 73% (78). The proportion of female employees at the Group's European units was 44% (40).

30% (20) of the Board of Nolato AB were women. The corresponding figures for the Group management and subsidiary man-

agement were 0% (0) and 33% (17) respectively.

**Business ethics**

In accordance with the principles of the UN's Global Compact and Nolato's Code of Conduct, Nolato's external relationships shall feature integrity and responsibility.

We do not offer customers, potential customers, authorities or other representatives of society any payments or advantages that contravene applicable laws or what could be deemed to be reasonable and accepted business and marketing practice. Nor do we accept gifts, benefits or payments that could affect, or be seen to affect, the objectivity of our business decisions. We also avoid situations where company loyalty could come into conflict with personal interests. There is nothing to suggest that these ethical rules were breached in 2010.

Specific information work was carried out at Nolato's Chinese units during the year in relation to business ethics and Nolato's Basic Principles. We have also launched a project guided by the requirements of the new social responsibility standard (ISO 26000). The aim of this project is to increase involvement in issues relating to the working environment, safety and social responsibility.

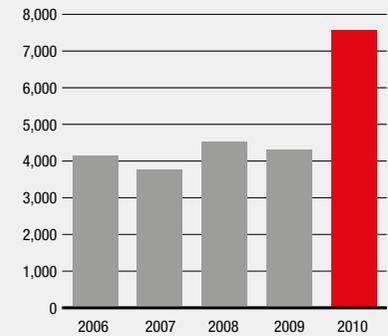
**Social commitment**

Nolato is involved in many local activities in the countries where we operate. In terms of purely concrete measures, this can involve contact with neighbours, voluntary organisations, authorities and sports clubs. Several of the units participate in and support projects relating to children's health, road safety issues and work to combat drugs, bullying, etc.

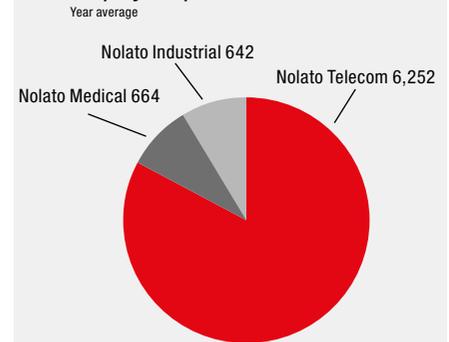
The Group maintains contact and cooperation with schools and universities. The units in Beijing, Gothenburg, Hungary, Trollhättan and Baldwin were particularly active in this respect during the year. For example, Nolato Contour in the US received 185 students and teachers on various study visits and projects. Other units also offered places for apprentices, students and those completing theses.

Nolato has also worked for many years on sustainability issues together with the International Institute for Industrial Environmental Economics (IIIEE) at Lund University. ■

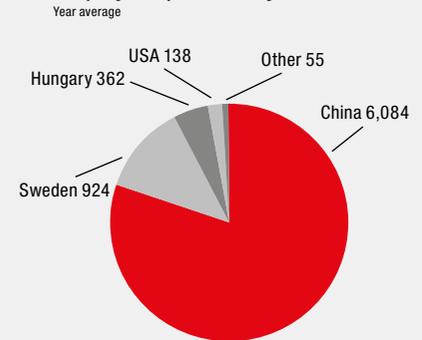
**Average number of employees**



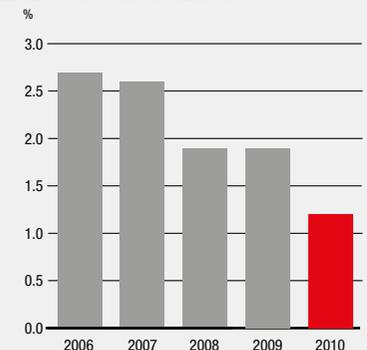
**Employees per business area 2010**



**Employees per country 2010**



**Absence due to illness**



# Risks and risk management

All business activities involve risks, which must be identified, evaluated and dealt with.

Nolato's strategy includes continuously minimising operational risks, while still taking advantage of the business opportunities that controlled risk-taking brings.

## Operational risks

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

### Market and customer risks

Nolato's operations are carried out within three business areas with different focuses, and hence also with different market and customer risks.

Nolato Medical's market promises good long-term potential for growth, and the business area has grown rapidly in recent years. The market consists of large, global customers, featuring demanding development work, long product life-cycles and strict requirements in terms of quality and safety. These market and customer risks are dealt with through a customer-focused organisation with a good understanding of customers' requirements, combined with cutting-edge expertise within technology and project management.

Nolato Telecom's market has few customers and is considerably more volatile, with varying production volumes, short development times and fast technology changeovers. Now that all our mobile phone-related production is based in Asia, the business area has a high degree of flexibility and therefore has greater opportunities to deal with these conditions in a cost-effective manner.

Nolato Industrial operates in a fragmented and diversified market, which closely follows the fluctuations of the Northern European industrial market. 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 and Hungary.

Nolato Telecom has a greater depend-

Operational risks	Financial risks	Environmental risks
Market and customer risks Supplier risks Quality and production disruption risks Legal risks	Exchange risks Interest rate risks Financing risks Credit and liquidity risks Insurable risks	Restoration risks Accidents and uncontrolled emissions Hazardous substances Climate-related risks

ency on a small number of large customers, whereas other business areas' customer bases are broader, with no single customer being dominant.

The Group's revenues are mostly derived from medium-sized and large global industrial groups. These tend to be open when it comes to providing information, and Nolato constantly monitors their financial position. This minimises – but does not 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 some cases, changing supplier requires customer approval.

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

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 and other technologies and processing, plastic only accounts for around 5% of the selling price on average, while the corresponding figure is around 10–15% for Nolato Medical and 20–30% 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% of electricity requirements for the next four to eight quarters, with the aim of evening out the effects of price changes.

### Quality and production risks

In most cases, Nolato supplies products in accordance with its customers' technical specifications and quality requirements. These are dealt with by skilled Group company staff who are responsible for day-to-day operations. The biggest risk of quality and production disruption normally arises 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 have an impact on the Group's earnings. In order to prevent any such problems, the Group follows a highly-developed concept involving established quality assurance requirements and checklists.

The risk of problems with deliveries to customers is minimised by maintaining extremely close contact with the customer in question, and through effective, reliable quality control systems.

All the Group's units, within the excep-

tion of the unit acquired during the year in the US and the recently commissioned unit in India, are quality certified in accordance with ISO 9001. Most of them are also certified in accordance with the standard for the automotive industry, ISO 16949, or the standard for medical technology, ISO 13485.

#### Legal risks

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

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

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

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

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

#### Financial risks

Financial risks include foreign exchange risk, interest rate risk, financing risk, credit and liquidity risks, and insurable risks.

In order to manage these risks, the Group operates according to a financial policy adopted by Nolato's Board of Directors.

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

#### Environmental risks

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, that have been identified in recent years. Within Nolato, regular risk assessments are carried out within areas relating to sustainable development.

#### Environmental legislation and other authority requirements

Nolato's production facilities have the operational permits required, and the risk inventory has not identified any current commissions or requirements that could cause significant costs.

#### Contaminated soil

We are not aware of any contaminated soil at Nolato's plants. There are no legal or other requirements in terms of investigations or decontamination, and hence there are no costs associated with this.

#### Accidents and uncontrolled emissions to the environment

Procedures to minimise the risk of fires, leaks and other accidents are included within the framework of the environmental management systems and legal requirements. There were no serious accidents or uncontrolled emissions to the environment during 2010.

#### Hazardous substances in buildings and installations

No significant levels of asbestos are present in buildings or installations. The presence

of the environmentally harmful substance PCB (polychlorobiphenyl) has been inventoried at the Swedish plants. The limit value was exceeded in one case, relating to seals around windows. The material containing PCB will be removed in accordance with legal requirements.

#### Climate-related risks

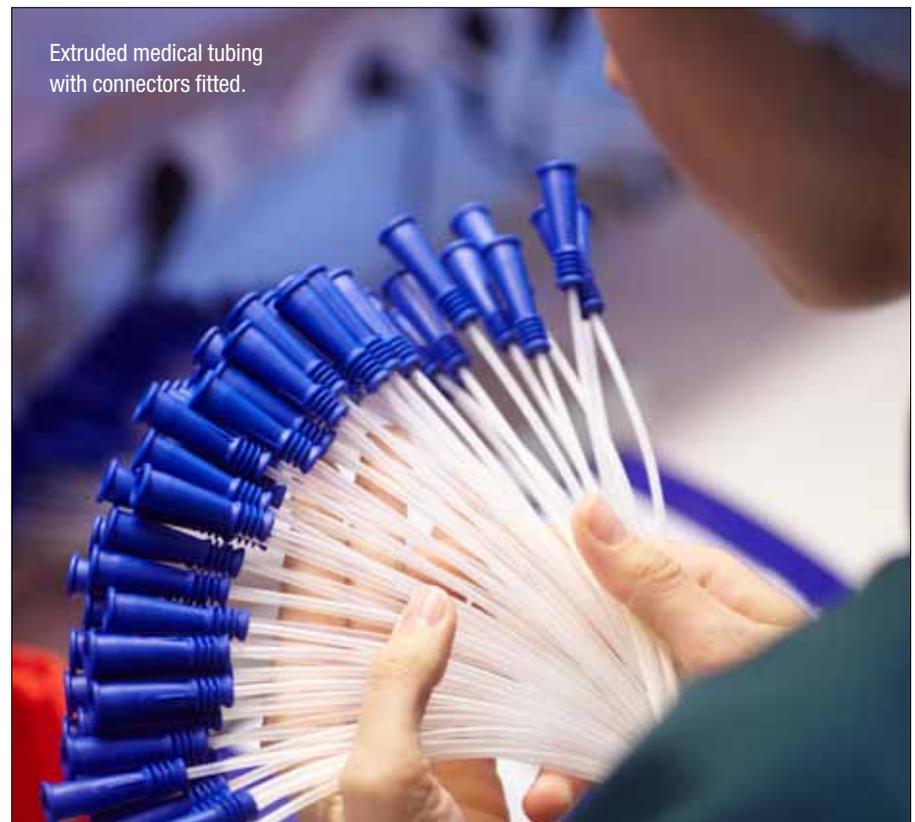
One of Nolato's Swedish plants is located in an area where future climate changes could cause landslips (Gothenburg). The Group monitors the risk and vulnerability analyses carried out by the authorities.

Climate-related risks are taken into consideration in connection with acquisitions.

#### Making products more environmentally friendly

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

We follow developments within this area, and we make products more environmentally friendly primarily in cooperation with customers' research and development departments. ■



Extruded medical tubing with connectors fitted.



Yan Liu, Nolato Medical Beijing.

## General information

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

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

The Group's operations take place within subsidiaries which are wholly-owned by the Parent Company. During 2010, there were operational subsidiaries in Sweden, India, China, Hungary and the US, and sales companies in France, Norway and Poland.

### Three business areas

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

Nolato Medical offers medical technol-

ogy and pharmaceutical companies development and production of components and complete products in plastic, silicone rubber, TPE and latex.

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

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

### Operations in 2010

The Group's sales rose by 30% to SEK 3,375 million (2,602). Operating income (EBITA) was up 58% to SEK 262 million (166). Income after net financial items was SEK 243 million (148). Net income was SEK 187 million (123), with earnings per share of SEK 7.11 (4.68).

The US company Contour Plastics was

acquired and consolidated on 23 July. The purchase price was SEK 165 million. The acquisition has brought an additional SEK 80 million in sales during the period Nolato has owned the company, and it has had a marginal positive effect on earnings per share.

Nolato Medical saw sales rise to SEK 808 million (692), corresponding to growth of 17%. Organic growth was 5%. Excluding currency conversion effects and acquisition effects, growth was 8%.

Operating income (EBITA) rose to SEK 100 million (89). The EBITA margin was 12.4% (12.9). This margin was affected by continued investments in project resources and technical resources, and by the acquisition.

As previously announced, capacity is being increased in Hörby by 3,700 m<sup>2</sup> in order to create the optimum production structure within the business area. The premises are rented from the municipal property company Hörby Industrifastigheter, which is also responsible for the enlargement work.

Nolato Telecom's sales rose by 44% to

SEK 1,575 million (1,090) as a result of a generally strong product portfolio and onward sales of components (touchscreens) worth approximately SEK 200 million. Excluding currency conversion effects, sales rose by 51%. Volumes were high as a result of customers building up stocks in connection with product launches, particularly during the first six months. This has meant that the normal seasonal variation, involving a weaker first six months, did not apply during 2010.

Operating income (EBITA) rose to SEK 122 million (86). The EBITA margin was 7.7% (6.5 excluding non-recurring items). With the exception of the fourth quarter, new products and high levels of capacity utilisation have had a positive impact on the margin compared with 2009, while a higher proportion of components has had the opposite effect.

Nolato Industrial's sales rose by 21% to SEK 994 million (824). Demand has gradually risen within most customer segments, albeit from low levels in 2009. A focus on new projects and new market segments has also had a positive impact on sales.

Operating income (EBITA) was SEK 79 million (31 excluding non-recurring items), with an EBITA margin of 7.9% (3.8 excluding non-recurring items). High levels of capacity utilisation, new products and the full effect of earlier restructuring measures have had a positive impact on the margin.

The business area has decided to start small-scale production in Romania. This will take place in rented premises, and is expected to begin during the third quarter of 2011.

### The Parent Company

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

Sales totalled SEK 23 million (21). The increase in sales is a result of higher costs levied on subsidiaries. Income after financial items was SEK 73 million (26). The rise in income is mainly due to higher dividends from subsidiaries.

### Employee information

The average number of employees at Nolato during 2010 was 7,563 (4,308), of which 927 (801) were in the Nordic region, 362 (308) in the rest of Europe, 138 (0) in the US

and 6,136 (3,199) in Asia. 88% (81) of all employees were outside Sweden.

Average absence due to illness within the Group in 2010 was 1.2% (1.9). Total absence due to illness caused by occupational accidents resulting in more than one day's absence was 534 days (283).

All units are wholly-owned, and Nolato's Basic Principles and other policy documents apply in the same way all over the world. All employees have the right to be represented by unions. They also have the right to collective negotiations and agreements.

67% (68) of the Group's employees were women. This statistic is noticeably affected by the large proportion of female employees in China – 73% (78). The proportion of female employees at the Group's European units was 44% (40). The corresponding proportion in the US was 47% (—).

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

### 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 2011 Annual General Meeting.

### Nolato's shares

Nolato AB was listed on the Stockholm Stock Exchange in 1984, and its B shares were listed on the NASDAQ OMX Nordic Exchange in the information technology sector of the Small Cap segment during 2010. With effect from 1 January 2011, its shares are now listed in the Mid Cap segment.

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

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 and in the corporate governance report under the heading *Ownership* on page 72.

### The work of the Board

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.

### Environmental issues

Nolato's significant environmental aspects are the use of energy, raw materials and chemicals, emissions into the air and water, and waste. Systematic work is carried out within the Group to reduce environmental impact and environmental risks, and to improve resource efficiency.

Around 90% of the Group's plants are certified in accordance with ISO 14001, and the Group reports on its sustainability performance in accordance with GRI guidelines at level B.

In Sweden, the Group carries out operations with permit requirements in accordance with the Swedish Environmental Code at one plant. Other plants have notification obligations in relation to the local environmental authorities. None of the plants plan to renew permits or notifications during 2011.

The plants in China, Hungary, India and the US require permits or are covered by similar requirements in accordance with environmental legislation in the country in question. 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 in many cases the supervisory authorities carry out inspections. During 2010, there was one infringement of environmental legislation in Sweden which resulted in a small fine. There were no complaints from neighbours or other stakeholders during the year.

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

### Events after the end of the financial year

No significant events have occurred since the balance sheet date. ■

## Consolidated income statement

SEK millions	Note	2010	2009
Net sales	6	3,375	2,602
Cost of goods sold	7	-2,889	-2,273
<b>Gross profit</b>		<b>486</b>	<b>329</b>
Other operating income	8	5	41
Selling expenses		-76	-71
Administrative expenses	9	-160	-132
Other operating expenses	10	-2	-9
		<b>-233</b>	<b>-171</b>
<b>Operating income</b>	11,18	<b>253</b>	<b>158</b>
Financial income	14	1	1
Financial expenses	15	-11	-11
		<b>-10</b>	<b>-10</b>
<b>Income after financial items</b>		<b>243</b>	<b>148</b>
Tax	17	-56	-25
<b>Net income <sup>1)</sup></b>		<b>187</b>	<b>123</b>
Depreciation/amortisation included at	12	154	185
Earnings per share before and after dilution (SEK)		7.11	4.68
Number of shares on 31 December (thousands)		26,307	26,307
Average number of shares (thousands)		26,307	26,307

## Consolidated comprehensive income

SEK millions	2010	2009
<b>Net income</b>	<b>187</b>	<b>123</b>
<b>Other comprehensive income</b>		
Translation differences for the year on conversion of foreign operations	-17	-25
Changes in the fair value of cash flow hedges for the year	14	4
Changes in the fair value of cash flow hedges transferred to net income	-12	-1
Tax attributable to cash flow hedges	0	-1
<b>Total other comprehensive income</b>	<b>-15</b>	<b>-23</b>
<b>Comprehensive income for the year <sup>1)</sup></b>	<b>172</b>	<b>100</b>

<sup>1)</sup> Net income and comprehensive income are entirely attributable to the Parent Company's shareholders.

## ■ Comments on the consolidated income statement

### Net sales

The Group's net sales rose by 30% during 2010 compared with 2009. During the year, acquired units contributed sales of SEK 80 million. Currency effects had a negative impact on sales of -4%.

Nolato Medical continued to show healthy growth, with sales rising by 17%. Organic growth was 5%. Excluding currency conversion effects and acquisition effects, growth was 8%. Operations have developed in line with market growth.

Nolato Telecom's sales rose by 44%, primarily as a result of a generally strong product portfolio and onward sales of components (touchscreens) worth approximately SEK 200 million. Excluding currency conversion effects, sales rose by 51%. Volumes were high as a result of customers building up stocks in connection with product launches, particularly during the first six months. This has meant that the normal seasonal variation, involving a weaker first six months, did not apply during 2010.

Nolato Industrial's sales rose by 21%. Demand has gradually risen within most customer segments, albeit from low levels in 2009. A focus on new projects and new market segments has also had a positive impact on sales.

### Gross profit

Gross profit 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 2009, mainly due to higher levels of capacity utilisation and a change in the product mix, but also due to costs for 2009 of SEK 12 million within Nolato Industrial associated with efficiency improvement measures and costs of SEK 20 million within Nolato Telecom relating to concentrating network product manufacturing.

Total depreciation fell to SEK 154 million, compared with SEK 185 million during 2009. 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 141 million (173). This reduction in depreciation is due mainly

to SEK 14 million of fixed asset writedowns in 2009 in connection with the decision to concentrate network product manufacturing, and other writedowns in 2009 of SEK 11 million.

### Other operating income

Other operating income has fallen mainly due to the fact that 2009 included one-off income of SEK 35 million in the form of a bankruptcy payment from BenQ.

### Selling and administrative expenses

Selling and administrative expenses rose compared with 2009. These expenses consist of personnel costs and other costs associated with the sales organisation and administrative functions. These expenses rose due to the Group having grown as a result of the acquisition, increased expenses for acquisition activities, and increased IT costs in connection with IT projects. The selling expenses also include costs for amortisation of intangible assets arising from acquisitions of SEK 9 million (8), and consist of amortisation of customer relationships that are assigned value in the acquisition analysis carried out in connection with acquisitions.

### Operating income

Operating income was SEK 253 million (158). Income was up 60% compared with 2009.

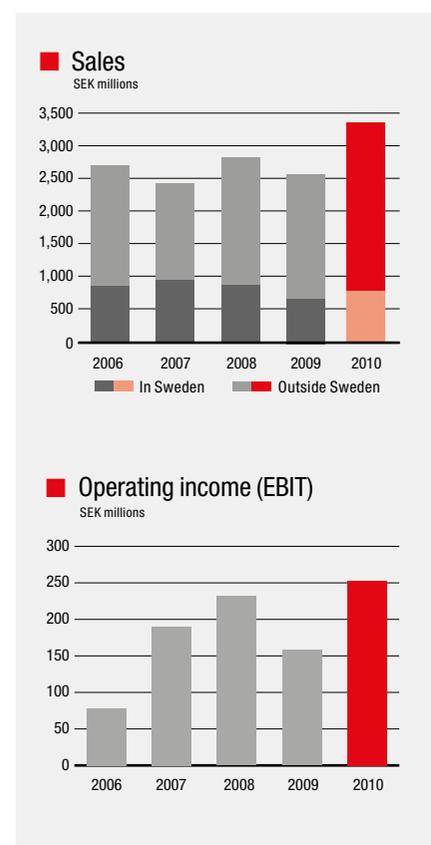
### Net financial items

Net financial items remained unchanged compared with 2009. Financing in connection with the acquisition of Contour Plastics increased indebtedness from the beginning of July onwards, at the same time as a rise in the general interest rate. The Group's positive cash flow has subsequently gradually reduced our level of debt. Income after net financial items was SEK 243 million (148).

