



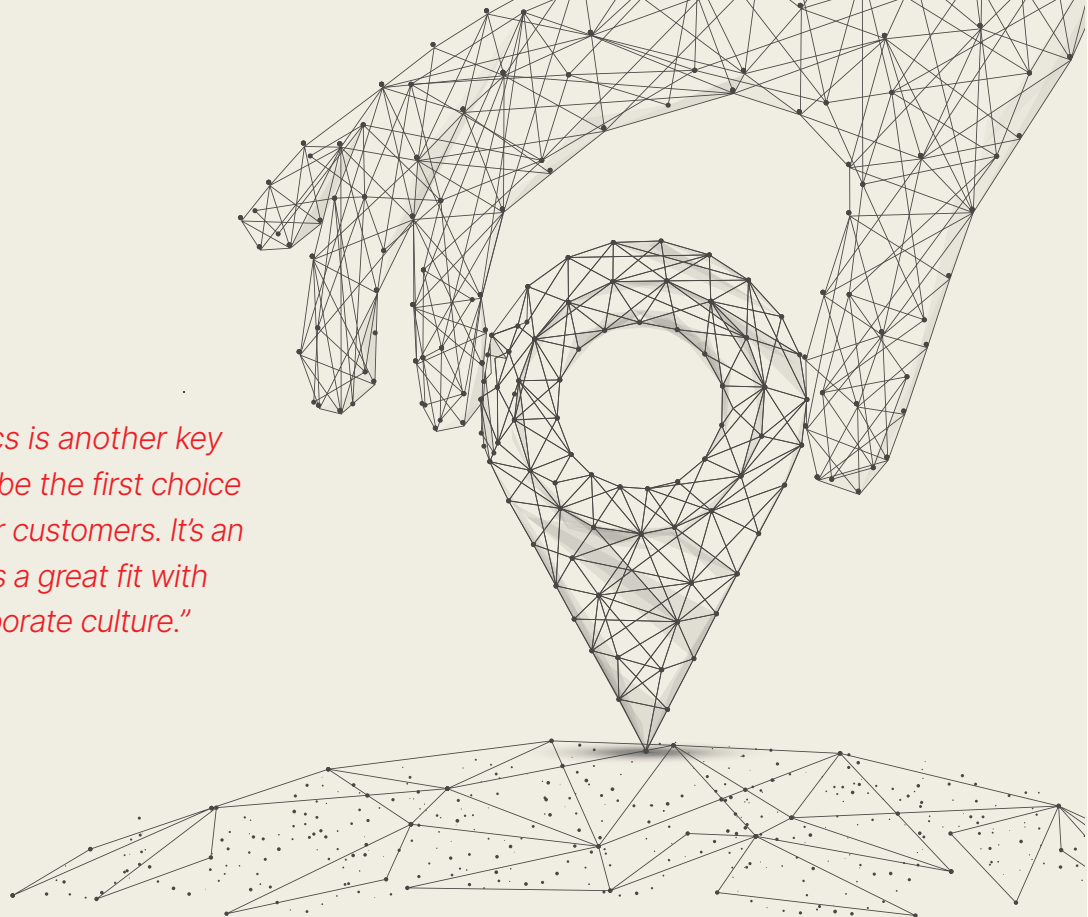
ANNUAL REPORT 2020

Record year despite pandemic



“The acquisition of GW Plastics is another key building block in our vision to be the first choice of global high-tech partner for customers. It’s an ideal strategic acquisition that’s a great fit with Nolato’s growth-oriented corporate culture.”

Christer Wahlquist
President and CEO



OFFERING

Nolato aims to be the first choice of partner for customers

Nolato’s customer offering comprises most technologies in the field of polymers and spans the entire value chain, from solutions-oriented development to product delivery.



A NEW NOLATO

Nolato+GW Plastics

To mark the symbolic significance of the acquisition of GW Plastics, we launched a new logo with clear elements of both companies.

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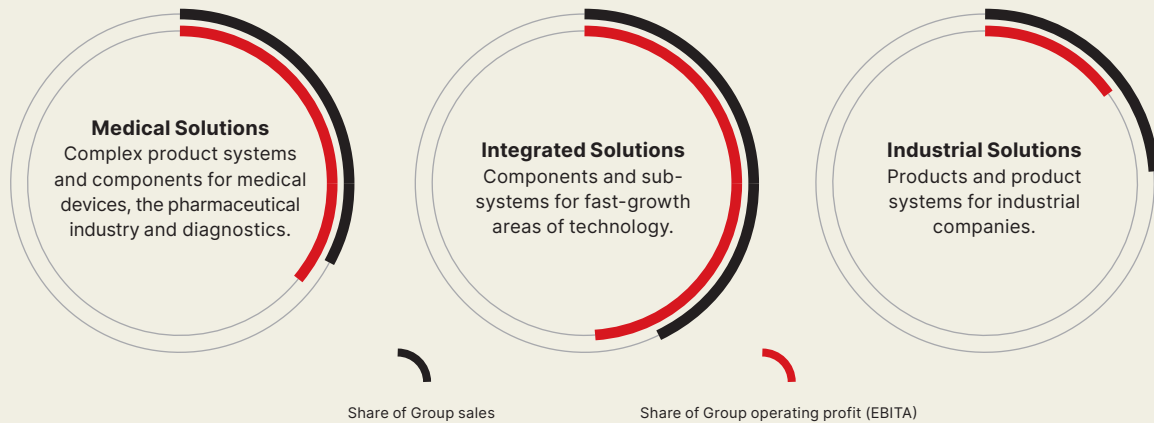
*The information on pages 47–96 has been audited.

Nolato has prepared a statutory sustainability report in accordance with Chapt. 6, Sect. 11 of the Swedish Annual Accounts Act; see pages 20–25 and 49–55. The reading guide is on page 49.