### Net income

Net income grew to SEK 187 million (123), with earnings per share of SEK 7.11 (4.68). The effective tax rate was 23% (17). Non-recurring items had a positive effect in 2009 of SEK 9 million on tax expenses. The tax rates for subsidiaries in countries where the Group has significant operations are currently around 15% in China, 26% in Swe-

den, 19% in Hungary and 41% in the US. With effect from 2011, China has introduced new taxes and charges which are expected to increase Nolato's tax expenses by around SEK 5-10 million each year. During the period 2008-2010, Nolato was entitled to a 15% tax rate in China, thanks to its high-tech status. The process of applying for this status for 2011-2013 is currently underway.



## Consolidated balance sheet

SEK millions	Note	2010	2009
<b>Assets</b>			
<b>Fixed assets</b>			
Intangible fixed assets	19	441	373
Tangible fixed assets	22	718	702
Other securities held as fixed assets		2	2
Other long-term receivables		1	1
Deferred tax assets	17	30	25
<b>Total fixed assets</b>		<b>1,192</b>	<b>1,103</b>
<b>Current assets</b>			
Inventories	24	222	215
Accounts receivable	25	616	573
Current tax assets		19	0
Other receivables		44	35
Derivative assets	34	3	2
Prepaid expenses and accrued income		15	13
Cash and bank		239	172
<b>Total current assets</b>		<b>1,158</b>	<b>1,010</b>
<b>Total assets</b>		<b>2,350</b>	<b>2,113</b>
<b>Shareholders' equity and liabilities</b>			
<b>Shareholders' equity</b>			
Share capital	26	132	132
Other capital contributed		228	228
Other reserves	27	22	37
Retained earnings		797	689
<b>Total shareholders' equity</b>		<b>1,179</b>	<b>1,086</b>
<b>Long-term liabilities</b>			
Provisions for pensions and similar obligations	29	93	92
Deferred tax liabilities	17	109	101
Other liabilities, interest-bearing	30	0	0
Other provisions	32	1	9
<b>Total long-term liabilities</b>		<b>203</b>	<b>202</b>
<b>Current liabilities</b>			
Accounts payable		433	464
Loans	28	180	120
Customer advances		32	10
Current tax liabilities		13	7
Other liabilities		36	29
Derivative liabilities	34	0	1
Accrued expenses and deferred income	33	274	194
<b>Total current liabilities</b>		<b>968</b>	<b>825</b>
<b>Total liabilities</b>		<b>1,171</b>	<b>1,027</b>
<b>Total liabilities and shareholders' equity</b>		<b>2,350</b>	<b>2,113</b>
Collateral pledged	37	0	1
Contingent liabilities	38	2	10

## ■ Comments on the consolidated balance sheet

Total assets stood at SEK 2,350 million (2,113).

Fixed assets rose slightly, particularly intangible fixed assets as a result of the acquisition of Contour Plastics which added surplus value in the form of goodwill and customer relationships to the consolidated balance sheet.

Current assets in the form of inventories and accounts receivable rose slightly compared with 2009 as a result of higher sales at the end of 2010 compared with the corresponding period in 2009.

Cash and bank balances rose to SEK 239 million (172) thanks to the strong cash flow at the end of the year.

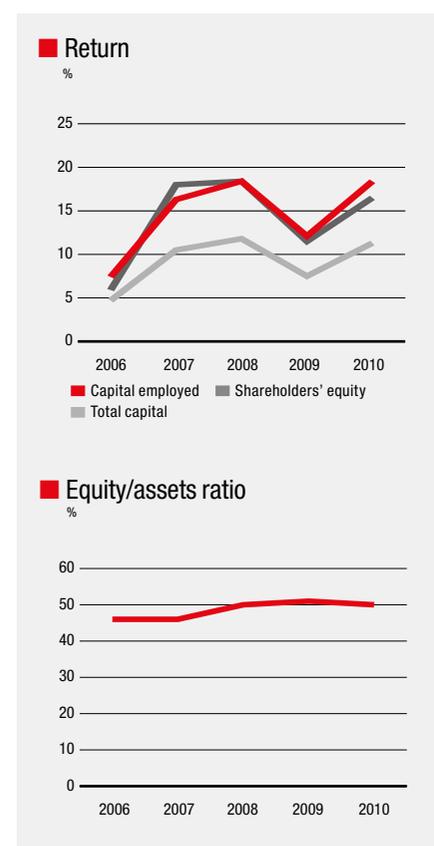
Shareholders' equity rose to SEK 1,179 million (1,086). Shareholders' equity increased as a result of comprehensive income for 2010 of SEK 172 million including currency effects. A dividend of SEK 79 million was paid, thereby reducing shareholders' equity. The equity/assets ratio at the end of

the year was 50% (51). The return on shareholders' equity was 16.5% (11.5).

Accounts payable dropped slightly compared with 2009, while accrued expenses rose at the same time. The average total need for working capital in relation to sales was 4.1% (4.5). Non-interest-bearing liabilities grew to SEK 898 million (815), although total assets also rose, meaning that capital employed rose to SEK 1,452 million (1,298), mainly as an effect of the acquisition during the year. Despite the higher capital employed, the improvement in earnings meant that the return on capital employed rose to 18.4% (12.1).

Interest-bearing liabilities increased to SEK 273 million (212), since loan financing rose in connection with the acquisition. Interest-bearing assets totalled SEK 239 million (172), and net debt thereby dropped to SEK 34 million (40), despite the acquisition carried out during the year. At the end of last year, Nolato extended loan agreements

with credit institutions by SEK 350 million. Nolato therefore has total loan agreements of SEK 700 million, of which SEK 350 million runs until the end of 2012 and SEK 350 million runs until the middle of 2014.



### ■ Financial position SEK millions

	2010	2009
Interest-bearing liabilities, credit institutions	180	120
Interest-bearing pension liabilities	93	92
<b>Total borrowings</b>	<b>273</b>	<b>212</b>
Cash and bank	- 239	- 172
<b>Net debt</b>	<b>34</b>	<b>40</b>
Working capital	145	133
As a percentage of sales (avg.) (%)	4.1	4.5
Capital employed	1,452	1,298
Return on capital employed (avg.) (%)	18.4	12.1
Shareholders' equity	1,179	1,086
Return on shareholders' equity (avg.) (%)	16.5	11.5

## ■ Changes in consolidated shareholders' equity

SEK millions	Share capital	Other contributed capital	Other reserves	Retained earnings	Total shareholders' equity
<b>Balance on 1 January 2009</b>	<b>132</b>	<b>228</b>	<b>60</b>	<b>638</b>	<b>1,058</b>
Comprehensive income for the year	—	—	- 23	123	100
Dividend for 2008	—	—	—	- 72	- 72
<b>Balance on 31 December 2009</b>	<b>132</b>	<b>228</b>	<b>37</b>	<b>689</b>	<b>1,086</b>
<b>Balance on 1 January 2010</b>	<b>132</b>	<b>228</b>	<b>37</b>	<b>689</b>	<b>1,086</b>
Comprehensive income for the year	—	—	- 15	187	172
Dividend for 2009	—	—	—	- 79	- 79
<b>Balance on 31 December 2010</b>	<b>132</b>	<b>228</b>	<b>22</b>	<b>797</b>	<b>1,179</b>

## Consolidated cash flow statement

SEK millions	Note	2010	2009
	39		
<b>Operations</b>			
Operating income		253	158
<i>Adjustments for items not included in cash flow:</i>			
Depreciation/amortisation		154	185
Provisions		11	15
Capital gain/loss on disposals		-4	-2
Unrealised exchange rate differences		14	3
Other items		3	-8
Pension payments		-4	-4
Provisions paid		-1	—
Interest received		1	1
Interest paid		-10	-12
Realised exchange rate differences		-2	—
Income tax paid		-75	-72
<b>Cash flow from operations before changes in working capital</b>		<b>340</b>	<b>264</b>
<b>Cash flow from changes in working capital</b>			
Changes in inventories		7	18
Changes in accounts receivable		-35	-75
Changes in accounts payable		-28	59
Other changes in working capital		86	-9
		<b>30</b>	<b>-7</b>
<b>Cash flow from operations</b>		<b>370</b>	<b>257</b>
<b>Investment activities</b>			
Acquisition of intangible fixed assets		-2	-4
Acquisition of tangible fixed assets		-137	-117
Acquisition of operations, excluding liquid funds	41	-164	—
Sale of tangible fixed assets		18	3
Acquisition of other financial fixed assets		-1	—
<b>Cash flow from investment activities</b>		<b>-286</b>	<b>-118</b>
<b>Cash flow before financing activities</b>		<b>84</b>	<b>139</b>
<b>Financing activities</b>			
Borrowings		189	228
Repayment of loans		-120	-286
Dividend paid		-79	-72
<b>Cash flow from financing activities</b>		<b>-10</b>	<b>-130</b>
<b>Cash flow for the year</b>		<b>74</b>	<b>9</b>
<b>Liquid funds, opening balance</b>		<b>172</b>	<b>168</b>
Exchange rate difference in liquid funds		-7	-5
<b>Liquid funds, closing balance</b>		<b>239</b>	<b>172</b>

## ■ Comments on the consolidated cash flow statement

### Cash flow from operations

Cash flow before investments and disposals totalled SEK 370 million (257), affected mainly by higher earnings and a reduced need for working capital. The change in working capital was a positive SEK 30 million (-7).

### Cash flow from investment activities

Net investments affecting cash flow totalled SEK 286 million (118), of which the acquisition of Contour Plastics accounted for SEK 164 million. Payment of SEK 18 million has been received from the sale of the property in Kristianstad, reducing net investments. Gross investments in fixed assets totalled SEK 137 million (117), plus SEK 2 million (4) in intangible fixed assets. Investments during 2010 were divided up between the Group's business areas as SEK 46 million within Nolato Medical, SEK 64 million within Nolato Telecom and SEK 29 million within Nolato Industrial.

### Cash flow after investments

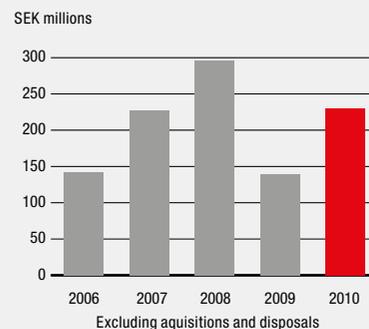
Cash flow after investments totalled SEK 84 million (139), including acquisitions and property disposed of. Excluding acquisitions and property disposed of, the cash flow was SEK 230 million (139).

■ Investments SEK millions	2010	2009
Capitalised dev. expenditure	2	4
Buildings and land	3	1
Machinery and equipment	116	74
Construction in progress	18	42
<b>Total investments</b>	<b>139</b>	<b>121</b>

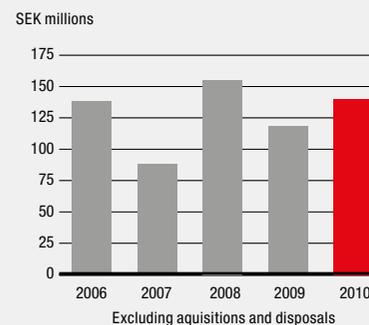
### Cash flow from financing activities

Financing activities describe the Group's financing and dividends to shareholders, and totalled SEK -10 million (-130). This consists of net borrowings of SEK 69 million (-58) and dividends paid totalling SEK 79 million (72). Loans have mainly been taken out in connection with financing the acquisition of Contour Plastics in the US.

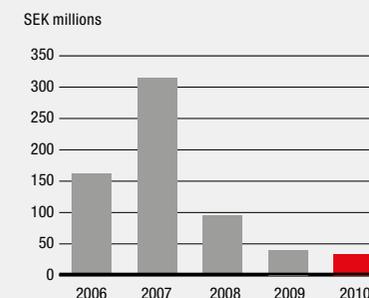
### ■ Cash flow after investments



### ■ Investments



### ■ Net debt



## ■ Parent Company income statement

SEK millions	Note	2010	2009
Net sales	5	23	21
Other operating income	8	4	—
Selling expenses		-15	-11
Administrative expenses	9	-43	-42
Other operating expenses	10	—	-24
		<b>-54</b>	<b>-77</b>
<b>Operating income</b>	11,12,18	<b>-31</b>	<b>-56</b>
Result from shares in Group companies	13	99	79
Financial income	14	9	7
Financial expenses	15	-4	-4
		<b>104</b>	<b>82</b>
<b>Income after financial items</b>		<b>73</b>	<b>26</b>
Appropriations	16	-32	-21
Tax	17	14	19
<b>Net income</b>		<b>55</b>	<b>24</b>

## ■ Parent Company comprehensive income

SEK millions	2010	2009
<b>Net income</b>	<b>55</b>	<b>24</b>
<b>Other comprehensive income</b>		
Exchange rate difference on monetary items in relation to overseas net investment	-2	-1
<b>Comprehensive income for the year</b>	<b>53</b>	<b>23</b>

## ■ Parent Company changes in shareholders' equity

SEK millions	Restricted equity		Unrestricted equity		Total shareholder's equity
	Share capital	Statutory reserve	Translation reserve	Retained earnings	
<b>Opening balance on 1 January 2009</b>	<b>132</b>	<b>228</b>	<b>5</b>	<b>348</b>	<b>713</b>
Comprehensive income for the year	—	—	-1	24	23
Group contributions received	—	—	—	133	133
Group contributions paid	—	—	—	-5	-5
Tax attributable to items reported directly against shareholders' equity	—	—	—	-33	-33
<i>Total changes in net asset value rep. dir. against shareholders' equity, excl. trans. with the Co.'s shareh.</i>	—	—	-1	119	118
Dividend for 2008	—	—	—	-72	-72
<b>Balance on 31 December 2009</b>	<b>132</b>	<b>228</b>	<b>4</b>	<b>395</b>	<b>759</b>
<b>Opening balance on 1 January 2010</b>	<b>132</b>	<b>228</b>	<b>4</b>	<b>395</b>	<b>759</b>
Comprehensive income for the year	—	—	-2	55	53
Group contributions received	—	—	—	151	151
Group contributions paid	—	—	—	-9	-9
Tax attributable to items reported directly against shareholders' equity	—	—	—	-38	-38
<i>Total changes in net asset value rep. dir. against shareholders' equity, excl. trans. with the Co.'s shareh.</i>	—	—	-2	159	157
Dividend for 2009	—	—	—	-79	-79
<b>Balance on 31 December 2010</b>	<b>132</b>	<b>228</b>	<b>2</b>	<b>475</b>	<b>837</b>

## ■ Parent Company balance sheet

SEK millions	Note	2010	2009
<b>Assets</b>			
<b>Tangible fixed assets</b>			
Equipment	21	0	0
<b>Financial fixed assets</b>			
Shares in Group companies	23	483	700
Receivables from Group companies	31	392	247
Other securities held as fixed assets		2	2
Deferred tax assets	17	6	4
<b>Total fixed assets</b>		<b>883</b>	<b>953</b>
<b>Current assets</b>			
Receivables from Group companies		235	197
Other receivables		15	3
Prepaid expenses and accrued income		1	1
		<b>251</b>	<b>201</b>
Cash and bank		105	74
<b>Total current assets</b>		<b>356</b>	<b>275</b>
<b>Total assets</b>		<b>1,239</b>	<b>1,228</b>
<b>Shareholders' equity and liabilities</b>			
<b>Shareholders' equity</b>			
<i>Restricted equity</i>			
Share capital (26,307,408 shares)	26	132	132
Statutory reserve		228	228
		<b>360</b>	<b>360</b>
<i>Unrestricted equity</i>			
Retained earnings		422	375
Net income		55	24
		<b>477</b>	<b>399</b>
<b>Total shareholders' equity</b>		<b>837</b>	<b>759</b>
<b>Untaxed reserves</b>	36	<b>125</b>	<b>93</b>
<b>Other provisions</b>	32	<b>2</b>	<b>2</b>
<b>Long-term liabilities</b>			
Liabilities to Group companies	31	17	18
<b>Current liabilities</b>			
Liabilities to credit institutions	28	30	119
Accounts payable		1	1
Liabilities to Group companies		205	217
Current tax liabilities		—	4
Other liabilities		1	1
Accrued expenses and deferred income	33	21	14
<b>Total current liabilities</b>		<b>258</b>	<b>356</b>
<b>Total shareholders' equity and liabilities</b>		<b>1,239</b>	<b>1,228</b>
Collateral pledged	37	—	—
Contingent liabilities	38	92	99

## ■ Parent Company cash flow statement

SEK millions	Note	2010	2009
	39		
<b>Operations</b>			
Operating income		- 31	- 56
<i>Adjustments for items not included in cash flow:</i>			
Unrealised exchange rate differences, etc.		- 3	- 1
Dividends from subsidiaries		82	74
Interest received		9	7
Interest paid		- 4	- 4
Income tax paid		- 44	- 46
<b>Cash flow from operations before changes in working capital</b>		<b>9</b>	<b>- 26</b>
<b>Changes in working capital</b>			
Changes in operating receivables and operating liabilities		50	29
<b>Cash flow from operations</b>		<b>59</b>	<b>3</b>
<b>Investment activities</b>			
Acquisition of financial fixed assets		- 1	- 1
Shareholders' contribution		- 6	—
<b>Cash flow from investment activities</b>		<b>- 7</b>	<b>- 1</b>
<b>Cash flow before financing activities</b>		<b>52</b>	<b>2</b>
<b>Financing activities</b>			
Borrowings		30	159
Repayment of loans		- 119	- 163
Change in long-term intra-Group transactions		18	- 107
Dividend paid		- 79	- 72
Group contributions received		133	207
Group contributions paid		- 5	- 5
<b>Cash flow from financing activities</b>		<b>- 22</b>	<b>19</b>
<b>Cash flow for the year</b>		<b>30</b>	<b>21</b>
<b>Liquid funds, opening balance</b>		<b>74</b>	<b>53</b>
Exchange rate difference in liquid funds		1	0
<b>Liquid funds, closing balance</b>		<b>105</b>	<b>74</b>

## Note 1 General information

The Nolato Group 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.

Nolato AB is a limited company with its registered office in Torekov, Sweden. Its head office address is 269 04 Torekov.

Nolato's B shares are listed on the NASDAQ OMX Nordic Exchange in the Stockholm Mid Cap segment, where they are included in the information technology sector.

## Note 2 Accounting and valuation principles

### Compliance with standards and laws

The Group accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and with interpretations from the International Financial Reporting Interpretations Committee (IFRIC) 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 Accounting principles of the Parent Company. Those deviations that arise between the principles of the Parent Company and the Group are caused by limitations in the possibilities of applying IFRS for the Parent Company as a result of the Swedish Annual Accounts Act and the Swedish Law on Safeguarding Pension Obligations, and – in some cases – for tax reasons.

### 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 2010. In those cases where the principles have been changed, the amended standards and statements have affected the Group's presentation of the financial statements and the reporting of operating segments.

### New IFRS standards and interpretations which have not yet been applied

IASB and IFRIC have issued new standards and statements which come into force for financial years beginning on 1 January 2011 or later. There are no plans for the early application of new or amended standards and statements for future application. 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 ap-

plication of the new standards and statements during 2011.

### Basis for preparing the financial statements

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

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

Preparing the financial statements in accordance with IFRS requires that Group management makes judgments, estimates and assumptions which affect the application of accounting principles and the reported 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 this period, or in periods 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 judgments.

### Business combinations and consolidation principles

The consolidated financial statements include Nolato AB (publ) (the Parent Company) and those subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes, or otherwise has a controlling influence that brings entitlement to control subsidiaries. Companies acquired or disposed of are included in net income for the Group from the time of the acquisition up until the date when control ceases.

The consolidated financial statements have been prepared in accordance with IFRS 3, Business Combinations, and with the application of the purchase method. This method means that shareholders' equity in the Group includes shareholders' equity in the Parent Company and the portion of shareholders' equity in subsidiaries which has accumulated since the acquisition. The difference between the acquisition value of shares in a subsidiary and that company's shareholders' equity at the time of acquisition, adjusted in accordance with consolidated accounting principles, has been allocated among the assets and liabilities valued at market value that were taken over on acquisition. Transaction costs on acquisition are reported under net income 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 in some cases 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 within the Group are valued in the currency used in the economic environment in which the various companies primarily operate. 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 in 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 balance sheet date. Exchange rate gains and losses arising from the payment of such transactions and from the revaluation of monetary assets and liabilities denominated in foreign currencies at the rate on the balance date are reported under net income.

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

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

### Operating segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, and for which separate financial information is available. An operating segment's operating results are also reviewed regularly by the entity's chief operating decision-maker to assess its performance and make decisions about resources to be allocated to the segment. The Group's three operating segments consist of Nolato Medical, Nolato Telecom and Nolato Industrial. See Note 6 for a more detailed description of the division and presentation of the operating segments.

### Revenue recognition

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

### Writedowns

Assets which have an undetermined useful life – goodwill – are not written down but are instead tested annually to determine whether any writedown is necessary. Goodwill writedowns are not reversed.

Assets written down are assessed to determine whether there has been a decline in value whenever events or changes in circumstances indicate that the reported value may not be recoverable. A writedown is taken as the amount at which the reported value of the asset exceeds its recoverable value. The recoverable value is the higher of an asset's fair value less selling

expenses and its value in use. In assessing the need for a writedown, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). For cash-generating units, goodwill is written down first.

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

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

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

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

#### Government grants

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

#### Financial income and expenses

Financial income consists of interest income on funds invested, dividend income, gains arising from a change in value of financial assets valued at fair value via the income statement, and any such gains on hedging instruments which are reported in net income.

Dividend income is reported when the right to receive the dividend is established. Earnings from the disposal of a financial instrument are reported once the risks and benefits associated with ownership of the instrument have been transferred to the buyer and the Group no longer controls the instrument.

Financial expenses consist of interest expenses on loans, the effect of reversing the current value calculation of provisions, losses on the change in value of financial assets valued at fair value via net income, writedowns of financial assets and losses on hedging instruments which are reported under net income. Borrowing costs are reported in the income statement, except where they are directly attributable to the purchase, construction or production of assets which take a substantial period of time to prepare for their intended use or sale. Exchange rate gains and losses are reported net.

#### Reporting income tax

Income tax consists of current tax and deferred tax. Income tax is reported in net income, except where the underlying transaction is reported in other comprehensive income, in which case the related tax effect is reported in other comprehensive income.

Current tax is tax that is payable or receivable in relation to the year in question, with the application of the tax rates that have been agreed on, or agreed on 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 reported values of assets and liabilities as the starting point. Temporary differences are not taken into account in goodwill on consolidation, nor for any difference that has arisen on reporting for the first time assets and liabilities that are not business combinations which, at the time of the transaction, do not affect either reported or taxable earnings. Nor are temporary differences attributable to shares in subsidiaries that are not expected to be reversed within the foreseeable future taken into account. The valuation of deferred tax is based on how underlying assets or liabilities are expected to be realised or regulated. Deferred tax is calculated with the application of the tax rates and tax rules that have been agreed on, or agreed on in practice, as at the balance sheet date.

Deferred tax assets in relation to deductible temporary differences and loss carryforwards are only reported to the extent that it is likely that these will be utilisable. 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 reported at the same time as when the dividend is reported as a liability.

#### Earnings per share

Earnings per share are calculated based on the Group's net income 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 reported separately from goodwill consist of customer relations, technical knowledge, trademarks and contracts.

#### Goodwill

Goodwill consists of the amount by which the consideration transferred exceeds the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the time of the acquisition. Goodwill from the acquisition of subsidiaries is reported as an intangible asset. Goodwill is not written down but is tested annually to identify whether any writedown is needed, and is reported at acquisition value less accumulated writedowns. Any gain or loss from the disposal of a unit includes the remaining reported value of the goodwill associated with the unit disposed of.

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

Acquired intangible assets are reported separately from goodwill if they fit the definition of an asset, are separable or arise from contractual or other legal rights and their market value can be reliably measured.

#### Capitalised development expenditure

A significant portion of the Nolato Group's development expenditure relates to developing customer-specific products in close partnership with the customer.

Product development expenditure is normally charged as operating expenses as it occurs, and is included in the cost of goods sold in the income statement. Activated development expenditure is written down linearly over the expected useful life from the

point when the asset can start to be used. The writedown 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 reported as an asset in the balance sheet if the product is technically and commercially useable and the Company has sufficient resources to complete the development and subsequently use or sell the product. The reported value includes expenditure on materials, directly attributable salary expenditure and indirect expenditure which can be attributed to the asset in a reasonable and consistent manner. Other development expenditure is reported as an expense in the income statement when it arises.

#### Customer relations

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

#### Tangible fixed assets

Tangible fixed assets are reported within the Group at acquisition value after accumulated depreciation according to plan and any writedowns. Expenditure which is directly attributable to the purchase of the asset is included in the acquisition value. Transfers from other comprehensive income of gains/losses from cash flow hedges which meet the conditions of hedge accounting may also be included in the acquisition value for the purchase of tangible fixed assets in foreign currencies. Insofar as there are investments which take a substantial period of time to prepare for their intended use or sale, directly attributable borrowing costs are also included in the acquisition value. Additional expenditure is added to the acquisition value only if it is likely that the future financial benefits associated with the asset will benefit the Company and the acquisition value can be calculated in a reliable manner. All other additional expenditure is reported as an expense in the period when it arises. An additional expense is added to the acquisition value if the expense relates to replacing identified components or parts thereof. The expense is also added to the acquisition value in the event that a new component is created. Any undepreciated reported value for replaced components or parts of components is eliminated and expensed in connection with replacing the component. Repairs are expensed on an ongoing basis.

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

Buildings	25 years
Land improvements	20–27 years
Injection moulding machines	8–10 years
Automated assembly equipment	3 years
Other machinery	5–10 years
Information systems	3 years
Other 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 reported value of an asset is written down immediately to its recoverable value if the asset's reported value exceeds its expected recoverable value.

The reported value of a tangible fixed asset is removed from the balance sheet on scrapping or disposal, or when no future financial benefits are expected.

ed from using or scrapping/disposing of the asset. Any gain or loss arising on scrapping or disposing of an asset consists of the difference between the selling price and the reported value of the asset, with direct selling expenses deducted. Gains and losses are reported as other operating income/expense.

### Leasing

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

In the case of operating leasing, leasing fees are reported as expenses over the life of the lease. Variable fees are reported as expenses during the periods when they arise.

### Inventories

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

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

### Financial instruments

#### *Reporting 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. Accounts receivable are included in the balance sheet once the invoice has been sent. Liabilities are included once the other party has performed and there is a contractual obligation to pay, even if the invoice has not yet been received. Accounts payable are included once the 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 reported at a net amount in the balance sheet only when there is a legal entitlement to settle the items at a net amount or to simultaneously realise the asset and settle the liability.

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

#### *Classification and valuation*

The Group classifies its financial instruments under one of the following categories: Derivatives used for

hedge accounting, loan receivables and customer receivables, and financial instruments which are held until maturity. The classification depends on the purpose for which the instrument was purchased. The classification of instruments is determined at the first reporting date.

Currency derivatives are valued at fair value and transaction costs are charged as expenses.

Most of the Group's financial assets and liabilities are attributable to deliveries of goods and services, where receivables have a short maturity. The Nolato Group reports these receivables at accumulated acquisition value.

Liquid funds and short-term investments have been classified as loan receivables and customer receivables where the value is set at accumulated acquisition value.

#### *Reporting derivative instruments and hedging*

Currency forwards are used as hedges on forecast transactions which are very likely to take place (cash flow hedges) and, in certain individual cases, in the event of major investments in fixed assets. There are also currency hedges of larger internal long-term loan receivables issued by the Parent Company in a currency other than SEK, which are hedged for future repayment. These currency forwards are treated as hedging instruments and are reported in the balance sheet on the contract date and are valued at fair value, both initially and upon subsequent revaluation.

#### *Cash flow hedging of forecast sales in foreign currency*

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

When a hedge instrument expires or is sold, or when the hedge no longer meets the conditions of hedge accounting and there are accumulated gains or losses from hedging in other comprehensive income, those gains/losses remain in other comprehensive income and are entered in the income statement at the same time as the forecast transaction is finally reported under net income.

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

#### *Calculating fair value*

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

### Liquid funds

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

### Employee remuneration

#### *Pension obligations*

There are a number of both defined contribution and defined benefit pension plans within the Group. In Sweden, employees are included in both defined benefit and defined contribution pension plans. In other countries such as China, Hungary and Malaysia, employees are included in defined contribution pension plans.

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

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

Pension expenses and pension obligations stemming from defined benefit plans are calculated using the projected unit credit method. This method allocates pension expenses as employees perform services for the Company, which increases their entitlement to future payment. Calculation is made annually by independent actuaries. The Company's liabilities are valued at the present value of expected future payments using a discount rate equal to the interest rate of top-rated corporate bonds or government bonds with a maturity equal to that of such liabilities. The most important actuarial assumptions can be seen in Note 29.

Actuarial gains and losses may arise in setting the present value of obligations. These arise either when the difference between these two values deviates from the difference using previous assumptions or when assumptions change. The portion of actuarial gains and losses on the balance sheet date of the preceding year which exceeds 10% of the present value of the obligations is reported in the income statement over the employees' average remaining period of service in accordance with the corridor method. Interest on pension liabilities is reported in net financial items. Other components are reported in operating income.

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 pension plan. For the 2010 financial year, the Company had no access to any such information which would allow it to report this plan as a defined benefit plan. The ITP pension plan (for salaried employees in industry), which is insured at Alecta, is thus reported as a defined contribution plan.

#### *Share-based remuneration*

The Group has a share-based remuneration plan in which payment will ultimately be made in cash. The scope and conditions of the programme are detailed in Note 11 under Variable remuneration. Remuneration is valued at fair value and reported as a cost with a corresponding increase in liabilities.

Fair value is calculated initially at the time of issue and allocated over the vesting period. The fair value of the cash settlement options is calculated using the Black & Scholes option pricing model, and takes into account the terms and conditions of the instrument issued. The liability is revalued on each balance sheet date and at the time of cash settlement. All changes in the fair value of the liability are reported in the income statement as a personnel cost.

The basis for provisioning and expensing employer

payroll fees in relation to share-based remuneration is the fair value of the options at the date of valuation.

#### *Bonus plans*

The provision for variable remuneration is based on the bonus policy established by the Board. The liability is included in the balance sheet when a reliable valuation can be carried out and when services were received from 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 the employee according to a detailed formal plan without the chance 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 time or the size of the amount in terms of settling the provision. A provision is reported 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 in order 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 reported when there is an established detailed and formal restructuring plan, and the restructuring process has either begun or been publically announced. No provision is made for future operating expenses.

#### **Contingent liabilities**

A contingent liability is reported when there is a possible obligation that is attributable to events that have occurred and the existence of which is confirmed only by one or more uncertain future events, or when there is an obligation that is not reported 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 reported 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 differences. Acquisitions and disposals are reported 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 operating capital or in the change in balance sheet items reported 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 in question, applying all IFRS standards and interpretations 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 reporting and taxation. The recommendation details which exceptions from and additions to IFRS apply. Transaction costs attributable to the acquisition of shares in subsidiaries are reported on shares in Group companies in the balance sheet.

The accounting principles of the Parent Company 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 schedule, while the comprehensive income report, the report 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 assigning joint Group expenses, particularly personnel costs for Group staff and other joint Group expenses, such as insurance, licensing fees, etc. Invoicing is carried out when services are rendered or when other resources have been received by the other party.

#### **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 report the fair value valuation of currency forwards in the balance sheet. Outstanding derivative instruments as at 31 December 2010 are described in Note 34.

#### **Remuneration to employees**

##### *Defined benefit plans*

Defined benefit pension plans are insured through a policy held with Alecta. According to RFR 2, the defined benefit pension plans are classified and reported as defined contribution plans, which means that premiums paid are charged to the income statement. Charges for the year to Alecta totalled SEK 138,000 (93,000). Within the Parent Company, a different basis than that set out in IAS 19 is applied when calculating and valuing the defined benefit plans. The Parent Company follows the provisions of the Swedish Law on Safeguarding Pension Obligations and the instructions 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 future salary increases into consideration, and the fact that all actuarial gains and losses are reported in the income statement when they arise.

#### **Reporting income tax**

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

#### *Group contributions for legal entities*

The Parent Company reports Group contributions in accordance with statement UFR 2 from the Swedish Financial Reporting Board. Group contributions are reported in accordance with their financial significance. This means that Group contributions paid and received for the purpose of minimising the Group's total tax are reported directly against retained profits after deductions for their current tax effect. Group contributions which can be compared with dividends are reported as dividends. This means that Group contributions received and their current tax effect are reported in the income statement. Group contributions and their current tax effect are reported directly against retained profits.

#### **Tangible fixed assets**

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

Information Systems	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 reported as operating leases.

### Note 3 Significant estimates and judgments

The Group management and the Board of Directors make estimates and assumptions about the future. These estimates and assumptions affect reported assets, liabilities, income and expenses, as well as other information reported, including 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 reported values of assets and liabilities in those cases where these cannot be established through other information. Actual outcomes may differ from these estimates if other assumptions are made or other circumstances arise.

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

#### *Calculations in relation to remuneration to employees*

The value of pension obligations for defined benefit pension plans 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 stood at SEK 91 million (90). Applicable accounting principles mean that actuarial gains and losses in defined benefit pension plans are only entered in the income statement to the extent that they exceed or are less than 10% of the higher of the current 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 unreported actuarial gains and losses stood at SEK –22 million (–24).

#### Impairment testing for goodwill and other assets

Goodwill impairment testing is carried out annually in connection with the annual financial statements or as soon as changes indicate that the need for a writedown will arise, for example a change in the business climate or a decision on the disposal or closure of operations. A writedown is carried out if the calculated value in use exceeds the reported value. An account of impairment testing for the year can be found in Note 19.

Other tangible and intangible fixed assets are reported at acquisition value less accumulated depreciation and any writedowns. Depreciation is carried out over the calculated useful life to an assessed residual value. The reported value of the Group's fixed assets is tested as soon as changed circumstances show that there is a need for a writedown. 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 reported value of an asset is also carried out in connection with a decision being made on disposal. The asset is included at the lower of the reported value and the fair value after deductions for selling expenses.

## Note 4 Financial risk management

Operations are carried out on the basis of a financial policy established by the Board, which specifies rules and guidelines for how the various financial risks should 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 significant operations outside Sweden, the Nolato Group is exposed to various financial risks. Nolato's financial policy provides guidelines for how these risks should be dealt with within the Group. This policy outlines the aim, organisation and allocation of responsibilities of the Group's financial operations, and is designed to deal with 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 operations. The Board then evaluates and establishes 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 items and interest-bearing liabilities and assets, as well as for the joint Group 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 also the opportunity for a certain degree of professional trading in currencies 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 arising within operations (transaction exposure), financing of working capital (interest rate risk), foreign investments (exchange rate risk) and operational risks. An account of the last-mentioned risk can be found on pages 32–33 of the Annual Report.

#### 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.

During 2010, Nolato's sales to countries outside Sweden accounted for 76% (73). The largest flow currencies for the Swedish units were EUR, DKK and USD, with EUR being a net outward flow and the others being net inward flows. The Chinese operations have 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 income. 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 the various currencies 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% in the event that the currency flow has a countervalue exceeding SEK 1.5 million. The consolidated income statement includes exchange rate differences of SEK –2 million in operating income.

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

At the end of 2010, the Group had the following currency hedges in relation to anticipated payment flows in EUR, DKK and USD for 2011. The derivatives used are forward contracts and currency swaps. The volume and scope of the contracts is stated below in nominal terms.

#### Net exposure of sales and purchases in foreign currencies

SEK mill.	12 month estimated net flows	Total hedging	Percentage	Average rate
DKK	56	27	48%	1.26
EUR	14	13	93%	9.32
USD	84	40	48%	7.12
<b>Total</b>	<b>154</b>	<b>80</b>	<b>52%</b>	

The contract is included at fair value in the balance sheet, and the change in value is reported in other comprehensive income. When the contract is realised, the accumulated change in value is booked to the income statement. In 2010, the effect of the currency derivatives on operating income was SEK 1 million (1).

The value of outstanding contracts not entered in the income statement at the end of 2010 is shown in Note 34, Derivative instruments.

#### Transaction exposure on 31 December

SEK millions	12 month unhedged estimated net flows	Change in currency	Effect on earnings
DKK	29	+/- 5%	2
EUR	1	+/- 5%	0
USD	44	+/- 5%	2
<b>Total</b>	<b>74</b>		<b>4</b>

At the end of the year, the Group had SEK 74 million in unhedged assessed currency flows, including effects from currency hedges. A change in the value of the Swedish krona of +/-5% would have an impact of SEK 4 million on net income.

#### Translation exposure

Foreign exchange risks also exist in the conversion of foreign subsidiaries' assets, liabilities and income 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 should not be hedged against foreign exchange risks. Translation differences reported in other comprehensive income are detailed in Note 27, Other reserves.

#### Translation exposure of net assets

SEK millions	Net assets	Swedish krona 1% stronger
Nolato USA, USD	2	0
Nolato Beijing, CNY	261	-13
Lövepac Converting Beijing, CNY	38	-2
Lovepac Converting India, INR	-4	0
Nolato EMC Prod. Center, MYR	-1	0
Nolato Kuala Lumpur, MYR	-40	2
Nolato Hungary, EUR	74	-4
Cerbo Norge, NOK	2	0
Cerbo Polen, PLN	1	0
Cerbo France, EUR	0	0
Cerbo Danmark, DKK	0	0
<b>Total</b>	<b>333</b>	<b>-17</b>

The Group has SEK 333 million in foreign net assets, mainly in China and Hungary. A one percentage point strengthening of the Swedish krona would have an impact of SEK –17 million on these net assets.

#### Interest rate risk

Interest rate risk is the risk that the Group's net interest income will be weakened in the event of changes to market interest rates. Since Nolato is a net borrower,

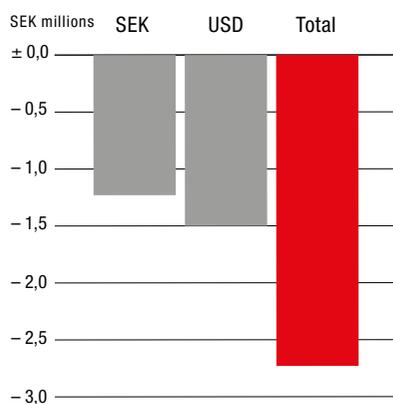
the Group is exposed to a risk of weakened net interest income in the event of rising market interest rates. On 31 December, interest-bearing liabilities stood at SEK 273 million (212). The maturity of the Group's fixed-term loans and investments determines how quickly interest rate changes have an impact on earnings. The Group's policy states that the interest rate risk shall be limited by net loan indebtedness (interest-bearing liabilities minus interest-bearing investments) exceeding SEK 300 million having a distribution of expiry dates in maturity intervals in relation to the level of interest. Around half of the excess net indebtedness will fall due within a year, with the remainder falling due in 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 states that investments may only be carried out in interest-bearing securities or bank deposits. The lifetime of the investments may not exceed three months.

#### Breakdown of interest-bearing liabilities by currency



#### Interest rate effect on interest-bearing liabilities on 31 December



An increase in the interest rate of one percentage point based on the interest-bearing liabilities at the end of the year would result in additional interest expenses within the Group of SEK 3 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 satisfy the Group's capital needs, Nolato has negotiated credit facilities with varying contract lengths, in part so that it can finance financial fluctuations and organic growth and in part so that

it can be prepared to make large investments and acquisitions. At the end of the year, Nolato extended loan agreements with credit institutions by SEK 350 million, with a three-a-half-year term. Nolato therefore has total loan agreements of SEK 700 million, of which SEK 350 million runs until the end of 2012 and SEK 350 million runs until the middle of 2014.

#### Interest-bearing net debt on 31 December

	Outstanding amount (SEK millions)	Term outstanding (mo)	Remaining fixed-interest period (mo)	Average interest (%)
<b>Interest-bearing liabilities</b>				
Bank loans, USD	150	2	2	1,6
Bank loans, SEK	30	0	0	2,8
Pension liability, SEK	93	—	—	4,7
Other liabilities, SEK	0	12	12	4,5
<b>Total</b>	<b>273</b>			<b>2,8</b>
<b>Interest-bearing assets</b>				
Liquid funds	-239	0	0	0,5
<b>Total net debt</b>	<b>34</b>			

As part of the financing of the Group's Hungarian subsidiary, the Parent Company issued an internal loan in EUR. The repayment of this loan is hedged through a currency swap of EUR 10 million at a rate of 9.104, which falls due on 30 December 2011.

On 31 December the Group's financial liabilities stood at SEK 738 million (687). The distribution of expiry dates 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. Other non-interest-bearing financial liabilities fall due within twelve months.

Maturity	< 1 month	Within 1-3 months	Within 4-12 months	> 1 year	Total
Accounts payable	159	270	4	0	<b>433</b>

#### Credit and liquidity risk

Credit risk can be divided up into commercial and financial counterparty risks. The commercial counterparty risk is the risk that one of the Group's customers may become insolvent and that sales forecasts entered into or hedged flows cannot be fulfilled. 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, whereby the risk is diversified. 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 losses.

The Group's maximum exposure to credit risk is SEK 626 million (579), consisting of SEK 623 million (578) in accounts receivable and SEK 3 million (1) 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 via Nolato AB's insurance.