The printed annual report is sent by post to those shareholders who have notified Nolato that they wish to receive a copy. It can also be ordered at www.nolato.com, where a digital version is also available. New shareholders are offered the opportunity in a welcome letter to receive future annual reports as long as they own shares in Nolato. The annual report is also available in Swedish.

The Nolato Group in brief

Nolato is a Swedish, publicly listed group with a well-established global position on three continents: Europe, Asia and North America. Nolato's three business areas develop and manufacture products in polymer materials such as plastic, silicone and TPE for leading, often global, companies.



OUR VALUES

Professional
Well organized
Responsible

Three basic principles that comprise Nolato's group-wide values and are key to a long-standing tradition of responsible business conduct and our sustainable development strategy.

EMPLOYEES

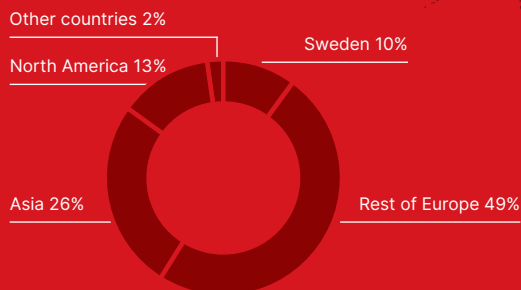
6,721

Nolato's average no. of employees in 2020.



NOLATO'S GLOBAL PRESENCE

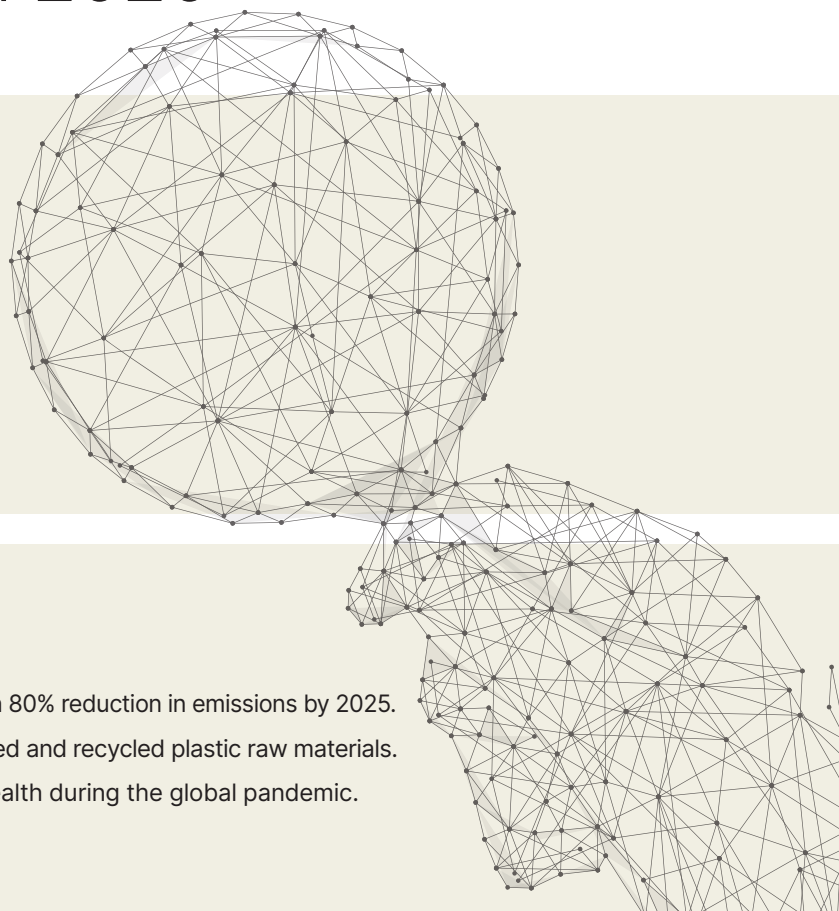
Sales per geographical market



Significant events in 2020

FINANCIAL PERFORMANCE

- > US-based GW Plastics was acquired in 2020.
- > Nolato's sales rose to SEK 9,359 million (7,919).
- > Operating profit (EBITA) increased to SEK 1,066 million (895).
- > Operating margin (EBITA) of 11.4% (11.3).
- > Diluted earnings per share were SEK 30.24 (26.60).



SUSTAINABLE DEVELOPMENT

- > A challenging new carbon dioxide emissions target was set: an 80% reduction in emissions by 2025.
- > Successful customer projects were carried out using bio-based and recycled plastic raw materials.
- > Robust measures were introduced to protect employees' health during the global pandemic.



Medical Solutions

Financial highlights	2020	2019
Sales, SEKm	3,089	2,484
Operating profit (EBITA), SEKm	402	320
EBITA margin, %	13.0	12.9
Average no. of employees	1,870	1,624

Development and manufacture of complex product systems and components for medical devices, the pharmaceutical industry and diagnostics.



Integrated Solutions

Financial highlights	2020	2019
Sales, SEKm	4,068	3,292
Operating profit (EBITA), SEKm	548	427
EBITA margin, %	13.5	13.0
Average no. of employees	3,712	3,201

Design, development and manufacture of advanced components, subsystems and ready-packaged products for consumer electronics. EMC & Thermal develops and manufactures shielding and heat dissipation products and systems for electronics.