#### Note 5 Intra-Group purchases and sales

Parent Company	2010	2009
Sales to Group companies, total	23	21
Purchases from Group companies, total	-15	-15

## Note 6 Operating segments

### Information on operating segments

The Group's operations are monitored by the chief 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 polymer products and product systems for medical technology and pharmaceutical customers. The market consists of large, global customers, featuring demanding development work, long life-cycles and strict 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 US. Development and production are carried out in Sweden, Hungary, the US and China. A more detailed presentation of the business area can be found on pages 12–15.

**Nolato Telecom** develops and manufactures subsystems for customers within the mobile phone sector. The market consists of a few large, global companies with high technological demands, extremely short development times and quick production start-ups. Nolato Telecom enjoys a strong position with selected customers. During 2010, development and production were carried out in China, India and Sweden. A more detailed presentation of the business area can be found on pages 16–19.

**Nolato Industrial** develops and manufactures products and product systems in plastic and rubber for customers working in the automotive industry, white goods, gardening/forestry and furniture, as well as 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 and Hungary. A more detailed presentation of the business area can be found on pages 20–23.

Directly attributable items and items which could be attributed to the segments in a reasonable and reliable manner have been included in the segments' income, assets and liabilities. The reported items in the operating segments are valued in accordance with the income, 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, which are well-informed and which 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, 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 fixed assets, interest-bearing receivables and liabilities, provisions and deferred tax assets/liabilities.

Unallocated items in the income statement are attributable to financial items, 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	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
<b>External sales</b>										
External sales	807	690	1,575	1,090	993	822	—	—	3,375	2,602
Internal sales	1	2	—	—	1	2	-2	-4	—	—
<b>Net sales</b>	<b>808</b>	<b>692</b>	<b>1,575</b>	<b>1,090</b>	<b>994</b>	<b>824</b>	<b>-2</b>	<b>-4</b>	<b>3,375</b>	<b>2,602</b>
<b>Earnings</b>										
Operating income (EBITA)	100	89	122	86	79	19	-39	-28	262	166
Amort. of intangible assets arising from acq.	-6	-5	—	—	-3	-3	—	—	-9	-8
Expenses not allocated	—	—	—	—	—	—	—	—	—	—
<b>Operating income</b>	<b>94</b>	<b>84</b>	<b>122</b>	<b>86</b>	<b>76</b>	<b>16</b>	<b>-39</b>	<b>-28</b>	<b>253</b>	<b>158</b>
Financial income									1	1
Financial expenses									-11	-11
Tax expenses for the year									-56	-25
<b>Net income</b>									<b>187</b>	<b>123</b>
<b>Receivables and liabilities</b>										
The segment's assets	812	636	704	764	636	637	-80	-127	2,072	1,910
Unallocated assets									278	203
<b>Total assets</b>	<b>812</b>	<b>636</b>	<b>704</b>	<b>764</b>	<b>636</b>	<b>637</b>	<b>-80</b>	<b>-127</b>	<b>2,350</b>	<b>2,113</b>
The segment's liabilities	163	127	499	559	224	200	-111	-181	775	705
Unallocated liabilities									396	322
<b>Total liabilities</b>	<b>163</b>	<b>127</b>	<b>499</b>	<b>559</b>	<b>224</b>	<b>200</b>	<b>-111</b>	<b>-181</b>	<b>1,171</b>	<b>1,027</b>
<b>Other information</b>										
Investments	226	68	63	52	35	19			324	139
Depreciation and amortisation	53	45	54	64	44	51			151	160
Writedowns	—	—	3	25	—	—			3	25
Significant items, other than depr./amort. with no offsetting payments, writedowns and provisions	5	9	2	9	-6	—			1	18

**Cash flow from operations, allocated by segment**

	2010				2009			
	Nolato Medical	Nolato Telecom	Nolato Industrial	Total	Nolato Medical	Nolato Telecom	Nolato Industrial	Total
Cash flow from operations before changes in working capital	106	142	93	341	128	176	66	370
Changes in working capital	19	15	- 11	23	7	7	- 21	- 7
<b>Cash flow from operations</b>	<b>125</b>	<b>157</b>	<b>82</b>	<b>364</b>	<b>135</b>	<b>183</b>	<b>45</b>	<b>363</b>
Unallocated items*)				6				- 106
<b>Total cash flow from operations</b>				<b>370</b>				<b>257</b>

	2010				2009			
	Nolato Medical	Nolato Telecom	Nolato Industrial	Total	Nolato Medical	Nolato Telecom	Nolato Industrial	Total
Acquisition of fixed assets**)	- 210	- 65	- 29	- 304	- 59	- 43	- 19	- 121
Sale of fixed assets	—	13	5	18	1	2	0	3
<b>Cash flow from investment activities</b>	<b>- 210</b>	<b>- 52</b>	<b>- 24</b>	<b>- 286</b>	<b>- 58</b>	<b>- 41</b>	<b>- 19</b>	<b>- 118</b>

\*) Unallocated items consist mainly of pension payments, income tax paid and interest received/paid, including certain elements of the items that do not affect cash flow.

\*\*) Paid investments for the year in fixed assets, i.e. after adjustment for outstanding supplier invoices on the balance sheet date of SEK 1 million (18).

**Information about geographic regions**

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

	Sweden		Other Nordic co.		Other Europe		North America etc.		Asia		Group	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
External net sales	945	841	170	185	609	675	245	194	1,406	707	3,375	2,602
Assets	1,297	1,219	3	4	228	255	175	—	647	635	2,350	2,113
Average number of employees	924	798	3	3	362	308	138	—	6,136	3,199	7,563	4,308
Investments	63	45	—	—	14	46	186	—	61	48	324	139

**Note 7 Research and development**

Group	2010	2009
Development expenditure for customer-specific products	188	163
<b>Total</b>	<b>188</b>	<b>163</b>

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

**Note 8 Other operating income**

	Group		Parent Company	
	2010	2009	2010	2009
Bankruptcy payment from BenQ	—	35	—	—
Exchange rate gains	—	—	4	—
Capital gain from sale of property	4	—	—	—
Others	1	6	—	—
<b>Total</b>	<b>5</b>	<b>41</b>	<b>4</b>	<b>—</b>

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

SEK thousands	Group		Parent Company	
	2010	2009	2010	2009
<i>KPMG:</i>				
Auditing	2,005	2,058	465	623
Audit business other than auditing	318	293	177	187
Taxation duties	643	197	551	110
Other duties	564	562	524	222
<b>Total</b>	<b>3,530</b>	<b>3,110</b>	<b>1,717</b>	<b>1,142</b>

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 providing advice 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	
	2010	2009	2010	2009
Effect of exch. rate on receivables/liab., net	- 2	- 8	—	- 3
Insurance recourse, BenQ*)	—	—	—	- 21
Others	0	- 1	—	—
<b>Total</b>	<b>- 2</b>	<b>- 9</b>	<b>—</b>	<b>- 24</b>

\*) During 2009 the Group received a payment from the BenQ bankruptcy estate of SEK 35 million net, which was reported as other operating income in the consolidated income statement.

## Note 11 Personnel

### Average number of employees

Parent Company	2010		2009	
	Number	Of which men	Number	Of which men
Nolato AB, Torekov, Sweden	6	67%	6	83%
<b>Group companies</b>				
Cerbo France Sarl, France	1	0%	1	0%
Cerbo Norge A/S, Norway	3	0%	3	33%
Cerbo Polen Sp. z.o.o., Poland	—	—	—	—
Nolato Alpha AB, Kristianstad, Sweden	88	72%	76	70%
Nolato Beijing Ltd, China	5,470	27%	2,716	21%
Nolato Cerbo AB, Trollhättan, Sweden	100	52%	100	50%
Nolato Contour, Inc., USA	138	53%	—	—
Nolato Gota AB, Götene, Sweden	86	71%	72	76%
Nolato Hertila AB, Åstorp, Sweden	—	—	—	—
Nolato Hungary Kft, Hungary	361	44%	307	43%
Nolato Kuala Lumpur Sdn Bhd, Malaysia	—	—	—	—
Lövepac Converting (Beijing) Co., Ltd., China	614	34%	464	31%
Lövepac Converting Private Ltd, India	52	100%	19	95%
Nolato Lövepac AB, Skånes Fagerhult, Sweden	37	70%	33	70%
Nolato Medical Rubber AB, Hörby, Sweden	—	—	—	—
Nolato MediTech AB, Torekov, Sweden	291	47%	244	61%
Nolato Plastteknik AB, Gothenburg, Sweden	97	65%	84	61%
Nolato Polymer AB, Torekov, Sweden	100	72%	91	75%
Nolato Silikonteknik AB, Hallsberg, Sweden	28	71%	26	69%
Nolato Sunne AB, Sunne, Sweden	91	79%	66	82%
<b>Group total</b>	<b>7,563</b>	<b>33%</b>	<b>4,308</b>	<b>32%</b>

### Costs for remuneration to employees

Group	2010	2009
Salaries and remuneration, etc.	608	527
Pension expenses, defined benefit plans, Note 29	7	8
Pension expenses, defined contribution plans, Note 29	60	50
Employer payroll fees	125	118
<b>Total</b>	<b>800</b>	<b>703</b>

There are 121 (137) senior executives within the Group. Remuneration charged to income and benefits for these senior executives during the year totalled SEK 77 million (76).

Parent Company	2010	2009
Salaries and remuneration	17	13
Pension expenses, defined contribution plans	5	5
Employer payroll fees	6	5
<b>Total</b>	<b>28</b>	<b>23</b>

Of the Parent Company's pension expenses, SEK 1.6 million (1.6) relates to the Board and the President and CEO. The Company's outstanding pension liabilities and obligations in relation to the Board and the President and CEO stood at SEK 0 million (0). The Parent Company only has employees in Sweden.

### Gender distribution of senior executives

Group	2010		2009	
	Men	Women	Men	Women
Board members	40	5	51	4
Managing directors	15	—	15	—
Other senior executives	42	19	53	14
<b>Total</b>	<b>97</b>	<b>24</b>	<b>119</b>	<b>18</b>

Parent Company	2010		2009	
	Men	Women	Men	Women
Board members	6	3	7	2
President and CEO	1	—	1	—
Other senior executives	3	—	4	—
<b>Total</b>	<b>10</b>	<b>3</b>	<b>12</b>	<b>2</b>

## Remuneration to the Board and senior executives

### Remuneration and other benefits during 2010

SEK thousands	Base salary/ Directors' fee	Variable remuneration <sup>1)</sup>	Other benefits <sup>2)</sup>	Pension premiums	Other remuneration <sup>3)</sup>	Total
Chairman of the Board, Fredrik Arp	300	—	—	—	—	300
Board member, Gun Boström	130	—	—	—	—	130
Board member, Erik Paulsson	130	—	—	—	—	130
Board member, Henrik Jorlén	160	—	—	—	—	160
Board member, Lars-Åke Rydh	180	—	—	—	4	184
Board member, Anna Malm Bernsten	130	—	—	—	1	131
President and CEO, Hans Porat	4,032	1,613	124	1,636	51	7,456
Other senior executives (3 people)	5,617	2,247	249	1,951	117	10,181
<b>Total</b>	<b>10,679</b>	<b>3,860</b>	<b>373</b>	<b>3,587</b>	<b>173</b>	<b>18,672</b>

### Remuneration and other benefits during 2009

SEK thousands	Base salary/ Directors' fee	Variable remuneration <sup>1)</sup>	Other benefits <sup>2)</sup>	Pension premiums	Other remuneration <sup>3)</sup>	Total
Chairman of the Board, Fredrik Arp	300	—	—	—	67	367
Board member, Gun Boström	130	—	—	—	—	130
Board member, Erik Paulsson	130	—	—	—	—	130
Board member, Henrik Jorlén	160	—	—	—	1	161
Board member, Lars-Åke Rydh	180	—	—	—	5	185
Board member, Roger Johanson	130	—	—	—	—	130
President and CEO, Hans Porat	3,840	1,536	122	1,562	32	7,092
Other senior executives (4 people)	6,274	1,882	385	2,425	125	11,091
<b>Total</b>	<b>11,144</b>	<b>3,418</b>	<b>507</b>	<b>3,987</b>	<b>230</b>	<b>19,286</b>

<sup>1)</sup> Variable remuneration relates to remuneration charged as expenses for the financial year and payable in the following year.

<sup>2)</sup> Other benefits relates to company cars.

<sup>3)</sup> Other remuneration relates to travel allowances for the Chairman of the Board and Board members, as well as payment made to the President and CEO and other senior executives for accrued vacation benefits and other remuneration.

### Principles for remuneration and benefits

A director's fee is paid to the Chairman of the Board and Board members 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 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. During 2010, the Group management consisted of three people plus the President and CEO. These are CFO Per-Ola Holmström, President of Nolato Telecom Jörgen Karlsson and President of Nolato Medical Christer Wahlquist. For further information, see page 80.

### Preparation of business and the decision-making process

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.

### Variable remuneration

Variable remuneration paid to the President and CEO and other senior executives is based on operating income and the return on capital employed. The maximum outcome is 40% of base salary. At the same time, the relevant profit centre must report positive earnings. In 2010, the outcome for the President and CEO was 40% of base salary (40) and for other senior executives an average of 40% of base salary (30).

The President and CEO also receives variable remuneration based on Nolato's share price performance. The starting price is SEK 48 per share, which will be compared to the average price during Q1 2011. The increase in value per share will be multiplied by a factor of 150,000 to determine the remuneration. The remuneration has been maximised at an amount corresponding to 50% of gross salary in the form of the regular monthly salary which the President and CEO has received during the period. This scheme is charged as expenses linearly in line with the vesting period (2008-2011), and is valued according to the Black & Scholes model, taking into account the terms and conditions of the scheme. This remuneration can only be awarded to the President and CEO after the end of the maturity period. The cost of the scheme for the year (including employer payroll fees) has been charged to income at a rate of SEK 5,143,000 (1,278,000). At the end of 2010, the total value of this bonus scheme was deemed to be SEK 6,491,000.

### 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% of pension-qualifying salary, and follows a defined contribution plan. Variable remuneration does not qualify as pensionable income. For 2010, the pension premium was 40% of base salary (40).

Other senior executives have defined contribution pension plans. For 2010, the average pension premium was 35% of base salary (39). 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 volition. In the event of termination by the Company, a notice period of 24 months applies. Other senior executives shall provide a notice period of 6 months. In the event of termination by the Company, a notice period of 12-24 months applies. 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 other senior executives collect base salary and other benefits during the notice period. There is no remuneration after the notice period.

## Note 12 Depreciation and amortisation

Depreciation and amortisation are included in operating expenses as follows:

	Group		Parent Company	
	2010	2009	2010	2009
Customer relations	9	8	—	—
Capitalised development expenditure	0	1	—	—
Buildings and land	18	23	—	—
Machinery and other technical facilities	119	145	—	—
Equipment, tools, fixtures and fittings	8	8	0	0
<b>Total</b>	<b>154</b>	<b>185</b>	<b>0</b>	<b>0</b>

As a result of a decision relating to the gradual winding down of Nolato Alpha AB during 2010, its premises will be written down by SEK 8 million and its machinery and other technical facilities by SEK 6 million, totalling SEK 14 million for 2009. During 2010, an additional SEK 3 million has been writtend down in relation to Nolato Alpha's premises. The premises were sold externally in December 2010. Other writedowns in 2009 totalling SEK 11 million are attributable to writing down a painting plant at Nolato Beijing.

Depreciation and amortisation have been allocated as follows:

	Group		Parent Company	
	2010	2009	2010	2009
Cost of goods sold	141	173	—	—
Selling expenses	10	9	0	0
Administrative expenses	3	3	—	—
Other operating expenses	—	—	—	—
<b>Total</b>	<b>154</b>	<b>185</b>	<b>0</b>	<b>0</b>

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

## Note 13 Income from shares in Group companies

Parent Company	2010	2009
Dividend received from Group companies	153	74
Revaluation of Group company receivables	21	5
Writedown of Group company shares	- 75	—
<b>Total</b>	<b>99</b>	<b>79</b>

## Note 14 Financial income

	Group		Parent Company	
	2010	2009	2010	2009
Interest income, Group companies	—	—	8	7
Interest income, bank deposits	1	1	1	0
Exchange rate differences	0	0	—	—
<b>Total</b>	<b>1</b>	<b>1</b>	<b>9</b>	<b>7</b>

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

## Note 15 Financial expenses

	Group		Parent Company	
	2010	2009	2010	2009
Interest expenses, Group companies	—	—	0	- 1
Interest expenses, credit institutions	- 4	- 6	- 3	- 2
Interest expenses, pension liabilities	- 4	- 4	—	—
Other financial expenses	- 3	- 1	- 1	0
Exchange rate differences	—	—	0	- 1
<b>Total</b>	<b>- 11</b>	<b>- 11</b>	<b>- 4</b>	<b>- 4</b>

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

## Note 16 Appropriations

Parent Company	2010	2009
Reversal of tax allocation reserve	—	—
Allocation to tax allocation reserve	- 32	- 21
<b>Total</b>	<b>- 32</b>	<b>- 21</b>

## Note 17 Tax

## Reported in the income statement

Group	2010	2009
<b>Current tax expenses</b>		
Tax expenses for the period	- 64	- 41
Adjustment for tax attributable to previous years	3	2
	<b>- 61</b>	<b>- 39</b>
<b>Deferred tax income</b>		
Deferred tax in relation to temporary differences	11	13
Deferred tax attributable to unutilised loss carryforwards	- 5	—
Deferred tax as a result of tax rate changes	- 1	1
	<b>5</b>	<b>14</b>
<b>Total reported Group tax expense</b>	<b>- 56</b>	<b>- 25</b>
<b>Parent Company</b>	<b>2010</b>	<b>2009</b>
<b>Current tax income</b>		
Tax income for the period	12	17
Adjustment for tax attributable to previous years	0	0
	<b>12</b>	<b>17</b>
<b>Deferred tax income</b>		
Deferred tax in relation to temporary differences	2	2
<b>Total reported Parent Company tax income</b>	<b>14</b>	<b>19</b>

## Reconciliation of effective tax

Group	2010	2009
<b>Income before tax</b>	<b>243</b>	<b>148</b>
Tax according to applicable Parent Company tax rate	- 64	- 39
Effect of other tax rates for foreign Group companies	8	9
Non-deductible expenses	- 2	- 1
Non-taxable income	3	5
Tax attributable to previous years	3	2
Effect of change in tax rates	- 1	1
Effect of unactivated deficits arising during the year	- 3	- 2
Standard interest on tax allocation reserve	—	0
<b>Reported effective tax</b>	<b>- 56</b>	<b>- 25</b>

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

Parent Company	2010	2009
<b>Income before tax</b>	<b>41</b>	<b>5</b>
Tax according to applicable Parent Company tax rate	- 11	- 1
Non-deductible expenses	- 22	- 2
Non-taxable income	46	22
Tax attributable to previous years	0	0
Standard interest on tax allocation reserve	1	0
<b>Reported effective tax</b>	<b>14</b>	<b>19</b>

## Reported in the balance sheet

Group	Deferred tax assets		Deferred tax liabilities		Net	
	2010	2009	2010	2009	2010	2009
Intangible fixed assets	—	0	14	12	- 14	- 12
Tangible fixed assets	18	17	59	61	- 41	- 44
Financial fixed assets	—	1	1	2	- 1	- 1
Inventories	8	6	—	—	8	6
Accounts receivable	2	1	—	—	2	1
Provisions for pensions	3	4	—	1	3	3
Tax allocation reserves	—	—	35	26	- 35	- 26
Others	15	12	18	23	- 3	- 11
Loss carryforwards	2	8	—	—	2	8
<b>Tax assets/liabilities</b>	<b>48</b>	<b>49</b>	<b>127</b>	<b>125</b>	<b>- 79</b>	<b>- 76</b>
Offsetting	- 18	- 24	- 18	- 24	—	—
<b>Tax assets/liabilities, net</b>	<b>30</b>	<b>25</b>	<b>109</b>	<b>101</b>	<b>- 79</b>	<b>- 76</b>

## Unreported deferred tax assets

Deferred tax assets have not been reported in the Group in relation to loss carryforwards totalling SEK 87 million (78). These loss carryforwards relate to the operations in Hungary, Malaysia and India, and it is unlikely that they will be able to be used against future taxable gains.

Parent Company	2010	2009
Other liabilities	5	1
Other provisions	1	3
<b>Total deferred tax assets</b>	<b>6</b>	<b>4</b>

## Change in deferred tax in temporary differences and loss carryforwards

Group	Balance as at 01/01/2009	Reported in net income	Reported against other compreh. income	Acquisitions of business	Balance as at 31/12/2009
Intangible fixed assets	-13	1	—	—	-12
Tangible fixed assets	-55	12	-1	—	-44
Financial fixed assets	0	0	-1	—	-1
Inventories	6	0	—	—	6
Accounts receivable	1	0	—	—	1
Provisions for pensions	2	1	—	—	3
Tax allocation reserves	-21	-5	—	—	-26
Miscellaneous	-14	4	-1	—	-11
Loss carryforwards	7	1	—	—	8
<b>Total</b>	<b>-87</b>	<b>14</b>	<b>-3</b>	<b>—</b>	<b>-76</b>

Group	Balance as at 01/01/2010	Reported in net income	Reported against other compreh. income	Acquisitions of business	Balance as at 31/12/2010
Intangible fixed assets	-12	2	1	-5	-14
Tangible fixed assets	-44	5	-2	—	-41
Financial fixed assets	-1	—	—	—	-1
Inventories	6	2	—	—	8
Accounts receivable	1	1	—	—	2
Provisions for pensions	3	—	—	—	3
Tax allocation reserves	-26	-9	—	—	-35
Miscellaneous	-11	9	-1	—	-3
Loss carryforwards	8	-5	-1	—	2
<b>Total</b>	<b>-76</b>	<b>5</b>	<b>-3</b>	<b>-5</b>	<b>-79</b>

Parent Company	Balance as at 01/01/2009	Reported in net income	Reported against shareholders' equity	Balance as at 31/12/2009
Other liabilities	—	1	—	1
Other provisions	2	1	—	3
<b>Total</b>	<b>2</b>	<b>2</b>	<b>—</b>	<b>4</b>

Parent Company	Balance as at 01/01/2010	Reported in net income	Reported against shareholders' equity	Balance as at 31/12/2010
Other liabilities	1	4	—	5
Other provisions	3	-2	—	1
<b>Total</b>	<b>4</b>	<b>2</b>	<b>—</b>	<b>6</b>

## Tax attributable to other comprehensive income

Group	2010	2009
Deferred tax attributable to cash flow hedges	0	-1
Exchange rate differences in deferred tax	-3	-2
<b>Total</b>	<b>-3</b>	<b>-3</b>

## Tax items reported directly against shareholders' equity

Parent Company	2010	2009
Current tax related to Group contributions	-37	-33

## Note 18 Expenses allocated by type of cost

	Group		Parent Company	
	2010	2009	2010	2009
Raw materials and supplies	-1,698	-1,231	—	—
Changes in inventories of finished goods and work in progress	22	-39	—	—
Costs for remuneration to employees	-800	-703	-28	-23
Energy costs	-104	-82	—	—
Other costs	-393	-245	-30	-54
Depreciation/amortisation and write-downs	-154	-185	0	0
<b>Total operating expenses</b>	<b>-3,127</b>	<b>-2,485</b>	<b>-58</b>	<b>-77</b>

## Note 19 Intangible fixed assets

Group	Customer relations	Capitalised dev. exp.	Goodwill	Total
<b>ACQUISITION VALUE</b>				
<b>On 1 January 2009</b>	<b>67</b>	<b>19</b>	<b>463</b>	<b>549</b>
Investments	—	4	—	4
Reclassifications	—	2	—	2
Translation differences	—	0	—	0
<b>On 1 January 2010</b>	<b>67</b>	<b>25</b>	<b>463</b>	<b>555</b>
Investments	—	2	—	2
In new companies on acquisition	13	—	68	81
Translation differences	-1	0	-6	-7
<b>On 31 December 2010</b>	<b>79</b>	<b>27</b>	<b>525</b>	<b>631</b>
<b>ACCUMULATED DEPRECIATION</b>				
<b>On 1 January 2009</b>	<b>-16</b>	<b>-17</b>	<b>-139</b>	<b>-172</b>
Depreciation for the year	-8	-1	—	-9
Reclassifications	1	-2	—	-1
<b>On 1 January 2010</b>	<b>-23</b>	<b>-20</b>	<b>-139</b>	<b>-182</b>
Depreciation for the year	-9	0	—	-9
In new companies on acquisition	-1	—	—	-1
Translation differences	1	1	—	2
<b>On 31 December 2010</b>	<b>-32</b>	<b>-19</b>	<b>-139</b>	<b>-190</b>
<b>Book value 31 December 2009</b>	<b>44</b>	<b>5</b>	<b>324</b>	<b>373</b>
<b>Book value 31 December 2010</b>	<b>47</b>	<b>8</b>	<b>386</b>	<b>441</b>

### Capitalised development expenditure

Capitalised development expenditure includes assets developed internally at a reported value of SEK 7 million (5). Previously capitalised and fully depreciated development expenditure is attributable to acquired assets.

### Goodwill impairment testing

Reported goodwill values were tested before 31 December 2010. As detailed below, a total of SEK 386 million in goodwill is reported in Nolato's consolidated balance sheet. Goodwill is allocated to individual cash-generating units, identified by business area and by legal company. Impairment testing is carried out by legal company.

Group	2010	2009
Nolato Medical	283	221
Nolato Industrial	103	103
<b>Total</b>	<b>386</b>	<b>324</b>

The recoverable amounts for a cash-generating unit are determined using calculations of useful life. These calculations are determined according to expected future cash flows based on forecasts and strategic plans which run for three years, and which are approved by the Group management and by the board of the company in question. Cash flow beyond this period is extrapolated based on the rate of inflation, but in no case above 2%. The operating margin for the period beyond the strategic plan is based on historical performance and forecast values. The discount rate used is the weighted average cost of capital before tax of 8.9% (10.2). The conclusion of this testing is an assessment that no reasonable changes in variables will result in the need for a writedown.

## Note 20 Leasing

### Financial leases

Group	2010	2009
Acquisition value, plant and machinery	3	3
Accumulated depreciation, plant and machinery	-3	-2
<b>Residual value</b>	<b>0</b>	<b>1</b>

The Group's financial leasing agreements are mainly attributable to machinery. Leasing fees charged to income for the year amounted to SEK 1 million (1), and are reported in consolidated operating expenses. During the financial year, financial leasing agreements worth SEK 0 million (22) fell due. These financial leasing agreements are restricted by retention of title.

### Operating leases

Operating leasing agreements consist mainly of rental contracts for production premises. Leasing fees charged to income for the year totalled SEK 31 million (24). 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	0	31
Between 1 and 5 years	0	111
Longer than 5 years	—	5
<b>Total</b>	<b>0</b>	<b>147</b>

### Parent Company

The Parent Company does not have any significant operational leasing agreements. There are no financial leasing agreements.

## Note 21 Equipment

Parent Company	2010	2009
Accumulated acquisition value on 1 January	2	2
Acquisitions	—	0
Disposals	—	—
<b>Accumulated acquisition value on 31 December</b>	<b>2</b>	<b>2</b>
Accumulated depreciation on 1 January	-2	-2
Depreciation and amortisation	0	0
<b>Accumulated depreciation on 31 December</b>	<b>-2</b>	<b>-2</b>
<b>Residual value</b>	<b>0</b>	<b>0</b>

## Note 22 Tangible fixed assets

Group	Buildings and land	Machinery and other technical facilities	Equipment, tools, fixtures and fittings	Construction in progress and advance payments	Total
<b>ACQUISITION VALUE</b>					
<b>On 1 January 2009</b>	<b>452</b>	<b>1,660</b>	<b>141</b>	<b>13</b>	<b>2,266</b>
Investments	1	69	5	60	135
Sales/disposals	—	–98	–10	—	–108
Reclassifications	2	30	—	–33	–1
Translation differences	–12	–35	–2	–1	–50
<b>On 1 January 2010</b>	<b>443</b>	<b>1,626</b>	<b>134</b>	<b>39</b>	<b>2,242</b>
Investments	1	116	5	17	139
In new companies on acquisition	37	51	16	—	104
Sales/disposals	–7	–25	–4	—	–36
Reclassifications	2	24	5	–35	–4
Translation differences	–12	–32	–3	0	–47
<b>On 31 December 2010</b>	<b>464</b>	<b>1,760</b>	<b>153</b>	<b>21</b>	<b>2,398</b>
<b>ACCUMULATED DEPRECIATION</b>					
<b>On 1 January 2009</b>	<b>–202</b>	<b>–1,177</b>	<b>–120</b>	<b>—</b>	<b>–1,499</b>
Depreciation for the year	–15	–128	–8	—	–151
Writedowns for the year	–8	–17	—	—	–25
Sales/disposals	—	96	10	—	106
Translation differences	7	21	1	—	29
<b>On 1 January 2010</b>	<b>–218</b>	<b>–1,205</b>	<b>–117</b>	<b>—</b>	<b>–1,540</b>
Depreciation for the year	–15	–119	–8	—	–142
In new companies on acquisition	—	–35	–10	—	–45
Writedowns for the year	–3	—	—	—	–3
Sales/disposals	—	24	4	—	28
Reclassifications	—	4	—	—	4
Translation differences	2	14	2	—	18
<b>On 31 December 2010</b>	<b>–234</b>	<b>–1,317</b>	<b>–129</b>	<b>—</b>	<b>–1,680</b>
<b>Book value 31 December 2009</b>	<b>225</b>	<b>421</b>	<b>17</b>	<b>39</b>	<b>702</b>
<b>Book value 31 December 2010</b>	<b>230</b>	<b>443</b>	<b>24</b>	<b>21</b>	<b>718</b>

### Writedowns

It was decided in December 2009 to gradually wind down operations within Nolato Alpha AB. In connection with this, its premises were written down by SEK 8 million and its machinery and other technical facilities by SEK 6 million. Other writedowns totalling SEK 11 million are attributable to writing down a production plant at Nolato Beijing Ltd. All writedowns were charged to the cost of goods sold in the consolidated income statement.

In June 2010, Nolato Alpha's premises were written down by a further SEK 3 million, and these were sold in December 2010 with a capital gain of SEK 4 million.

### Assets with retention of title

The Group's reported values for machinery and other technical facilities include financial leases – see Note 20. Machinery and other technical facilities are restricted by retention of title of SEK 0 million (1).

### Tax assessment values and residual values

	2010	2009
Tax assessment value of buildings in Sweden	125	151
Residual value of buildings in Sweden	106	125
Tax assessment value of land in Sweden	24	33
Residual value of land in Sweden	21	30

## Note 23 Shares in Group Companies

Parent Company	2010	2009
Acquisition value on 1 January	973	972
Acquisitions	1	1
Shareholders' contribution	20	—
Disposals	- 163	—
<b>Accumulated acquisition value on 31 December</b>	<b>831</b>	<b>973</b>
Accumulated writedowns on 1 January	- 273	- 273
Writedowns for the year	- 75	—
<b>Accumulated writedowns on 31 December</b>	<b>- 348</b>	<b>- 273</b>
<b>Reported value</b>	<b>483</b>	<b>700</b>

The company Nolato MediTor AB was formed in Torekov during 2010. This unit operates within the Nolato Medical business area. During the year, Nolato Hertila AB was sold by Nolato Cerbo AB to Nolato Polymer AB, and was then merged into Nolato Polymer AB. The Parent Company disposed of its entire holding in Nolato Medical Rubber AB to Nolato MediTech AB. The company was then merged into Nolato MediTech AB. During the year, Nolato also acquired and consolidated the US company Contour Plastics. Cerbo Danmark AS was liquidated in December 2010.

The Parent Company's holdings	Particip. interest		Carr. amount	
	2010	2009	2010	2009
AB Cerbo Group, Trollhättan, Sweden	100%	100%	117	187
Lövepac Converting (Beijing) Co., Ltd., China	100%	100%	9	9
Lövepac Converting Private Ltd, India	100%	100%	3	1
Nolato Alpha AB, Kristianstad, Sweden	100%	100%	12	12
Nolato EMC Production Center Sdn Bhd, Malaysia	100%	100%	0	0
Nolato Gejde AB, Torekov, Sweden	100%	100%	1	1
Nolato Gota AB, Götene, Sweden	100%	100%	79	79
Nolato Holding USA, Inc.	100%	—	0	—
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 Medical Rubber AB, Hörby, Sweden	—	100%	—	163
Nolato MediTech AB, Torekov, Sweden	100%	100%	19	6
Nolato MediTor AB, Torekov, Sweden	100%	—	1	—
Nolato Mobile Comm. Polymers (Beijing) Ltd, China	100%	100%	91	91
Nolato Plastteknik AB, Göteborg, Sweden	100%	100%	37	37
Nolato Polymer AB, Torekov, Sweden	100%	100%	5	5
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
<b>Carrying amount</b>			<b>483</b>	<b>700</b>

Shares owned via Group companies	Particip. interest	
	2010	2009
A/S Cerbo Norge, Norway	100%	100%
Cerbo Danmark AS, Denmark	—	100%
Cerbo France Sarl, France	100%	100%
Cerbo Polen Sp.z.o.o., Poland	100%	100%
Kartongprod. Berglund AB, Trollhättan, Sweden	100%	100%
Nolato Cerbo AB, Trollhättan, Sweden	100%	100%
Nolato Contour, Inc. USA	100%	—
Nolato Hertila AB, Åstorp, Sweden	—	100%
Nolato STG AB, Lönsboda, Sweden	100%	100%

Interests in joint ventures	Particip. interest	
	2010	2009
Nolato OPD Ltd, China*	50%	50%

\*Does not carry out any direct operations.

## Information on subsidiaries' corporate identity numbers and registered offices

A/S Cerbo Norge	926620762	Norway
AB Cerbo Group	556534-6870	Trollhättan, Sweden
Cerbo France Sarl	494591092 RCS	France
Cerbo Polen Sp.z.o.o.	146681	Poland
Kartongprodukter Berglund AB	556216-6818	Trollhättan, Sweden
Lovepac Converting Ltd	110000410302897	China
Lovepac Converting Private Ltd	U24297AP2009PTC06451	India
Nolato Alpha AB	556164-1050	Kristianstad, Sweden
Nolato Cerbo AB	556054-9270	Trollhättan, Sweden
Nolato Contour, Inc.	39-1683461	USA
Nolato EMC Production Center Sdn Bhd	876976-W	Malaysia
Nolato Gejde AB	556545-5549	Torekov, Sweden
Nolato Gota AB	556054-1301	Götene, Sweden
Nolato Holding USA Inc	27-3000125	USA
Nolato Hungary Kft	0809005432	Hungary
Nolato Kuala Lumpur Sdn Bhd	702672-A	Malaysia
Nolato Lövepac AB	556120-6052	Sk Fagerhult, Sweden
Nolato MediTech AB	556309-0678	Torekov, Sweden
Nolato MediTor AB	556820-3565	Torekov, Sweden
Nolato Mobile Comm. Polymers (Beijing) Ltd	110000410152952	China
Nolato OPD Ltd, Kina	110302010534069	China
Nolato Plastteknik AB	556198-4385	Gothenburg, Sweden
Nolato Polymer AB	556380-2890	Torekov, Sweden
Nolato Silikonteknik AB	556137-5873	Hallsberg, Sweden
Nolato Sunne AB	556101-2922	Sunne, Sweden
Nolato Torekov AB	556042-2858	Torekov, Sweden

## Note 24 Inventories

Group	2010	2009
Raw materials and supplies	82	88
Products being manufactured	50	47
Finished goods and goods for resale	88	63
Work in progress	2	17
<b>Total</b>	<b>222</b>	<b>215</b>

During the year, the Group wrote down inventories by SEK 21 million (21).

Writedowns for the year are included in Cost of goods sold in the income statement.

During the year, reversed writedowns totalled SEK 6 million (36). The reversal of previously written down stocks is due to the fact that these items were able to be sold or that they were no longer deemed to be obsolete.

## Note 25 Accounts receivable

Group	2010	2009
Accounts receivable	623	578
Deduction: Provision for decline in value of accounts receivable	-7	-5
<b>Carrying amount</b>	<b>616</b>	<b>573</b>

During the year, the Group reversed SEK 5 million (12) of provisions for decline in value of accounts receivable as at 1 January. Provisions for the year totalled SEK 7 million (3).

### Total accounts receivable

	Total	Not due	Due		
			≤15 days	16–60 days	> 60 days
2010	623	545	46	26	6
2009	578	501	49	21	7

### Accounts receivable, including provisions for decline in value

	Total	Not due	Due		
			≤15 days	16–60 days	> 60 days
2010	616	543	45	24	4
2009	573	497	49	21	6

At the end of 2010 and the end of 2009, there was no credit insurance.

## Note 26 Share capital

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

	Number of shares	Quotient value	Share capital
Share capital, 31 December 2009	26,307,408	SEK 5	SEK 131,537,000
Share capital, 31 December 2010	26,307,408	SEK 5	SEK 131,537,000

### Capital management

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

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

	2010	2009
Share capital	132	132
Other capital contributed	228	228
Translation reserve	20	37
Hedging reserve	2	0
Retained earnings, incl. net income	797	689
<b>Total capital</b>	<b>1,179</b>	<b>1,086</b>

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 the course of a business cycle. The extent to which these targets were achieved for 2010 is shown below.

The Board has reviewed Nolato’s financial targets, and has decided increase the margin target by percentage point. The other targets remain unchanged.

	2010		2009	
	Financial targets	Outcome	Financial targets	Outcome
EBITA margin	>8%	7.8%	>7%	6.4%
Return on capital employed	>15%	18.4%	>15%	12.1%
Equity/assets ratio	>35%	50.0%	>35%	51.4%

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 will intend to propose a dividend which corresponds on average to at least 35% of net income. For 2010, the Board proposes an ordinary dividend of SEK 3.00 per share (3.00) plus an extra dividend of SEK 3.00 per share, totalling SEK 6.00 per share or SEK 158 million (79), corresponding to 84% (64) of the Group’s earnings.

All Parent Company credit is restricted by capital requirements, as detailed in Note 28. Otherwise, the Group has no stated external capital requirements.

## Note 27 Other reserves

Group	Hedging reserve	Transl. reserve	Total
<b>Balance on 1 January 2009</b>	<b>-2</b>	<b>62</b>	<b>60</b>
<i>Cash flow hedges:</i>			
Loss from fair value valuation during the year	4	—	4
Tax from fair value valuation	-1	—	-1
Transfers to the income statement	-1	—	-1
Tax on transfers to the income statement	0	—	0
Translation differences	—	-25	-25
<b>Balance on 31 December 2009</b>	<b>0</b>	<b>37</b>	<b>37</b>
<b>Balance on 1 January 2010</b>	<b>0</b>	<b>37</b>	<b>37</b>
<i>Cash flow hedges:</i>			
Loss from fair value valuation during the year	14	—	14
Tax from fair value valuation	-4	—	-4
Transfers to the income statement	-12	—	-12
Tax on transfers to the income statement	4	—	4
Translation differences	—	-17	-17
<b>Balance on 31 December 2010</b>	<b>2</b>	<b>20</b>	<b>22</b>

*Hedging reserve*

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

*Translation reserve*

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

## Note 28 Borrowings

	Group		Parent Company	
	2010	2009	2010	2009
<b>Short-term</b>				
Bank loans	180	120	30	119
<b>Total borrowings</b>	<b>180</b>	<b>120</b>	<b>30</b>	<b>119</b>
<b>Maturity dates for bank loan borrowings:</b>				
Within 1 year	180	120	30	119
Between 2 and 5 years	—	—	—	—
More than 5 years	—	—	—	—
<b>Total</b>	<b>180</b>	<b>120</b>	<b>30</b>	<b>119</b>
<b>Amounts reported, by currency:</b>				
EUR	—	119	—	119
SEK	30	1	30	—
USD	150	—	—	—
<b>Total</b>	<b>180</b>	<b>120</b>	<b>30</b>	<b>119</b>

**Interest-bearing liabilities**

At the end of the year, the Group's interest-bearing liabilities excluding pension liability amounted to SEK 180 million (120). The average tax rate was 1.8% (1.9). The average fixed-interest term was 2 months (1).

	Group		Parent Company	
	2010	2009	2010	2009
Liabilities with floating interest rates	180	120	30	119
<b>Total liabilities</b>	<b>180</b>	<b>120</b>	<b>30</b>	<b>119</b>

**Terms and repayment periods**

Total credit lines granted within the Group amount to SEK 700 million (700). At the end of the year, Nolato extended loan agreements with credit institutions by SEK 350 million, with a three-and-a-half-year term. The remainder of the total loan framework runs until 31 December 2012. Collateral pledged for these credit facilities totals SEK 0 million (0). The credit facilities are conditional on covenants. These include requirements in terms of financial key ratios for the Group, including net debt in relation to operating income before depreciation (EBITDA) and the equity/assets ratio. As at 31 December, all loan conditions were met. All loan agreements can be terminated by the other party in the event of any significant change in the ownership control of the Company.