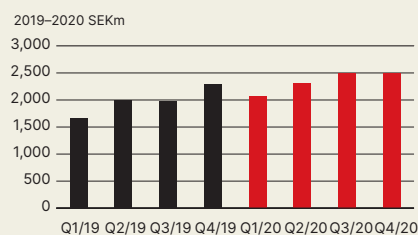


Industrial Solutions

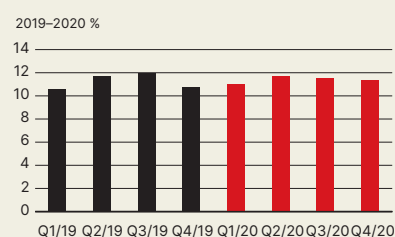
Financial highlights	2020	2019
Sales, SEKm	2,205	2,159
Operating profit (EBITA), SEKm	168	181
EBITA margin, %	7.6	8.4
Average no. of employees	1,133	1,109

Development and manufacture of products and product systems for customers in the automotive, hygiene, packaging, gardening/forestry, domestic appliance and furniture sectors, and other selected industrial segments.

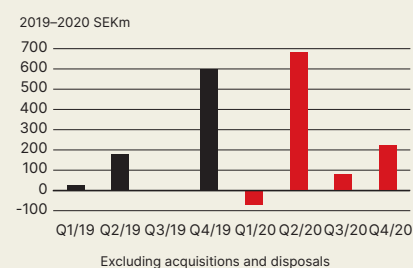
Sales per quarter



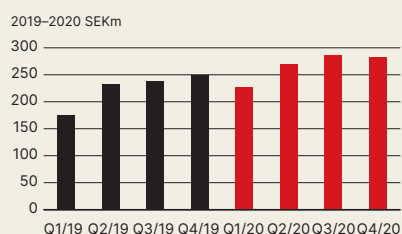
EBITA margin per quarter



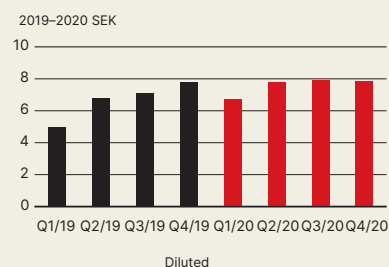
Cash flow after investments per quarter



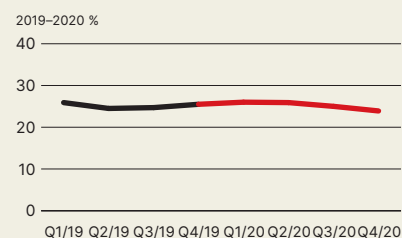
Operating profit (EBITA) per quarter



Earnings per share per quarter



Return on equity per quarter



Financial highlights

SEKm (unless otherwise specified)	2020	2019	2018	2017	2016
Net sales	9,359	7,919	8,102	6,720	4,447
Operating profit (EBITDA)	1,456	1,263	1,189	980	636
Operating profit (EBITA)	1,066	895	949	763	457
EBITA margin, %	11.4	11.3	11.7	11.4	10.3
Profit after financial income and expenses	1,014	857	921	731	438
Profit after tax	806	703	722	572	336
Diluted earnings per share, SEK	30.24	26.60	27.37	21.74	12.77
Adjusted diluted earnings per share, SEK	30.76	26.82	27.59	22.15	13.19
Cash flow after investments, excl. acquisitions and disposals	905	800	593	496	245
Net investments, affecting cash flow, excl. acquisitions and disposals	347	360	452	277	221
Cash conversion, %	87	88	60	66	55
Return on capital employed, %	20.7	23.1	29.7	26.6	20.6
Return on shareholders' equity, %	23.9	25.5	30.4	29.4	19.0
Equity/assets ratio, %	43	48	50	45	47
Net financial liabilities (-)/net financial assets (+)	- 298	666	341	31	- 206
Dividend per share (2020 proposal), SEK	16.00	-	14.00	12.50	10.50
Average no. of employees	6,721	5,941	6,449	7,249	6,418

See key performance indicators and definitions of alternative performance measures and IFRS measures on pages 87–89.



Nolato's best ever full-year earnings

2020 was a year that few of us will forget. The devastating spread of coronavirus around the world has affected all of us and Nolato's business was no exception. However, despite a challenging operating environment, Nolato's business model proved robust, delivering outstanding sales growth of 18%. And strong bottom-line earnings resulted in 2020 being Nolato's most profitable year ever.

Good performance by all three business areas

Medical Solutions has grown significantly over many years and 2020 was no exception. This business area once again increased its sales, which amounted to SEK 3,089 million, corresponding to growth of 7% adjusted for currency and acquisitions. Integrated Solutions' sales also rose sharply, by an impressive 23% adjusted for currency and acquisitions, and the business area also has highly capital-efficient operations. Industrial Solutions' margin was heavily impacted in the first part of the year because of its exposure to the automotive industry's temporary halt in production. But its margin recovered as manufacturing gradually came back on stream, ending the year largely back at normal levels. A sterling effort throughout our organization resulted in sales of SEK 2,205 million, which was broadly unchanged when adjusted for currency and acquisitions.

Strategic acquisition that brings significant volumes and a solid global position

Acquisitions are, and have long been, a key part of Nolato's growth strategy, and we are continually looking to generate shareholder value by identifying high-quality companies to acquire that will strategically enhance our existing business over time. This is exactly what the acquisition of GW Plastics in 2020 brings, with its significant volumes and a strong position on the important North American continent. GW Plastics is an extremely well-run business that is a great fit with Nolato's growth-oriented corporate culture. Combining this with our

cutting-edge Medical Solutions technologies supports our relationship with existing customers by providing an end-to-end offering that not only reflects the customer value chain but also establishes a broad geographical presence.

Taking action to protect and help

As an employer in 2020, Nolato's responsibility was to make every effort to reduce the spread of infection and quickly adapt business operations to comply with national recommendations and rules as they were introduced. Our fundamental objective was to keep the business running while prioritizing safety, so we focused on extensive measures to make our workplaces Covid secure based on what was needed on the ground, such as adapting working procedures. This ensured that manufacturing and customer deliveries could take place safely and as planned. It was also important for us to play our part to help society and address a need for which we had the expertise and capacity to help. This is what we did in spring 2020, when our Swedish plants periodically switched from production for the automotive industry to manufacturing personal protective equipment for health care.

New long-term sustainability targets for 2025

Our responsible business conduct is extensive and is broadly based on Nolato having long been a signatory to the Global Compact, whose 10 principles continue to provide overall guidance for our sustainability work. During the year we established challenging new long-term sustainability targets for the next five years. This involves a transformation on sustainability,

which we have already started together with our customers and suppliers, for example through the quicker phasing-out of fossil-based plastics in products in favor of bioplastics and recycled plastic, while also adapting and designing products that can easily become part of the circular economy. Nolato is an important link between suppliers of materials and the products that our customers put on the market, which also gives us a key role in customers' transition to sustainable development.

Summary of 2020 and a look ahead

Nolato's business model proved it had the resilience needed over the past extraordinary year, and helped us achieve outstanding results. The acquisition of GW Plastics is another key building block in our long-term strategy and vision to be the first choice of global high-tech partner for customers. It was an ideal strategic merger in terms of size, medtech focus and geographical presence. And it has given us a stronger platform from which we can continue to advance our strategic position towards being a global solutions provider. I am extremely confident about our prospects over the next few years.

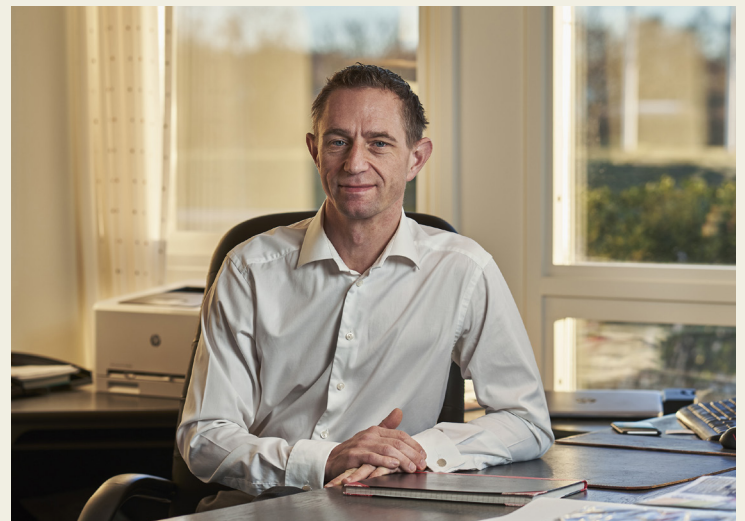
Torekov, March 2021



Christer Wahlquist

President and CEO

“Nolato is an important link between suppliers of materials and the products that our customers put on the market, which also gives us a key role in customers' transition to sustainable development.”



ACQUISITIONS

Strategic acquisition of leading medtech specialist

GW Plastics is a well-run, growth-focused, high-quality company specializing in medical devices that is a great fit with Nolato's corporate culture. The acquisition establishes a solid global position for Nolato on the three continents of Europe, North America and Asia.

Acquisitions have long been central to Nolato's growth strategy to generate additional shareholder value and strategically support our existing business over time. GW Plastics' size, geographical presence, technical specialization and focus make 2020's acquisition a perfect match for Nolato and offer significant market synergies over time.

A combined offering that reflects the value chain

As an expert in engineering and technology, over the years GW Plastics has established a strong position as an industry-leading specialist in areas such as complex injection-molded thermoplastics on the North American market.

The company also has a high-tech standardized global manufacturing platform for molds, process validation, and advanced training of operators and process engineers. Together with Nolato's existing expertise in the development of complex product systems and medical technology components, we are creating an end-to-end offering spanning the entire customer value chain, from concept to finished product.

GW Plastics' products are mainly used in medical devices and, to a lesser extent, in the automotive industry. Since September 2020 just over four-fifths of GW Plastics' business is therefore

reported under the Medical Solutions business area, with the remainder reported under Industrial Solutions. In the 10 years before the acquisition the company had average annual growth of 10%. The company has annual net sales of around SEK 1.8 billion, but is currently being negatively affected by the coronavirus pandemic, as a large proportion of its sales relate to surgery and the number of operations carried out has declined sharply.





GW Plastics

Founded: 1955
Headquarters Bethel, Vermont,
United States.
Number of employees approx. 1,100

Eight modern manufacturing plants with
a production area totaling 50,000 m² in
the US, Mexico, China and Ireland.





OPERATING ENVIRONMENT

Dominant trends driving change

There are a number of powerful trends that are steadily changing the competitive landscape and operating environment for Nolato's customers. As a high-tech global solutions provider, Nolato's principal task, together with its customers, is to turn each challenge into a competitive business opportunity.



Increased focus on core business

The rapid pace of change is creating a need among customers to focus on their own core operations. Outsourcing parts of business to partner companies is a way of responding to this challenge.

As a high-tech global solutions provider, Nolato is well positioned to efficiently handle those aspects of the business that need to be outsourced and, where required, to expand locally or globally together with customers. We also help simplify and shorten customers' logistics chains by supplying integrated solutions either in the form of subsystems or finished products.

IoT

As IoT (Internet of Things) is integrated into everything from medical equipment and domestic appliances to machines and vehicles, there is a need for both shielding and heat dissipation for electronics in entirely new product areas.

Nolato's in-depth expertise in polymer products and systems identifies development needs, innovates solutions and supplies tailored subsystems and finished products. This includes meeting new needs for shielding and heat dissipation for electronics in products.



Competitiveness

There is a growing trend for our customers to face competition from new market entrants. We boost customers' competitiveness by supporting the development of innovative, environmentally optimized products that meet requirements for greater differentiation.