## Note 29 Provisions for pensions and similar obligations

Group SEK thousands	2010	2009
Defined benefit pension plans	91,296	90,363
Other pension plans	1,294	1,246
<b>Total</b>	<b>92,590</b>	<b>91,609</b>

### Defined benefit pension plans

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

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

Group SEK thousands	2010	2009
Present value of unfunded obligations	113,597	114,306
Unreported actuarial losses	- 22,301	- 23,943
<b>Net debt in the balance sheet</b>	<b>91,296</b>	<b>90,363</b>

### Fair value of the defined benefit pension plans:

Group SEK thousands	2010	2009
Balance on 1 January	114,306	111,779
Benefits vested during the period	331	1,222
Interest expenses	4,275	4,226
Benefits redeemed	- 204	- 221
Pension payments	- 4,418	- 3,735
Actuarial gain (-)/loss (+)	- 693	1,035
<b>Total</b>	<b>113,597</b>	<b>114,306</b>

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

Group SEK thousands	2010	2009
Expenses related to service during the financial year	331	1,222
Interest expense	4,275	4,226
Actuarial losses reported for the year	949	935
<b>Total expense for defined benefit pension plans</b>	<b>5,555</b>	<b>6,383</b>
Expense for defined contribution plans	54,877	44,376
Expense for special salary tax and yield tax	6,619	7,550
<b>Total pension expense</b>	<b>67,051</b>	<b>58,309</b>

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

Group SEK thousands	2010	2009
<i>Amounts charged to operating income:</i>		
Cost of goods sold	218	786
Selling expenses	211	367
Administrative expenses	851	1 004
<i>Amounts charged to financial expenses:</i>		
Interest expenses	4,275	4,226
<b>Total</b>	<b>5,555</b>	<b>6,383</b>

### Changes in net debt for defined benefit pension plans as reported in the balance sheet are as follows

Group SEK thousands	2010	2009
Net debt on 1 January accord. to the balance sheet adopted	90,363	87,936
Net expense reported in the income statement	5,555	6,383
Pension payments and benefits redeemed	- 4,622	- 3,956
<b>Net debt on 31 December</b>	<b>91,296</b>	<b>90,363</b>

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

Group %	2010	2009
Discount rate	3.80	3.80
Future annual salary increases	3.20	3.20
Future annual pension increases	2.00	3.20
Employee turnover	5.00	5.00

### Historical values:

Present value of unfunded obligations on 31 December:

2010	2009	2008	2007	2006
113,597	114,306	111,779	101,618	67,137

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

2010	2009	2008	2007	2006
693	- 1,035	3,159	- 1,077	753

### Alecta

The liability for retirement pensions and family pensions for executives in Sweden is secured through a policy with Alecta. According to a statement issued by the Swedish Financial Reporting Board, UFR 3, this is a multiple-employer defined benefit pension plan. For the 2010 financial year, the Company had no access to any such information which would allow it to report this plan as a defined benefit plan. The ITP pension plan (for salaried employees in industry), which is insured at Alecta, is thus reported as a defined contribution plan. Charges for the year for pension insurance policies held with Alecta totalled SEK 6 million (5). Alecta's surplus can be allocated to insurers and/or insureds. On 31 December 2010, Alecta's surplus, in the form of the collective funding ratio, amounted to 146% (141). The collective funding ratio is determined by the market value of Alecta's assets as a percentage of the pension liability using Alecta's own actuarial calculation assumptions, which do not comply with IAS 19.

### Note 30 Other liabilities, interest bearing

Group	Financial leases
<b>On 1 January 2009</b>	<b>2</b>
Change	- 2
<b>On 1 January 2010</b>	<b>0</b>
Change	0
<b>On 31 December 2010</b>	<b>0</b>

#### Financial leases

Non-cancellable lease agreements have terms between one and five years. For more information about financial leasing, see Note 20.

### Note 31 Receivables and liabilities, Group companies

#### Receivables from Group companies

Parent Company	
<b>On 1 January 2009</b>	<b>138</b>
Change	109
<b>On 1 January 2010</b>	<b>247</b>
Change	145
<b>On 31 December 2010</b>	<b>392</b>

#### Liabilities to Group companies

Parent Company	
<b>On 1 January 2009</b>	<b>21</b>
Change	- 3
<b>On 1 January 2010</b>	<b>18</b>
Change	- 1
<b>On 31 December 2010</b>	<b>17</b>

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

### Note 32 Other provisions

Group	Provisions to restructuring reserve	Miscellaneous	Total
Amount on 1 January	7	2	9
Provisions for the year	—	0	0
Amounts claimed	- 7	- 1	- 8
<b>Amount on 31 December</b>	<b>—</b>	<b>1</b>	<b>1</b>

At the end of the year, restructuring reserve provisions stood at SEK 7 million. These provisions were used during the year.

Parent Company	Provisions to restructuring reserve	Miscellaneous	Total
Amount on 1 January	—	2	2
Provisions for the year	—	0	0
<b>Amount on 31 December</b>	<b>—</b>	<b>2</b>	<b>2</b>

The amount under Miscellaneous relates to future salary tax for endowment insurance.

### Note 33 Accrued expenses and deferred income

	Group		Parent Company	
	2010	2009	2010	2009
Salary liabilities	86	73	12	7
Employer payroll fees	38	33	5	4
Deliveries of goods, invoice not received	62	42	—	—
Restructuring costs	6	—	—	—
Other items	82	46	4	3
<b>Total</b>	<b>274</b>	<b>194</b>	<b>21</b>	<b>14</b>

### Note 34 Derivative instruments

Group	2010		2009	
	Assets	Liabilities	Assets	Liabilities
Currency forw. contracts, cash flow hedges	3	0	2	1

#### Currency forward contracts

Currency forward contracts entered into but unutilised are detailed in the table below. The market value on 31 December 2010 was SEK 3 million (1). The market value of contracts identified as cash flow hedges which meet the conditions for hedge accounting was SEK 2 million (0). This value has been reported in other comprehensive income. The remaining market value, SEK 1 million (1), has been reported in the income statement. The market value that formed the basis for valuation at fair value has been established based on directly observable market data which is not listed on an active market (level 2). Level 1: In accordance with prices listed on an active market for the same instrument. Level 2: Based on directly or indirectly observable market data which is not included in level 1. Level 3: Based on input data which is not observable in the market.

Currency	Nom. value in contract SEK M	Average rate (SEK)	Market value	Reported against inc. statement	Reported against other compr. income
DKK/SEK	27	1.26	1	0	1
EUR/SEK	- 81	9.07	0	0	0
USD/SEK	40	7.12	2	1	1
<b>Total</b>	<b>- 14</b>		<b>3</b>	<b>1</b>	<b>2</b>

Gains and losses in other comprehensive income in relation to currency forward contracts on 31 December 2010 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 2010, the market value of unrealised derivatives was SEK 3 million (0).

## Note 35 Fair value of financial assets and liabilities

### Group

Financial assets	2010			2010 Total	2009			2009 Total
	Loan receivables and accounts receivable	Der. used in hedge accounting	Non-financial assets		Loan receivables and accounts receivable	Der. used in hedge accounting	Non-financial assets	
Intangible fixed assets	—	—	441	441	—	—	373	373
Tangible fixed assets	—	—	718	718	—	—	702	702
Other securities held as fixed assets	—	—	2	2	—	—	2	2
Other long-term receivables	—	—	1	1	—	—	1	1
Deferred tax assets	—	—	30	30	—	—	25	25
Inventories	—	—	222	222	—	—	215	215
Accounts receivable	616	—	—	616	573	—	—	573
Current tax assets	—	—	19	19	—	—	—	—
Other receivables	—	—	44	44	—	—	35	35
Derivative assets	—	3	—	3	—	2	—	2
Prepaid expenses and accrued income	—	—	15	15	—	—	13	13
Cash and bank	239	—	—	239	172	—	—	172
<b>Total</b>	<b>855</b>	<b>3</b>	<b>1,492</b>	<b>2,350</b>	<b>745</b>	<b>2</b>	<b>1,366</b>	<b>2,113</b>
Financial liabilities	2010			2010 Total	2009			2009 Total
	Der. used in hedge accounting	Other financial liabilities	Non-financial liabilities		Der. used in hedge accounting	Other financial liabilities	Non-financial liabilities	
Provisions for pensions and similar obligations	—	—	93	93	—	—	92	92
Deferred tax liabilities	—	—	109	109	—	—	101	101
Other liabilities, interest-bearing	—	0	—	0	—	0	—	0
Other provisions	—	—	1	1	—	—	9	9
Accounts payable	—	433	—	433	—	464	—	464
Loans	—	180	—	180	—	120	—	120
Customer advances	—	32	—	32	—	10	—	10
Current tax liabilities	—	—	13	13	—	—	7	7
Other liabilities	—	—	36	36	—	—	29	29
Derivative liabilities	0	—	—	0	1	—	—	1
Accrued expenses and deferred income	—	—	274	274	—	—	194	194
<b>Total</b>	<b>0</b>	<b>645</b>	<b>526</b>	<b>1,171</b>	<b>1</b>	<b>594</b>	<b>432</b>	<b>1,027</b>

The fair value of currency derivatives is calculated through the difference between the bank's average rates that applied as at 31 December compared with agreed forward rates.

### Parent Company

Financial assets	2010			2010 Total	2009			2009 Total
	Loan receivables and accounts receivable	Der. used in hedge accounting	Non-financial assets		Loan receivables and accounts receivable	Der. used in hedge accounting	Non-financial assets	
Tangible fixed assets	—	—	0	0	—	—	0	0
Shares in Group companies	—	—	483	483	—	—	700	700
Other securities held as fixed assets	—	—	2	2	—	—	2	2
Other long-term receivables	392	—	0	392	248	—	—	248
Deferred tax assets	—	—	6	6	—	—	4	4
Current tax assets	—	—	15	15	—	—	—	—
Other receivables	—	—	237	237	—	—	200	200
Prepaid expenses and accrued income	—	—	—	—	—	—	0	0
Cash and bank	105	—	—	105	74	—	—	74
<b>Total</b>	<b>497</b>	<b>—</b>	<b>743</b>	<b>1,240</b>	<b>322</b>	<b>—</b>	<b>906</b>	<b>1,228</b>
Financial liabilities	2010			2010 Total	2009			2009 Total
	Der. used in hedge accounting	Other financial liabilities	Non-financial liabilities		Der. used in hedge accounting	Other financial liabilities	Non-financial liabilities	
Other liabilities, interest-bearing	—	17	—	17	—	18	—	18
Other provisions	—	—	2	2	—	—	2	2
Accounts payable	—	1	—	1	—	2	—	2
Loans	—	30	—	30	—	119	—	119
Current tax liabilities	—	—	—	—	—	—	4	4
Other liabilities	—	—	206	206	—	—	218	218
Accrued expenses and deferred income	—	—	21	21	—	—	14	14
<b>Total</b>	<b>—</b>	<b>48</b>	<b>229</b>	<b>277</b>	<b>—</b>	<b>139</b>	<b>238</b>	<b>377</b>

### Note 36 Untaxed reserves

Parent Company	2010	2009
	Tax allocation reserves 2008	27
Tax allocation reserves 2009	45	45
Tax allocation reserves 2010	21	21
Tax allocation reserves 2011	32	—
<b>Total</b>	<b>125</b>	<b>93</b>

### Note 37 Collateral pledged

	Group		Parent Company	
	2010	2009	2010	2009
Chattel mortgages	—	—	—	—
Real estate mortgages	—	—	—	—
Assets with retention of title	0	1	—	—
<b>Total</b>	<b>0</b>	<b>1</b>	<b>—</b>	<b>—</b>

### Note 38 Contingent liabilities

	Group		Parent Company	
	2010	2009	2010	2009
Guarantees on behalf of subsidiaries	—	—	92	99
Guar. commitm., adv. payments fr. cust.	0	4	—	—
Guarantee commitments, FPG/PRI	2	2	—	—
Other contingent liabilities	0	4	—	—
<b>Total</b>	<b>2</b>	<b>10</b>	<b>92</b>	<b>99</b>

### Note 39 Cash flow

Reconciliation of liquid funds	Group		Parent Company	
	2010	2009	2010	2009
<i>The following subcomponents are included in liquid funds:</i>				
Cash and bank balances	134	98	0	0
Credit balance on Group account in Parent Company	105	74	105	74
<b>Total liquid funds in the balance sheet</b>	<b>239</b>	<b>172</b>	<b>105</b>	<b>74</b>
<b>Total liquid funds reported in the cash flow statement</b>	<b>239</b>	<b>172</b>	<b>105</b>	<b>74</b>

#### Unused credit

On the balance sheet date, unused credit within the Group stood at SEK 520 million (580).

### Note 40 Related parties

The Parent Company has control 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 and joint Group services is detailed in Note 5 on page 50, and relates primarily to assigning costs for joint Group services and expenses. The Parent Company serves as an internal bank for the Group companies, whereby intra-Group interest income and interest expenses have arisen within the Parent Company as reported in Notes 14 and 15 on page 55. Interest on loan receivables and liabilities are calculated on an ongoing basis in line with the market. There are no contractual regulated terms. Payment is not expected within 12 months.

During the year, the Parent Company received dividends from subsidiaries worth SEK 153 million (74) and recovered intra-Group accounts receivable worth SEK 21 million (5).

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

From time to time, the Board member Erik Paulsson represents other companies which are Nolato suppliers or customers. Both in relation to the situation of this Board member and to that of each supplier/customer, Nolato's Board has determined that the transactions carried out with these companies do not constitute significant business connections when considering the size of revenues generated in comparison with annual supplier/customer sales. Otherwise, there are no known transactions with related parties.

The Parent Company has assumed guarantees on behalf of Group companies worth SEK 92 million (99).

## Note 41 Company acquisitions

### Acquisition of Contour Plastics, Inc.

#### Description of the acquisition

On 23 July, Nolato acquired 100% of the shares in Contour Plastics Inc. Controlling influence was thereby obtained. No additional purchase price will be paid, as agreed. The acquisition was reported using the acquisition method, with the total purchase price being allocated among the assets acquired and liabilities assumed based on their fair values. Fair value was determined following generally accepted accounting principles and methods. The purchase price consists entirely of cash. The acquisition has contributed SEK 80 million to the Nolato Group's income during 2010, and has had a marginal positive effect on the Group's earnings per share. If the acquisition had taken place on 1 January 2010, it would have contributed SEK 179 million to the Nolato Group's income and SEK 10 million in net profit, and would have had a marginal positive effect on the Group's earnings per share after Group depreciation and interest.

#### Description of the company

The company's customers consist of a number of medical technology companies, primarily American. It has around 180 employees, and the previous management is continuing to run the company following the acquisition. The company is located in Baldwin, Wisconsin, at the heart of an American medical technology cluster, and has changed its name to Nolato Contour, Inc. Its certified production plant is 9,000 m<sup>2</sup> in size, with clean rooms accounting for 700 m<sup>2</sup>. The acquisition gives Nolato an excellent base for production in North America, and thereby a stronger offering in terms of geographical expansion.

### Acquisition value, goodwill and cash flow effects (preliminary)

#### Acquisition value

Purchase price	165
Less fair value of net assets acquired (as detailed below)	- 97
<b>Goodwill</b>	<b>68</b>

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's current customers in the USA and for customers of the acquired company. There will also be synergies through coordinated purchasing and through other cooperation at various levels within Nolato Medical. This goodwill is tax deductible in accordance with US tax rules over a period of 15 years.

Net assets	Balance sheet at the time of the acquisition	Adjustment to fair value	Fair value
Intangible fixed assets	0	13	13
Tangible fixed assets	61	0	61
Current assets	47	- 1	46
Liquid funds	1	0	1
Provisions	0	- 5	- 5
Current liabilities	- 19	0	- 19
<b>Net assets acquired</b>	<b>90</b>	<b>7</b>	<b>97</b>

Gross value, fair value and the value expected to be settled on for the balance sheet item 'Accounts receivable' are all SEK 25 million. There were no other significant liabilities at the time of the acquisition involving credit risk that cannot be expected to be recovered. Acquisition expenses of SEK 5 million have been charged to expenses as administrative expenses.

#### Cash flow effects

Cash paid acquisition value	165
Less liquid funds acquired	- 1
<b>Net cash flow from the acquisition</b>	<b>164</b>

## Proposed distribution of earnings

### Nolato AB (publ)

The earnings at the disposal of the Annual General Meeting are as follows:

Retained earnings	SEK 422 million
Net income	SEK 55 million
<b>Total</b>	<b>SEK 477 million</b>

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

Dividend of SEK 6.00 per share to the shareholders	SEK 158 million
To be carried forward	SEK 319 million
<b>Total</b>	<b>SEK 477 million</b>

The proposed dividend is, in the view of the Board, 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.

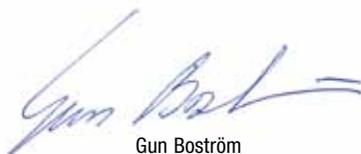
This Annual Report has been prepared in accordance with IFRS international accounting standards as adopted by the EU. It provides a true and fair view of the operations, financial position and earnings of the Group and the Parent Company, and describes the significant risks and uncertainty factors faced 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 2011. The consolidated income statement and balance sheet and the Parent Company's income statement and balance sheet will be proposed for adoption at the AGM on 27 April 2011.

Torekov, 4 March 2011



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 and CEO



Magnus Bergqvist  
Employee representative



Björn Jacobsson  
Employee representative



Eva Norrman  
Employee representative

# Auditor's report

## To the Annual General Meeting of Shareholders in Nolato AB, Swedish corporate identity number 556080-4592

I have audited the Parent Company and consolidated accounts and the administration of the Board of Directors and the President and CEO of Nolato AB for the financial year 01/01/2010 to 31/12/2010. The Company's annual report and consolidated accounts can be found on pages 24–68 of this document. These accounts, the administration of the Company and the application of the Swedish Annual Accounts Act when preparing the Parent Company accounts, as well as the application of IFRS international standards as adopted by the EU and the Swedish Annual Accounts Act when preparing the consolidated accounts, are the responsibility of the Board of Directors and the President. My responsibility is to express an opinion on the Parent Company and consolidated accounts and the administration based on my audit.

I have conducted my audit in accordance with generally accepted auditing standards in Sweden. These standards require that I plan and perform my audit in order to obtain a high, but not absolute, degree of assurance that the Parent Company and consolidated accounts are free of material errors. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and their application by the Board of Directors and President, as well as significant estimates made by the Board of Directors and the President when preparing the Parent Company and consolidated accounts, and evaluating the overall presentation of information in the Parent Company and consolidated accounts. In order to provide a basis for my

opinion regarding discharge of liability, I examined the significant decisions, actions taken and circumstances of the Company in order to be able to determine the possible liability to the Company of any Board member or the President and CEO. I also examined whether any Board member or the President in any way or other has acted in contravention of the Swedish Companies Act, the Swedish Annual Accounts Act or the Articles of Association. I believe that my audit provides a reasonable basis for my opinion set out below.

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

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

Malmö, 8 March 2011



Alf Svensson  
Authorised public accountant

# Nolato's shares and shareholders

## Nolato's shares

Nolato AB was listed on the Stockholm Stock Exchange in 1984, and its B shares are now listed on the NASDAQ OMX Nordic Exchange in the Stockholm Mid Cap segment, where the shares are included in the information technology sector. During the period 2008-2010, the shares were included in the Stockholm Small Cap segment.

## Share capital

The share capital of Nolato AB totals SEK 132 million, divided into 26,307,408 shares.

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

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

## Share price performance

Nolato's B shares rose over the course of the year by 41% (84) to a year-end price of SEK 83.00 (59.00).

The highest and lowest prices during 2010 were SEK 89.25 (4 November) and SEK 57.75 (11-12 January).

The market value of these shares as at 31 December 2010 was SEK 2,183 million.

During 2010, 11.1 million (7.9) Nolato shares were traded on the Stockholm Stock Exchange. The turnover rate, i.e. the degree of liquidity, was 47% (34).

## Ownership structure

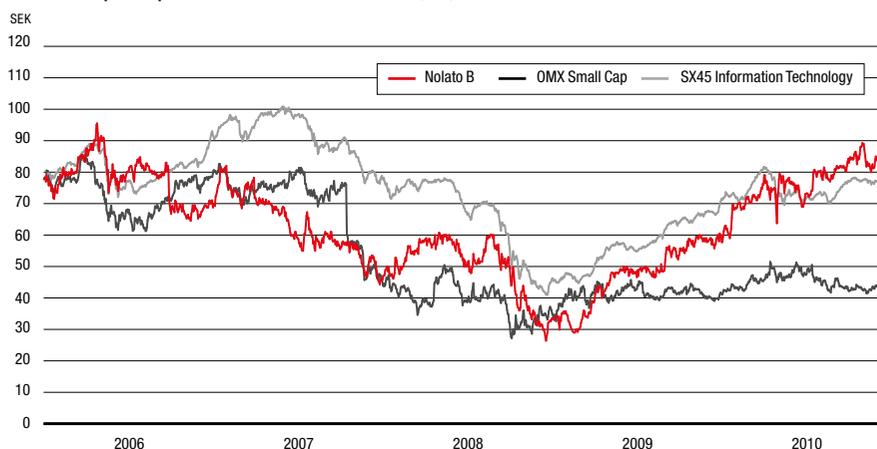
On 31 December 2010, Nolato AB had 7,889 shareholders (6,611).

The proportion of shares held by Swedish institutions and funds was 31% of the share capital (31). The proportion held by foreign shareholders was 12% (12).