And our extensive experience of lean manufacturing allows us to maximize business benefits for customers through effective processes and a high level of quality assurance.



Responsible business conduct

Nolato is an important part of customers' value chain. Their expectations of proactive sustainability work are growing, requiring clear responsible conduct on environmental and social issues and business ethics.

Responsible business conduct is the basis for everything we do. This means Nolato operates with strong business ethics and transparency, and ensures production has a minimal negative impact. Our aim is to increase the level of renewable/recycled materials, along with designs that allow products to become part of a sustainable loop and contribute to a circular economy.



VISION

Nolato aims to be the customer's first choice of partner

Being the customer's first choice is defined as customers experiencing the delivery of high quality in all aspects. Nolato endeavors to be a highly credible business by delivering what we promise on time, and seeks long-term, transparent and close working relationships with customers. Nolato is constantly looking for new ways to always exceed customer expectations. The key factors in achieving this vision are:

Broad customer offering

Customers are increasingly prioritizing suppliers with the global resources and expertise to be involved from concept to delivery. That's why Nolato's global organization and broad customer offering in developing and producing polymer-based products comprises everything from concept development, product design and process optimization to high-volume production, post-processing, assembly and logistics.

High productivity

The things that create value for customers and that are important to them in the long term also create value for Nolato. So high productivity and a continual focus on costs are key elements of our business. Lean manufacturing maximizes business benefits for both Nolato and its customers.

Expertise

Nolato's customers constantly challenge us with new requests and tougher requirements. We are therefore enhancing our customer offering by continually raising the skill levels of employees, and investing in cutting-edge technologies and acquisitions.

Responsible business conduct

We have strong core values based on the view that efficient and profitable business operations must be ethical and sustainable. Issues relating to ethics, social responsibility, environmental matters and work environment are therefore integral to our business.

Local yet global presence

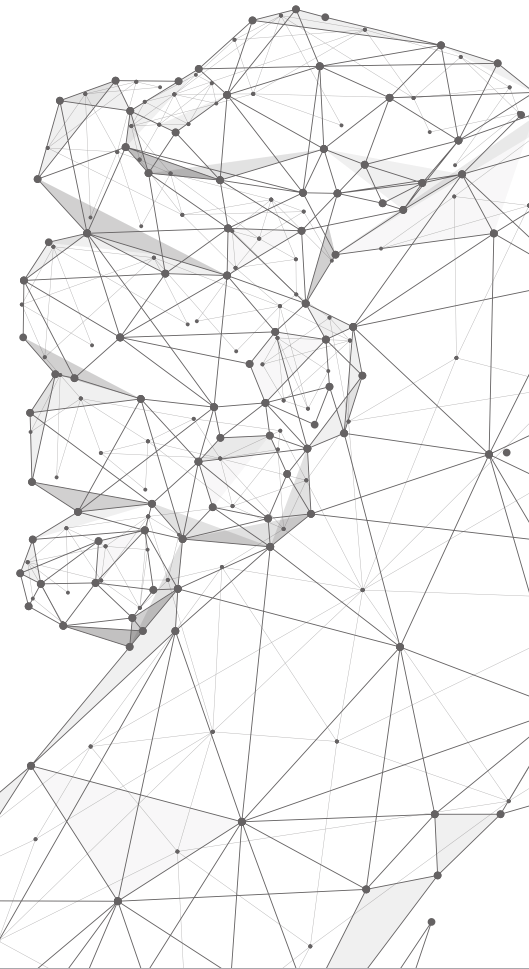
Proximity to customers and their markets is crucial. It's about achieving the most efficient logistics possible, along with short lines of command and the ability to make quick decisions.

Long-term customer relationships

Long-term, close cooperation is the objective for all Nolato's customer relationships. In-depth understanding and knowledge of customer' processes and needs allow key values to be generated.

Solid finances

A strong financial position provides us with a stable foundation and is essential for our business. Ensuring stable finances also makes Nolato a reliable supplier and partner in more challenging economic times.



**VALUES**

Values embedded in our business

Nolato's Basic Principles comprise its group-wide values, which are central components of a long-standing tradition of responsible business conduct and sustainable development strategy. Values that provide Nolato employees with important guidance in their day-to-day work.

PROFESSIONAL

- › We are professional and endeavor to achieve long-term profitability
- › We focus on the needs and wishes of our customers
- › We combine expertise and experience with innovative approaches

WELL ORGANIZED

- › We ensure our operations are well organized
- › Our operations are based on a shared foundation
- › We grasp opportunities and solve problems when they arise

RESPONSIBLE

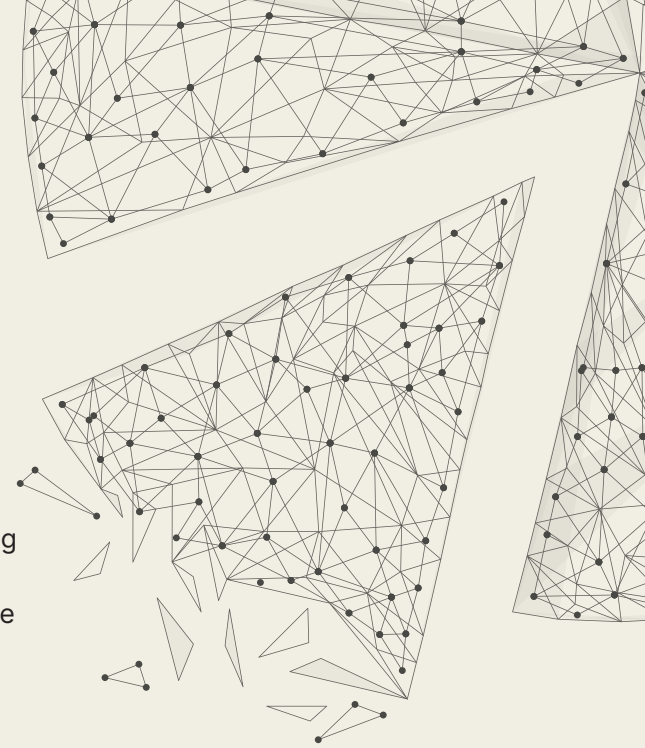
- › We take responsibility for all aspects of our business
- › We contribute actively to sustainable development
- › We operate with integrity and transparency



Targets and outcomes

FINANCIAL TARGETS

Our financial targets ensure the Group is managed with the aim of achieving healthy earnings, generating adequate cash flow and keeping financial risk at an acceptable level. These financial targets reflect Nolato's strategic focus on a well-balanced Group structure with three business areas and advanced market positions, which ensures the financial flexibility to make new acquisitions and provide good potential dividends for shareholders.



EBITA margin

TARGET

>10%

The target for the EBITA margin is to exceed 10% over a business cycle.

OUTCOME IN 2020

11.4%

13.0% 13.5% 7.6%

Medical Solutions Integrated Solutions Industrial Solutions

FIVE-YEAR AVERAGE

11.2%

Over the past five years, the EBITA margin has averaged 11.2%.

Cash conversion

TARGET

>75%

The target is to achieve cash conversion of more than 75% of EBIT over a business cycle, measured as the ratio of cash flow after investment to EBIT.

OUTCOME IN 2020

87%

FIVE-YEAR AVERAGE

71%

Over the past five years, cash conversion has averaged 71%.

Equity/assets ratio

TARGET

>35%

The target for the equity/assets ratio is to exceed 35% over a business cycle.

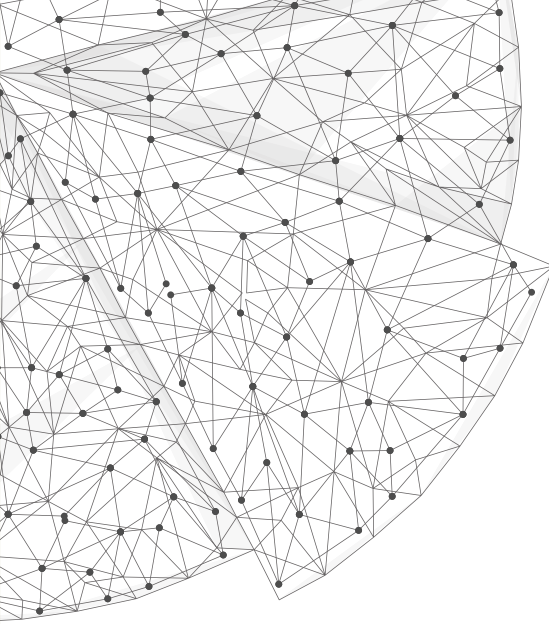
OUTCOME IN 2020

43%

FIVE-YEAR AVERAGE

47%

Over the last five years, the equity/assets ratio has averaged 47%.



Dividend policy

Nolato's dividend policy is to propose a dividend that exceeds 50% of profit after tax, taking account of Nolato's long-term development opportunities, financial position and investment needs. In 2020, Nolato's AGM resolved not to pay a dividend because of the pandemic. The Board's proposed dividend for the 2020 financial year is SEK 16.00 per share.

OUTCOME IN 2020

0.00

2021 PROPOSAL

16.00

GROWTH TARGET

Nolato aims to exceed the level of growth within each market segment.



Medical Solutions sales growth in 2020 was 7%, adjusted for currency and acquisitions. Long-term volume growth for this business area's market segments and applications is assessed to remain around 4–5%. Growth in production volume was strong, primarily in areas that have seen increased demand as a result of the pandemic, including diagnostics, while the surgery segment was negatively affected.



Integrated Solutions sales growth in 2020 was an impressive 23% adjusted for currency and acquisitions, mainly driven by high demand in Vaporiser Heating Products (VHP). EMC sales were solid, while volumes for mobile phones were weak.



Industrial Solutions sales growth in 2020 was -1%, adjusted for currency and acquisitions. Demand from automotive-sector customers was heavily impacted by their halt in operations in the second quarter but has gradually increased since.

SUSTAINABILITY TARGETS

Nolato has introduced 10 long-term sustainable development targets covering social responsibility, environmental responsibility and business benefits. These targets are linked to the UN's Sustainable Development Goals and the 2030 Agenda.

Energy

-55%

Energy usage is to be cut by 55% by 2025 compared with the average for 2011–2012.

FIND OUT MORE ON PAGE 23

OUTCOME IN 2020

-9%

Energy efficiency improvements produced good results.

Carbon emissions

-80%

Carbon dioxide emissions are to be cut by 80% by 2025 compared with the average for 2011–2012.

FIND OUT MORE ON PAGE 23

OUTCOME IN 2020

+16%

Increased production in countries with fossil-based energy systems.

Nolato's strategic focus

The following overarching strategy remains in place to achieve growth targets:

➤ **Market positioning and progression along the value chain**

Nolato aims to be a high-tech partner with a global presence, with the objective of long-term growth and stable returns for shareholders.

➤ **World-class expertise and offering**

We invest in employees and a high level of expertise and development of cutting-edge technology, together with competitive lean manufacturing. This helps us offer end-to-end solutions in which sustainability is a key element.

➤ **A decentralized organization that generates synergies**

A corporate culture based on a decentralized business model. This gives the business areas' companies scope to develop and adapt their offerings based on the specific needs and demands of customers.

The similarity of the technologies used by the three business areas generates synergies and cooperation that provide additional customer value.