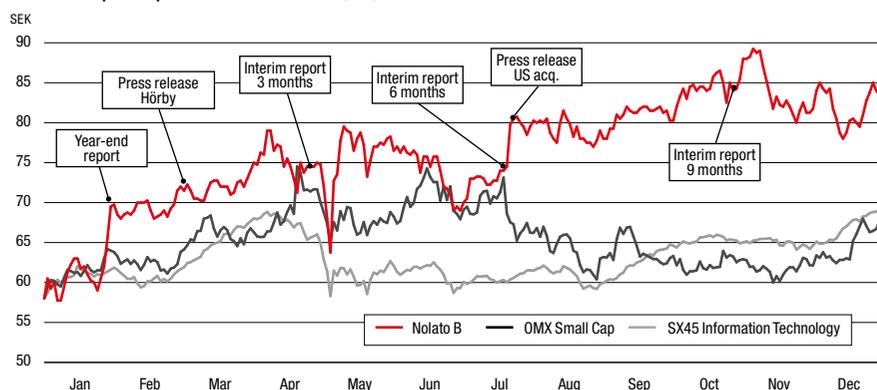
The proportion of shares held by Swedish individuals was 40% of the share capital (39).

The ten largest groups of owners held 58% (60) of the share capital and 78% (80) of the votes.

## Share price performance 2006 – 2010 (SEK)



## Share price performance 2010 (SEK)



## Data per share

	2010	2009	2008	2007	2006
Net earnings per share, SEK <sup>1</sup>	7.11	4.68	6.77	5.70	1.82
Shareholders' equity per share, SEK <sup>2</sup>	45	41	40	33	30
Cash flow per share, SEK	8.74	5.28	11.71	5.97	-0.42
Share price at 31 December, SEK	83.00	59.00	32.00	45.90	71.00
Price/earnings ratio, times <sup>3</sup>	12	13	5	8	39
Turnover rate, %	47	34	25	62	55
Dividend (2010 proposal), SEK	6.00	3.00	2.75	3.00	2.40
Yield (2010 proposal), % <sup>4</sup>	7.2	5.1	8.6	6.5	3.4
Dividend as percentage of earnings per share (2010 prop.)	84	64	41	52	132
Average number of shares, thousands	26,307	26,307	26,307	26,307	26,307
Price/equity ratio per share, times	1.8	1.4	0.8	1.4	2.4
Market capitalisation 31 December, SEK millions	2,183	1,552	842	1,208	1,868

### Definitions

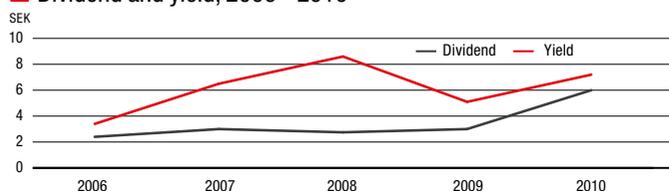
- 1 Net income divided by the average number of shares.
- 2 Shareholders' equity divided by the number of shares.
- 3 Quoted share price on 31 December divided by net earnings per share.
- 4 Dividend for the year divided by the market price quoted on 31 December.

## Dividend policy

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

For 2010, an ordinary dividend of SEK 3.00 (3.00) per share is proposed, together with an extra dividend of SEK 3.00, totalling SEK 6.00 per share, corresponding to SEK 158 million. The pay-out ratio for the ordinary dividend is 42%, and 84% in total. The dividend yield is 7.2% in relation to the stock exchange price on 31 December 2010. Over the last five years, the average yield from Nolato's shares has been 6.2%.

## Dividend and yield, 2006 – 2010



## Other circumstances relating to Nolato's shares

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.

## Shareholder value

Nolato's management works continuously to develop and improve financial information, in order to provide the market with good conditions for determining the value of the Company as fairly as possible. This includes participating actively when dealing with analysts, shareholders and the media. Over the course of the year, Nolato's shares were monitored and analysed by analysts including the following:

- ABG Sundal Collier – Magnus Innala, +468 566 28633
- Carnegie – Viktor Lindeberg, +468 5886 9149
- Swedbank – Jan Ihrfelt, +468 5859 1848
- Ålandsbanken – Mikael Laséen, +468 791 4827

## Breakdown of shareholdings by size 31/12/2010

Holding	Number of shareholders	Number of A shares	Number of B shares	% of capital	% of votes
1 – 499	4,989	0	812,948	3.09	1.59
500 – 999	1,030	0	645,255	2.45	1.26
1,000 – 2,499	1,243	0	1,686,390	6.41	3.30
2,500 – 4,999	289	0	957,236	3.64	1.87
5,000 – 7,499	119	0	679,290	2.58	1.33
7,500 – 9,999	24	0	204,451	0.78	0.40
10,000 – 19,999	74	0	936,336	3.56	1.83
20,000 – 49,999	60	0	1,797,269	6.83	3.51
50,000 – 99,999	21	28,000	1,487,851	5.76	3.46
100,000 – 249,999	19	210,000	2,662,844	10.92	9.31
250,000 –	21	2,521,400	11,678,138	53.98	72.14
<b>Total</b>	<b>7,889</b>	<b>2,759,400</b>	<b>23,548,008</b>	<b>100.00</b>	<b>100.00</b>

## The ten largest shareholders 31/12/2010

Shareholder	Number of A shares	Number of B shares	% of capital	% of votes
Paulsson family	819,200	2,372,575	12.13	20.66
Jorlén family	1,104,700	1,548,768	10.09	24.63
Boström family	835,500	1,653,670	9.46	19.57
Lannebo fonder	0	1,926,297	7.32	3.77
Svolder	0	1,348,932	5.13	2.64
Skandia fonder	0	1,096,387	4.17	2.14
Handelsbanken fonder	0	894,599	3.40	1.75
Odin fonder	0	645,081	2.45	1.26
Carlson fonder	0	595,000	2.26	1.16
Avanza pension	0	461,059	1.75	0.90
<b>Total for ten largest shareholders</b>	<b>2,759,400</b>	<b>12,542,368</b>	<b>58.16</b>	<b>78.48</b>
Other shareholders	0	11,005,640	41.84	21.52
<b>Total</b>	<b>2,759,400</b>	<b>23,548,008</b>	<b>100.00</b>	<b>100.00</b>

## Categories of shareholders 31/12/2010

Shareholders	Number	% of all holders	% of capital	% of votes
Individuals	7,170	90.89	40.02	54.73
of which Sweden	7,077	89.71	39.51	54.47
Institutions	719	9.11	59.98	45.27
of which Sweden	521	6.60	48.62	39.43
<b>Total</b>	<b>7,889</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>
Sweden	7,598	96.31	88.12	93.90
Other Nordic countries	43	0.55	0.36	0.18
Rest of Europe	158	2.00	5.66	2.91
USA	52	0.66	5.14	2.64
Rest of world	38	0.48	0.72	0.37
<b>Total</b>	<b>7,889</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

Category	Number of A shares	Number of B shares	% of capital	% of votes
Financial institutions	0	7,845,812	29.81	15.34
Banks	0	44,098	0.17	0.09
Sec. brok. co.s, securities co.s	0	575	0.00	0.00
Fund managers	0	4,903,484	18.64	9.59
Insurance co.s, pension institutions	0	1,519,402	5.78	2.97
Pension funds	0	16,934	0.06	0.03
Other financial institutions	0	1,361,319	5.17	2.66
Social security funds	0	86,579	0.33	0.17
Swedish state, municipalities	0	13,965	0.06	0.02
Interest organisations	0	190,944	0.73	0.37
Other Swedish legal entities	819,200	3,834,762	17.69	23.51
Holders outside Sweden	0	3,123,082	11.87	6.11
Swedish individuals	1,940,200	8,452,864	39.51	54.48
<b>Total</b>	<b>2,759,400</b>	<b>23,548,008</b>	<b>100.00</b>	<b>100.00</b>

## Class of shares 31/12/2010

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

→ Current information about Nolato's shares can always be found at [www.nolato.com](http://www.nolato.com)

# Corporate governance report



## Corporate governance 2010

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 organizations.

## 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 information technology sector.

Nolato had 7,889 shareholders as at 31 December 2010. The ten largest shareholders were the Paulsson family with 12% of the share capital (21% of the votes), the Jorlén family with 10% (25% of the votes), the Boström family with 9% (20% of the votes), and seven institutional investors, who together owned an additional 26%. Together, the ten largest shareholders hold 58% of the share capital and 78% of the votes.

For further information about ownership, see the previous page.

## Annual General Meetings

The shareholders' right to make decisions on matters relating to Nolato is exercised at Annual General Meetings (AGMs). Shareholders entered in the register of shareholders on the dividend record date and registered before the final registration date are entitled to participate in the AGM, 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 AGM to achieve a quorum or a statutory voting majority.

The AGM must be held within six months of the end of the financial year. At the AGM, 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 AGM. All Board members, the Company's management and the auditors are normally present to answer any such questions.

## The 2010 Annual General Meeting

The 2010 Annual General Meeting was held on 28 April 2010 in Grevie. Fredrik Arp was elected as chairman of the meeting.

The AGM approved a dividend of SEK 3.00 (2.75) per share.

Fredrik Arp, Gun Boström, Henrik Jorlén, Erik Paulsson, Hans Porat and Lars-Åke Rydh were re-elected as Board members. Anna Malm Bernsten was elected as a new Board member.

The meeting resolved that, for the period until the next AGM, the Board should receive unchanged fees totalling SEK 1,030,000, excluding travel allowances (SEK 1,030,000), to be distributed as follows among the non-employed members: SEK 250,000 (250,000) to the Chairman, and SEK 130,000 (130,000) each to the other non-employed members. It was also resolved that SEK 80,000 (80,000) should be paid to the members of the Audit Committee, of which SEK 50,000 should be paid to the chairman and SEK 30,000 to the ordinary member. A fee of SEK 50,000 (50,000) should be paid to the Chairman of the Remuneration Committee.

For the period until the 2012 AGM, Alf Svensson was elected by the 2008 AGM as ordinary auditor and Camilla Alm Andersson as deputy auditor, both of whom work for KPMG AB.

The AGM resolved in accordance with the Board's proposal that the Company should

have a Nomination Committee consisting of one representative for each of the five largest shareholders in terms of number of votes as at the end of September 2010. The names of the five shareholder representatives and the names of the shareholders whom they represent shall be made public as soon as they have been appointed, but no later than six months before the 2011 AGM.

The Nomination Committee's mandate period shall run until a new Nomination Committee has been elected. Unless the members of the Nomination Committee agree otherwise, the chairman of the Nomination Committee shall be the member who represents the largest shareholder in terms of number of votes.

The AGM passed resolutions on adopting the income statement and balance sheet for Nolato AB and the consolidated income statement and balance sheet, and on the distribution of earnings, and discharged the members of the Board and the President from liability for the 2009 financial year.

## Nomination Committee

As decided by the 2010 AGM (see above), the Nomination Committee shall consist of one representative for each of the five largest shareholders as at the end of September 2010.

The Nomination Committee ahead of the 2011 AGM consists of Henrik Jorlén (chairman, representing the Jorlén family), Erik Paulsson (representing the Paulsson family), Gun Boström (representing the Boström family), Johan Lannebo (representing Lannebo Fonder) and Magnus Molin (representing Svolder AB). The Nomination Committee is responsible for making proposals to the AGM on the Chairman of the Board and other Board members, director's fees for each of the Board members, the chairman of the AGM, how the Nomination Committee should be appointed for the coming year and, where appropriate, auditors and auditors' fees. In addition, the Nomination Committee must also carry out certain tasks in accordance with the Swedish Code of Corporate Governance.

Since its inauguration and up until February 2011, the Nomination Committee has held one meeting.

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

### The Company's application of the Swedish Code of Corporate Governance

The Swedish Code of Corporate Governance is based on the principle follow 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 only deviates from points 2.4 and 7.3 of the Code.

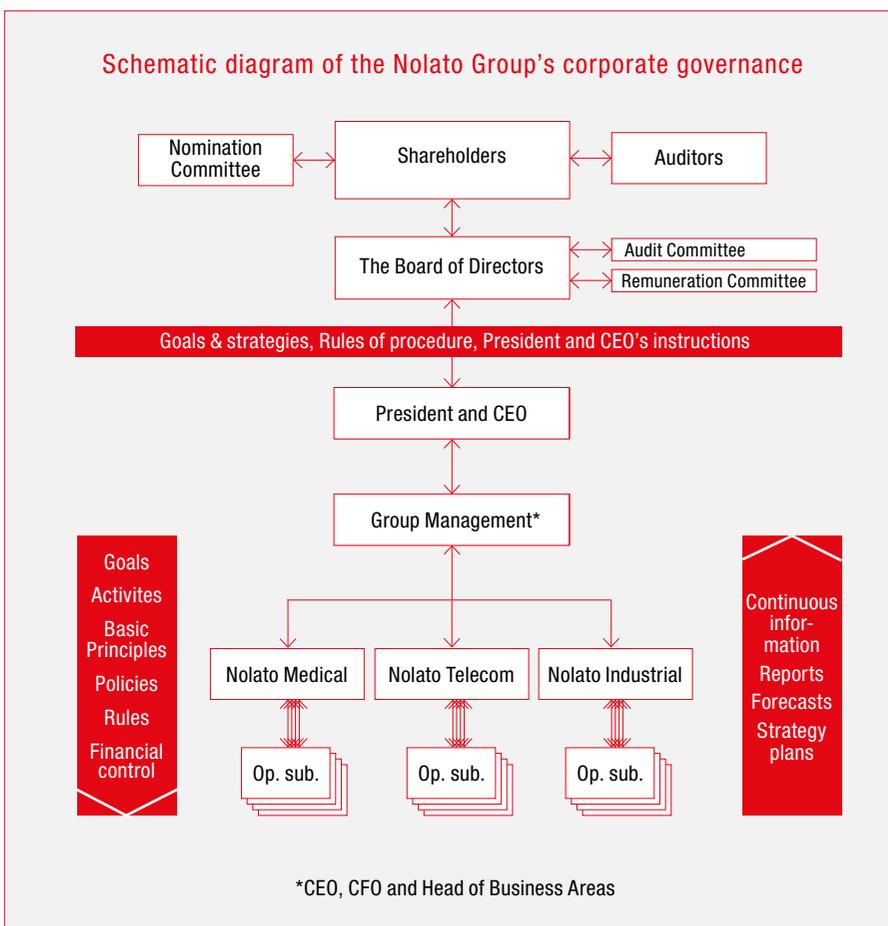
Point 2.4 states that the majority of the Nomination Committee should be made up of non-Board members, that no more than one of these Board members may be dependent in relation to the Company's major shareholders, and that the Chairman of the Nomination Committee should not be the Chairman of the Board 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% of the Company's 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.

## The Board and its work

### The composition of the Board

According to the Company's Articles of Association, the Board of Nolato should consist of at least five and no more than nine Board members, with a maximum of three deputies, which are elected at the AGM for



*The Annual General Meeting elects the Board of Directors, which is responsible for ensuring that the management and control of the Group is distributed between the Board, the Board's committees and the President and CEO in accordance with the Swedish Companies Act, other legislation, the Swedish Code of Corporate Governance, the Articles of Association and the Board's rules of procedure.*

the period up until the first AGM held after the year in which the Board members were elected.

Following the AGM of 28 April 2010, the Board consists of seven members elected at the AGM: 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. Each of these has a deputy, and these are 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 act independently 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 AGM, apart from the CEO, are independent in relation to the Company.

The members of the Board of Nolato are presented on pages 78–79.

### The working methods of the Board

The Board decides on the ultimate direction of Nolato's operations and prepares the necessary instructions. It determines the Nolato Group's management structure and appoints, dismisses and oversees the President and CEO.

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

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

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

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

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

The Board ensures the quality of financial reporting, which takes place through adopted governance instruments, such as the instructions for the President and CEO, the instructions for financial reporting to the Board, the information policy and the financial policy.

The Board also ensures the quality of financial reporting by reviewing the interim reports, the year-end report and the Annual Report in detail, both before and at the Board meetings. The Board is also informed of minutes drawn up by the Audit Committee and any observations, recommendations and proposed decisions and actions.

The Board has delegated the Company

management with the task of ensuring the quality of press releases with financial content and presentation materials in connection with meetings held with the media, shareholders and financial institutions.

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 also responsible for the Board being kept updated, improving its knowledge about Nolato and otherwise receiving the training required in order for the Board to be able to carry out its work in an effective manner. In addition, the Chairman of the Board ensures that the work of the Board is evaluated on an annual basis, and that the Nomination Committee is informed of the outcome of this evaluation.

### The Audit Committee

The task of the Audit Committee is to supervise the procedures for accounting, financial reporting and internal auditing. The committee will have frequent contact with the auditors of Nolato AB and the Group, in order to discuss audit matters on an ongoing basis, evaluate auditing work and establish guideless for services other than auditing that Nolato may procure from its auditors.

The members of the committee are Lars-Åke Rydh (chairman) and Henrik Jorlén, who were appointed by the Board. The work of the committee is regulated by specific rules of procedure, which have been adopted by the Board.

The Audit Committee held four meetings in 2010. Both the members were present at three of these, and one member was absent from one meeting. Minutes were taken at all meetings.

### The Remuneration Committee

The Board includes a Remuneration Committee, which is responsible for making proposals to the Board on variable remunera-

tion for senior executives, including the President and CEO.

The committee also proposes all remuneration and benefits for the President and CEO to the Board. The Board has approved these principles for the variable remuneration of senior executives and all remuneration and benefits for the President and CEO.

The committee is also responsible for approving all remuneration to the executive management.

The members of the committee are Fredrik Arp (chairman) and Henrik Jorlén, who were appointed by the Board. The committee held two meetings in 2010.

Ahead of 2011, 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 AGM for resolution.

### The Board's work in 2010

During 2010, the Board held five meetings and a constituent meeting after the AGM. Reviews of the Company's operations, markets and finances were standing items on the Board's agenda. In addition to these points, the work of the board during the year has focused primarily on investment discussions, market communication, acquisition processes, budgets/forecasts, financing and strategy discussions relating to the Company's operations during the most recent three-month period.

All decisions have been unanimous.

### Board meeting attendance in 2010

During 2010, the Board members elected by the AGM attended the following Board meetings:

	Feb	Apr	Jul	Oct	Dec
Fredrik Arp	x	x	x	x	x
Gun Boström	x	x	x	x	x
Roger Johanson <sup>1)</sup>	x	x			
Henrik Jorlén	x	x	x	x	x
Anna Malm Bernsten <sup>2)</sup>			x	x	x
Erik Paulsson	–	x	x	–	x
Lars-Åke Rydh	x	x	x	x	x
Hans Porat	x	x	x	x	x

<sup>1)</sup> Left at the 2010 AGM.

<sup>2)</sup> Elected at the 2010 AGM and co-opted to the April meeting.

### 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.

## Company Management

### Group Management

The Group Management consists of Hans Porat (CEO of the Nolato Group and President of Nolato Industrial), Per-Ola Holmström (Executive Vice President and CFO), Christer Wahlquist (President of Nolato Medical) and Jörgen Karlsson (President of Nolato Telecom).

The President and CEO manages operations in accordance with the Swedish Companies Act and within the framework established by the Board of Directors. Working together with the Chairman of the Board, he draws up the necessary information and decision-making documentation for Board meetings, submits details of tasks and justifies proposals for decisions. He is also responsible for Nolato's corporate, strategic and financial development, and manages and coordinates day-to-day activities in accordance with the guidelines and decisions of the Board.

The President and CEO also appoints members of the Group management, in consultation with the Chairman of the Board. Nolato's Group management holds monthly operational reviews, under the leadership of the President and CEO.

### Business operations

All business operations within the Group

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

### Business areas

Each subsidiary belongs to one of the Group's three business areas. The president of each business area manages operational issues, and is in constant contact and discussion with the managing directors and other management of the subsidiaries within the business area in question.

### Subsidiaries

The Group's success is due to the close business relationships which each Group company enjoys with its customers. Their understanding of – and sensitivity towards – customers' needs, business practices and distribution requirements are, and remain, crucial to Nolato's success.

Each subsidiary is managed by a Board of Directors, which approves and makes decisions on long-term strategies and overall structural and organisational changes. Each subsidiary has a managing director who is responsible for operations, as specified in the managing director's instructions issued by the Board of Directors. The managing director is assisted by a management team, with members from the various company functions.

### Auditors

At the 2008 AGM, authorised public accountant Alf Svensson was elected as auditor of Nolato and authorised public accountant Camilla Alm Andersson was elected as deputy auditor, both for a mandate period of four years.

Both work for the accountancy company KPMG AB.

Nolato's auditor is tasked with auditing the annual report and the accounts, as well as the administration of the Board of Directors and the President and CEO. Auditing takes place in accordance with the Swedish Companies Act and the Standards on Auditing in Sweden. The auditor also reviews the remuneration of senior executives and the corporate governance report. 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 2010 on 1 February 2011. The auditor also participates in the AGM, describing the audit work and



observations made in an auditors' report. Over the course of the year, the auditor has carried out a number of consultancy commissions over and above the audit, relating primarily to auditing and taxation issues.