➤ **Customer-oriented strategy provides the focus for organic growth**

A customer-oriented strategy means Nolato looks for large customers in product areas with organic growth, providing opportunities to grow and develop alongside their market offerings.




➤ **Expansion on priority geographic markets**

Nolato's expansion is achieved both by accompanying customers into new markets and by acquiring companies with a corporate culture that matches Nolato's and that complements the existing customer base, in addition to expertise that further broadens Nolato's offering.



NOLATO'S STRATEGIC PROGRESSION

Nolato is on its way to becoming a global solutions provider

Yesterday	Today	Tomorrow
		
<p>Mobile phone sector, industry, small medtech companies.</p>	<p>A well-balanced group: Medical Solutions, Industrial Solutions and Integrated Solutions.</p>	<p>A global provider of medical, industrial and integrated solutions.</p>
<p>Supplier.</p>	<p>Solutions provider/partner for customers/cooperation partners.</p>	<p>Sharper focus on close partnerships. Intensified development of the medical business.</p>
<p>Leading position in Sweden. Position in Asia and Central Europe being developed. Robust internal responsible business conduct.</p>	<p>Strong presence on the three continents of Europe, Asia and North America. Green initiatives for customers.</p>	<p>End-to-end solutions with sustainability at their heart. Aiming for a climate-neutral business focus.</p>

Mission

Nolato's mission is the company's reason for being, the basis for the business that provides a clear picture of how its customers' needs can be met: Nolato is a global, advanced high-tech solutions provider and manufacturer of polymer products and systems for leading customers in specific market areas. With its many years of experience, in-depth expertise in materials and processes, early involvement in customer projects, advanced project management and detailed knowledge of each customer's specific requirements, Nolato is an effective and innovative partner.

Business model

Nolato's business model is based on three decentralized business areas, which with their own decision-making and shared ambitions endeavor to achieve the vision and financial targets that are set. This creates secure jobs for employees and generates value for shareholders.

Extensive experience and wide-ranging expertise allow us to develop close, long-term and innovative cooperation with customers.

Added value is created for both customers and owners through progressive, leading technology, extensive expertise in development and design, advanced project management, and highly efficient production.

Our shared core values inform all aspects of our business.

Revenue model

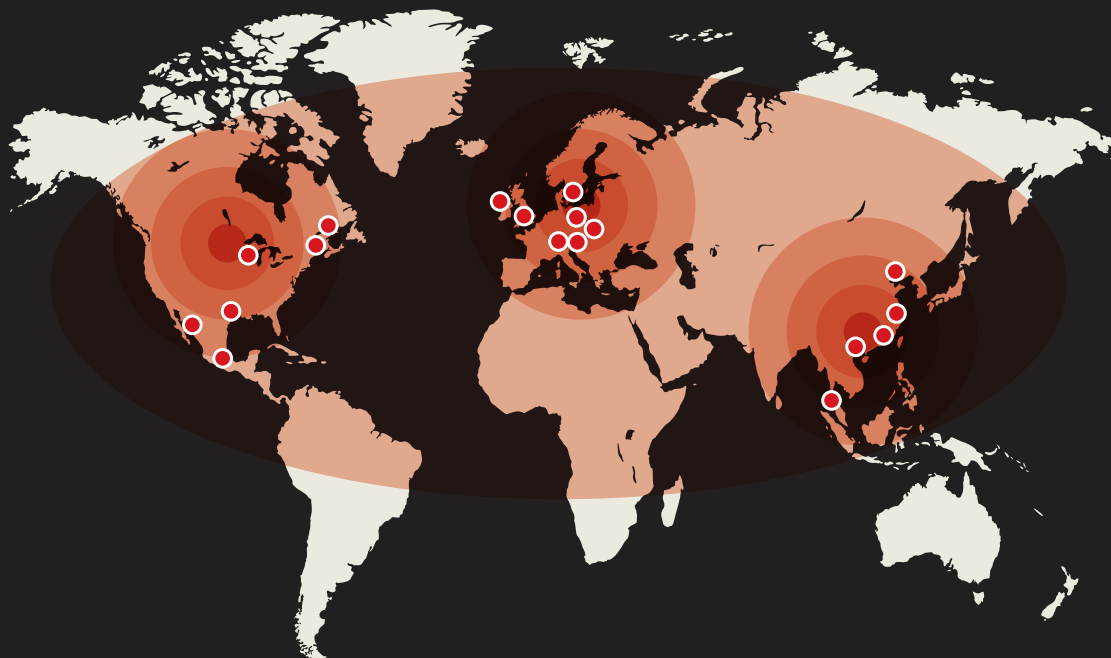
Nolato's revenue is mainly generated from customer production assignments. Manufacturing and supply of products take

place in accordance with customer orders and other preferences and are then billed. Manufacturing is based on short production and turnaround times, resulting in low risk exposure for warehousing and obsolescence.

An important part of value creation for customers and owners is the ability to provide in-depth expertise in leading technologies, design and advanced project management at an early stage of product development.

GLOBAL SOLUTIONS PROVIDER

Nolato has established a solid global position on the three key markets of Europe, North America and Asia.





NOLATO'S BUSINESS

Nolato's business consists of developing and manufacturing customer-specific products, primarily in polymer materials such as plastic, silicone and TPE. Customers can be found in the medical technology, pharmaceutical, consumer electronics, telecom, automotive, hygiene and other selected industrial sectors.

Customer-specific products

Customer needs and requirements form the basis for all of Nolato's development work. Customer-specific products and solutions are created by leveraging our expertise in advanced technologies and cost-effective manufacturing. Nolato supports customers from concept development to high-volume production.

> **Medical Solutions** supports its medical technology and pharmaceutical customers from idea, concept and design to validation, quality assurance and full-scale production. Products include injection systems for pharmaceutical and medical technology applicators.