The external audit is conducted in accordance with generally-accepted auditing practices. Annual reports for legal entities outside Sweden must be audited in accordance with statutory requirements and other applicable rules in the country in question, and in accordance with generally-accepted auditing practices. Nolato's auditors regularly study the approved minutes from Nolato's Board meetings, and also have ongoing access to the monthly reports which the Board receives.

Nolato's auditors are presented in this Annual Report on page 79.

### Board remuneration

For the period starting with the 2010 AGM and ending with the 2011 AGM, Board remuneration totalled SEK 1,030,000 excluding

travel allowances (SEK 1,030,000), divided up as follows:

<b>The Board:</b>	
Chairman:	SEK 250,000
Board member:	SEK 130,000
<b>Audit Committee:</b>	
Chairman:	SEK 50,000
Member:	SEK 30,000
<b>Remuneration Committee:</b>	
Chairman:	SEK 50,000

Director's fees are paid only to external members. Company employees and employee representatives receive no director's fee.

During 2010, the current members of the Board received the following remuneration, which was paid in December 2010:

Fredrik Arp	SEK 300,000
Henrik Jorlén	SEK 160,000
Gun Boström	SEK 130,000
Anna Malm Bernsten	SEK 130,000
Erik Paulsson	SEK 130,000
Lars-Åke Rydh	SEK 180,000
<b>Total</b>	<b>SEK 1,030,000</b>

### 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 Policy

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

Reports, press releases and other information can be downloaded from Nolato's website, [www.nolato.com](http://www.nolato.com), under Investor Relations.

The website also includes additional information on corporate governance in terms of Board membership, procedures, work, committees and auditors. The current Articles of Association, information about Annual General Meetings and current details of major shareholders can also be found here. ■

## The Board's description of internal control 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. The company's auditor has reviewed the description.

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 operational performance and results on an ongoing basis, via a reporting package which includes operating income, rolling forecasts, the analysis of key figures and other significant operating and financial information.

Nolato has a simple legal and operational structure, with established management and internal audit systems. This enables the business to react swiftly in the event of changed conditions in the Group's market or in other areas. Operational decisions are taken at company or business area level, while decisions on overall strategy, focus, acquisitions, major investments and overall financial issues are taken by Nolato's Board and Group management.

Internal auditing in relation to Nolato's financial reporting is tailored to work within this organisation. Within the Group, there is a clear regulatory framework for delegating responsibility and authorisation, and this follows the Group structure. The basis for internal auditing in relation to financial reporting is a control environment consisting of the organisation, decision-

making paths, authorisation and responsibilities communicated, as well as the culture which the Board and the Company management communicates and works within. This culture is formulated in the documents Nolato's Basic Principles, Nolato's Code of Conduct, Nolato's Environmental Policy, Nolato's Quality Policy and Nolato's Information Policy, and is described on pages 24–29 of this Annual Report. These cultural declarations are an important element when it comes to creating an effective control environment within Nolato. They are communicated to all employees, including in the form of a publication entitled "The Nolato Spirit", and are based on a set of values which Nolato has upheld for many years.

In addition to this, rules of procedure for the Board and President and CEO instructions have also 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 an annual process, involving a risk analysis of its financial reporting, which will be evaluated and ratified 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



Injection-moulding in a clean room at Nolato Contour.

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 the financial year 01/01/2010 to 31/12/2010 on pages 72–77 and for this being prepared in accordance with the Swedish Annual Accounts Act.

In order to provide a basis for my opinion regarding the preparation of the corporate governance report and its compliance with the Parent Company and consolidated accounts, I have read the corporate governance report and have assessed its statutory content based on my knowledge of the company.

I am of the opinion that a corporate governance report has been prepared, and that its statutory information complies with the Parent Company and consolidated accounts.

Malmö, 8 March 2011

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 trades unions. At the Annual General Meeting on 28 April, 2010, the Board members Fredrik Arp, Gun Boström, Henrik Jorlén, Erik Paulsson, Lars-Åke Rydh and Hans Porat were re-elected. Anna Malm Bernsten was elected as a new Board member.

## 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, Qioptiq Group. Board member of Technogym.  
Previous experience: CEO of Volvo Car, Trelleborg, PLM.  
Born in 1953. Education: BSc (Econ) and Honorary Doctor of Economics.

**Gun Boström**  
Member since 1971.  
Shareholding in Nolato: 417,750 A and 445,800 B.  
Previous experience: Various positions within the Nolato Group.  
Born in 1942. Education: engineering.

**Henrik Jorlén**  
Member since 1974.  
Shareholding in Nolato: 294,000 A and 47,950 B.  
Previous experience: Management positions within the Nolato Group.  
Born in 1948. Education: commercial school.

**Anna Malm Bernsten**  
CEO of Bernsten Konsult.  
Member since 2010.  
Shareholding in Nolato: 1,000 B.  
Other directorships: Board member of Artimplant, Birdstep, Biophausia, Cellavision, Fagerhult, Matrisen, Medivir.  
Previous experience: Management positions within sales and marketing at international companies, including Assa Abloy, GE Healthcare Life Science and Pharmacia & Upjohn.  
Born in 1961. Education: Master of Engineering.

**Erik Paulsson**  
Member since 2003.  
Shareholding in Nolato: 609,200 A and 2,372,575 B.  
Other directorships: Chairman of the Board of Fabegge, SkiStar, Backahill, Diös Fastigheter and Wihlborgs Fastigheter. Board member of Brinova.  
Previous experience: Manager and entrepreneur within the construction and property industry since 1959. One of the founders of Peab and SkiStar, and active owner of a number of listed property companies.  
Born in 1942. Education: elementary school.

**Lars-Åke Rydh**  
Member since 2005.  
Shareholding in Nolato: 2,000 B.  
Other directorships: Chairman of the Board of OEM International, CombiQ, Nefab, SanSac, Schuchardt Maskin and Plastprint. Board member of HL Display and Handelsbanken Region East Sweden.  
Previous experience: President and CEO of Nefab.  
Born in 1953. Education: Master of Engineering.

**Hans Porat**  
President and CEO of Nolato.  
Member since 2008.  
Shareholding in Nolato: 33,898 B.  
Previous experience: Management positions at ABB, Vice CEO of Trelleborg, CEO of Gadelius Japan.  
Born in 1955.  
Education: Master of Science (metallurgy).

## Board members elected by employees

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

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

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

*Deputies for Board members elected by employees*

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

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

**Håkan Svensson**  
PTK employee representative since 2009.  
Shareholding in Nolato: 0.  
Born in 1960. Education: upper secondary school.

## Nomination Committee

The Nomination Committee prior to the 2011 Annual General Meeting consists of Henrik Jorlén, Gun Boström, Erik Paulsson, Johan Lannebo (Lannebo Fonder) and Magnus Molin (Svolder).

## Auditors

**Ordinary auditor:**  
Alf Svensson, born in 1949.  
Authorised public accountant, KPMG.  
Auditor of Nolato since 2008.  
Shareholding in Nolato: 0.  
Education: BSc (econ).  
Elected auditor of companies including Peab AB, BE Group AB, Nederman AB, Midelfart Sonesson Group AB and Höganäs AB.

**Deputy auditor:**  
Camilla Alm, born in 1965.  
Authorised public accountant, KPMG.  
Auditor of Nolato since 2008.  
Shareholding in Nolato: 0.  
Education: BSc (econ).  
Other major clients: BE Group AB, AB Wilh. Becker, Kemira Kemi AB, Tigran Technologies AB and Stena Fastigheter AB.

Shareholding in Nolato at 31 December 2010  
incl. family and companies, according to Euroclear Sweden.

# Group Management

## Hans Porat

President and CEO, and President of Nolato Industrial since 2008.

Employed at Nolato since 2008.

Born in 1955.

Education: Master of Science (metallurgy).

Shareholding incl. family: 33,898 B.



## Per-Ola Holmström

Executive Vice President and CFO since 1995.

Employed at Nolato since 1995.

Born in 1964.

Education: BSc (econ).

Shareholding incl. family: 20,154 B.



## Jörgen Karlsson

President of Nolato Telecom since 2009 and MD of Nolato Beijing since 2007.

Employed at Nolato since 1995.

Born in 1965.

Education: polymer engineering.

Shareholding incl. family: 0.



## Christer Wahlquist

President of Nolato Medical since 2005.

Employed at Nolato since 1996.

Born in 1971.

Education: Master of Science, MBA.

Shareholding incl. family: 20,712 B.



# Annual General Meeting and 2011 calendar

## Annual General Meeting

Shareholders are invited to attend Nolato's Annual General Meeting at 4:00 p.m. on Wednesday 27 April 2011 at Idrottsparken in Grevie, Sweden.

Light refreshments and drinks will be served after the Annual General Meeting.

## Registration

Shareholders who wish to participate in the Annual General Meeting should be listed on the register of shareholders maintained by Euroclear Sweden on Tuesday 19 April 2011, and should register their intention to attend the Annual General Meeting with the Company no later than 12:00 a.m. on Tuesday 19 April 2011.

Attendees may register in one of the following ways:

- using the response card enclosed with the Annual Report sent to shareholders
- by e-mailing [nolatoab@nolato.se](mailto:nolatoab@nolato.se)
- by fax to +46 431 442291
- by writing to Nolato AB, 269 04 Torekov, Sweden.

When registering, shareholders should state their name, address, telephone number, civic registration number or corporate identity number, number of shares and, where appropriate, the names of any assistants. These details will be used only for the purposes of registering attendance and drawing up a register of voters. For shareholders

who will be represented by a representative, an original power of attorney should be sent when registering and, where the party holding power of attorney is a legal entity, proof of registration or other documentation demonstrating the authorisation of the company signatory. Shareholders wishing to bring one or two assistants should register their intention to do so before the cut-off date for shareholder registration.

Shareholders who, through the trust department of a bank or some other manager, have registered their shares in the name of a nominee, must temporarily register the shares in their own name in order to have the right to participate in the Annual General Meeting following registration. In order for this registration to be entered in the register of shareholders no later than 19 April 2011, shareholders must request re-registration by the manager in plenty of time.

## Reporting documents

The reporting documents and the auditors' report will be available at the company's headquarters at Nolatovägen, 269 04 Torekov, Sweden by Tuesday 5 April 2011.

The documents will be sent to those shareholders requesting these.

Documents will also be available from Nolato's website, [www.nolato.com](http://www.nolato.com), under Investor Relations.

## Financial calendar

All financial information will be posted at [www.nolato.com](http://www.nolato.com) as soon as it is published.

During 2011, financial information will be released as follows:

- Three-month interim report 2011:  
27 April 2011
- Annual General Meeting:  
27 April 2011
- Six-month interim report 2011:  
20 July 2011
- Nine-month interim report 2011:  
26 October 2011

## Annual Report

The Annual Report is sent by post to those shareholders who have notified the Company that they wish to receive a copy. It is also available at [www.nolato.com](http://www.nolato.com), and can be ordered by phoning +46 431 442208 or at [www.nolato.com](http://www.nolato.com).

## IR contact

Per-Ola Holmström, Executive Vice President and CFO, is responsible for Nolato's financial information.

Telephone: +46 431 44 22 93

E-mail: [per-ola.holmstrom@nolato.se](mailto:per-ola.holmstrom@nolato.se)

## ■ Five-year overview

	2010	2009	2008	2007	2006
<b>Sales and income</b>					
Net sales (SEK millions)	3,375	2,602	2,824	2,421	2,702
Sales growth (%)	30	- 8	17	- 10	20
Percentage of sales outside Sweden (%)	76	73	68	61	68
Operating income (EBITA) (SEK millions)	262	166	240	197	79
Operating income (EBIT) (SEK millions)	253	158	232	190	78
Financial items (SEK millions)	- 10	- 10	- 16	- 19	- 9
Income after financial items (SEK millions)	243	148	216	171	69
Net income (SEK millions)	187	123	178	150	48
<b>Financial position</b>					
Total assets (SEK millions)	2,350	2,113	2,126	1,918	1,724
Shareholders' equity (SEK millions)	1,179	1,086	1,058	881	789
Interest-bearing assets (SEK millions)	239	172	168	62	131
Interest-bearing liabilities and provisions (SEK millions)	273	212	263	386	293
Net debt (SEK millions)	34	40	95	314	162
Equity/assets ratio (%)	50	51	50	46	46
Liquidity (%)	120	122	111	131	130
Debt/equity ratio (times)	0.2	0.2	0.2	0.4	0.4
<b>Cash flow</b>					
Cash flow from operations (SEK millions)	370	257	451	315	280
Investment activities (SEK millions)	- 286	- 118	- 143	- 158	- 291
Cash flow before financing activities (SEK millions)	84	139	308	157	- 11
<b>Profitability</b>					
Return on total capital before tax (%)	11.3	7.5	11.8	10.5	4.7
Return on capital employed before tax (%)	18.4	12.1	18.4	16.3	7.4
Return on operating capital before tax (%)	21.6	13.9	19.7	17.6	8.3
Return on net shareholders' equity (%)	16.5	11.5	18.4	18.0	5.9
EBITA margin (%)	7.8	6.4	8.5	8.1	2.9
Profit margin (%)	7.2	5.7	7.6	7.1	2.6
Interest coverage ratio (times)	25	14	11	8	8
<b>Share data (see also page 70)</b>					
Earnings per share after tax (SEK)	7.11	4.68	6.77	5.70	1.82
Shareholders' equity per share (SEK)	45	41	40	33	30
Cash flow per share (SEK)	8.74	5.28	11.71	5.97	- 0.42
Yield (2010 proposal) (%)	7.2	5.1	8.6	6.5	3.4
Dividend per share (2010 proposal) (SEK)	6.00	3.00	2.75	3.00	2.40
<b>Personnel</b>					
Number of employees (people)	7,563	4,308	4,531	3,760	4,144
Sales per employee (SEK thousands)	446	604	623	643	652
Income after financial items per employee (SEK thousands)	32	34	48	45	17

The Nolato Annual Report is produced by Strategisk Information AB, Limhamn, Sweden. Photography by Magnus Torle, Doug Kanter, Lasse Davidsson and others. Translation by Teknotrans, Malmö. Printing by Ljungbergs, Klippan, Sweden. We have strived to achieve a low environmental impact when producing this report. The printing process is Swan labelled. The paper is made from recycled fibres, saving trees and reducing greenhouse gas emissions compared with paper made using virgin fibres.

## ■ Definitions

### Adjusted earnings per share

Net income, excluding amortisation of intangible assets arising from acquisitions, divided by the average number of shares.

### Cash flow per share

Cash flow before financing activities, divided by average number of shares.

### Debt/equity ratio

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

### EBITA margin

Operating income (EBITA) as a percentage of net sales.

### Earnings per share

Net income, divided by average number of shares.

### Equity/assets ratio

Shareholders' equity as a percentage of total capital in the balance sheet.

### Interest coverage ratio

Income after financial items plus financial expenses, divided by financial expenses.

### Liquidity

Total current assets divided by total current liabilities.

### Net debt

Interest-bearing liabilities and provisions less interest-bearing assets.

### Operating income (EBITDA)

Earnings before interest, taxes, depreciation and amortisation.

### Operating income (EBITA)

Earnings before interest, taxes and amortisation of intangible assets arising from acquisitions.

### Operating income (EBIT)

Income before tax, financial income and expenses.

### Profit margin

Income after financial items as a percentage of net sales.

### Return on total capital

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

### Return on capital employed

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

### Return on operating capital

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

### Return on shareholders' equity

Net income as a percentage of average shareholders' equity.

## ■ 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 manufacturing polymer components. The material is injected under high pressure into a mould in which the component is formed.

### Injection blow moulding

Production technique whereby a plastic container is first injection-moulded and then inflated so that a receptacle is formed. Injection blow moulding is used by Nolato for manufacturing pharmaceutical packaging.

### Dipping

The product is manufactured by being dipped in liquid latex. Dipping is used by Nolato for manufacturing products such as breathing bags and catheter balloons.

### Extrusion

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

### 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.

### Haptic technology/haptics

Designing a surface so that a function or cosmetic effect can be felt.

### 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.

**■ Nolato AB**

SE-269 04 Torekov, Sweden  
Street address: Nolatovägen  
Phone: +46 431 442290  
Fax: +46 431 442291  
E-mail: info@nolato.se

**■ Nolato Beijing**

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

■ Sales and technology office:  
Snidaregatan 1  
SE296 31 Åhus, Sweden  
Phone: +46 708 744170

**■ Nolato Cerbo**

Box 905, SE-461 29 Trollhättan,  
Sweden  
Street address: Verkmästarev. 1-3  
Phone: +46 520 409900  
Fax: +46 520 409902  
E-mail: nolatocerbo@nolato.se

■ Cerbo Norge  
Postboks 157  
NO-2021 Skedsmokorset, Norway  
Phone: +47 6387 8220  
Fax: +47 6387 4120  
E-mail: cerbo.norge@nolato.com

■ Cerbo France  
15, Rue Vignon  
FR-75008 Paris, France  
Phone: +33 1 47 975284  
Fax: +33 1 46 366418  
E-mail: cerbo.france@nolato.com

**■ Nolato Contour**

660 VandeBerg Street  
Baldwin, WI 54002, U.S.A.  
Phone: +1 715 684 4614  
Fax: +1 715 684 4634  
E-mail: contour.sales@nolato.com

**■ Nolato Gota**

Box 29, SE-533 21 Götene, Sweden  
Street address: Alsborgsgatan 2  
Phone: +46 511 342100  
Fax: +46 511 342101  
E-mail: gota@nolato.se

**■ Nolato Hungary**

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

**■ Lövepac**

4<sup>th</sup> Floor, No. 21 Xingsheng Road  
BBA, Beijing, 100176  
P.R. China  
Phone: +86 10 6780 5580  
Fax: +86 10 6787 4404

■ Shenzhen, China  
Unit 401, Factory 2,  
Hasee Hua Sai Industrial Park,  
#466, Ji Hua Road, Bantian,  
Longgang District,  
Shenzhen, 518129, P.R. China  
Phone: +86 755 8610 6804  
Fax: +86 755 8623 2753

■ Chennai, India  
RBF-2, Road R-1 North,  
West 670, Cherivi, Sri City  
SEZ Satyavedu Mandal  
517588 Andhra Pradesh, India  
Phone: +91 857 6306850  
Fax: +91 857 630854

**■ Nolato Lövepac**

Ringvägen 5  
SE-280 40 Skånes Fagerhult,  
Sweden  
Phone: +46 433 32300  
Fax: +46 433 32302  
E-mail: lovepac@nolato.se

**■ Nolato MediTech**

Box 93  
242 21 Hörby, Sweden  
Street address: Medicingatan  
Phone: +46 415 19700  
Fax: +46 415 10054  
E-mail: meditech@nolato.se

■ Lomma:  
Box 28, SE-234 21 Lomma, Sweden  
Street address: Koppargatan 13  
Phone: +46 415 19700  
Fax: +46 40 419551  
E-mail: meditech@nolato.se

**■ Nolato MediTor**

SE-269 04 Torekov, Sweden  
Street address: Nolatovägen  
Phone: +46 431 442260  
Fax: +46 431 442261  
E-mail: meditor@nolato.se

**■ Nolato Plastteknik**

Box 4123,  
SE-422 04 Hisings Backa, Sweden  
Street address: Exportgatan 59  
Phone: +46 31 588400  
Fax: +46 31 588401  
E-mail: plastteknik@nolato.se

**■ Nolato Polymer**

SE-269 04 Torekov, Sweden  
Street address: Nolatovägen  
Phone: +46 431 442200  
Fax: +46 431 442201  
E-mail: polymer@nolato.se

■ Ängelholm  
Framtidsgatan 6  
SE-262 73 Ängelholm, Sweden  
Phone: +46 431 442200  
Fax: +46 431 449051

■ Åstorp  
Persbogatan 1  
SE-265 38 Åstorp, Sweden  
Phone: +46 42 66880  
Fax: +46 42 51939  
E-mail: hertila@nolato.se

**■ Nolato Silikonteknik**

Bergsmansvägen 4,  
SE-694 91 Hallsberg, Sweden  
Phone: +46 582 88900  
Fax: +46 582 88999  
E-mail: silikonteknik@nolato.se

■ Beijing, China  
402 Longsheng Industrial Park  
7, Rong Chang Road East  
Beijing Development Area  
Beijing 100176, P.R. China  
Phone: +86 10 6787 2200  
Fax: +86 10 6787 2671

■ Kuala Lumpur, Malaysia  
Nolato EMC Production Center  
Lot 39, Jalan SC 2  
Pusat Perindustrian Sg Chua  
43000 Kajang, Selangor, Malaysia  
Phone: +603 8739 3603  
Fax: +603 5518 4594

**■ Nolato Sunne**

Box 116, SE-686 23 Sunne, Sweden  
Street address: Sundgatan 21  
Phone: +46 565 17300  
Fax: +46 565 17373

[www.nolato.com](http://www.nolato.com)