> **Integrated Solutions** offers a wide range of technologies and expertise in a one-stop shop for areas including injection molding, casting, die-cutting, painting, decoration, assembly, testing and packaging of elec-

tronic products. These include components and subsystems for integrated products such as speaker systems, fitness trackers, mobile phones and Vaporiser Heating Products (VHP).

> **Industrial Solutions** is a high-tech partner for customers in the automotive and general industry sectors, from concept development through the entire production process, with an emphasis on high productivity and lean manufacturing. Products include interior details for vehicles and components for chainsaws and grass trimmers.

Standard products

The standard range of own products that Nolato develops and manufactures includes pharmaceutical packaging, laboratory products, process and materials solutions for shielding and heat dissipation for electronics.

From concept to finished product



CONCEPT DEVELOPMENT

Nolato supports customers from the concept stage and is involved in discussions about production options.

CUSTOMER-ORIENTED SOLUTIONS

We create technical solutions that give products unique haptic and cosmetic features, make them water-resistant, reduce the weight of products and/or minimize their environmental impact.

DESIGN

Nolato optimizes design in order to create the most efficient and effective production solutions in terms of function, quality and price.

PROTOTYPES (3D)

Nolato visualizes the future product by producing prototypes and materials samples.

PRODUCTION TOOLS

Nolato specifies and manufactures, or buys in, molds and related production equipment.

FULL-SCALE PRODUCTION

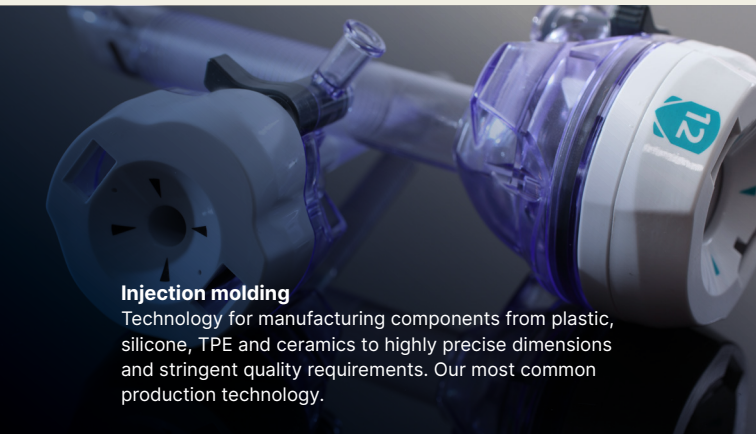
We work with most production technologies, primarily in the field of polymers.

QUALITY ASSURANCE

Nolato constantly ensures the correct quality through automated vision systems, professional operators and effective systems for continuous improvements.

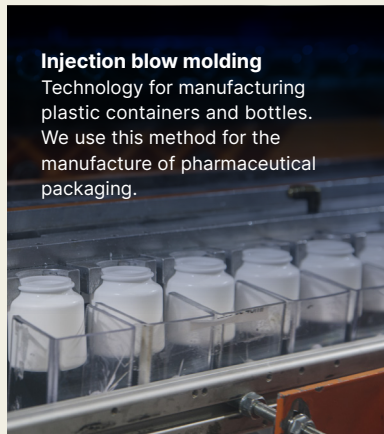
Our production technologies

Below are examples and explanations of the most common manufacturing technologies used by Nolato. The breadth and depth of these are part of the customer offering that makes Nolato a high-tech partner.



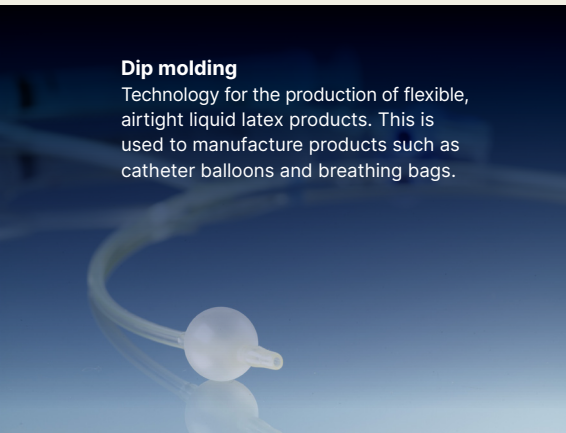
Injection molding

Technology for manufacturing components from plastic, silicone, TPE and ceramics to highly precise dimensions and stringent quality requirements. Our most common production technology.



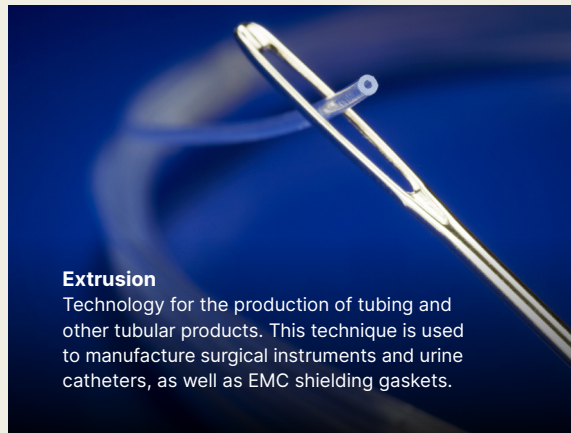
Injection blow molding

Technology for manufacturing plastic containers and bottles. We use this method for the manufacture of pharmaceutical packaging.



Dip molding

Technology for the production of flexible, airtight liquid latex products. This is used to manufacture products such as catheter balloons and breathing bags.



Extrusion

Technology for the production of tubing and other tubular products. This technique is used to manufacture surgical instruments and urine catheters, as well as EMC shielding gaskets.



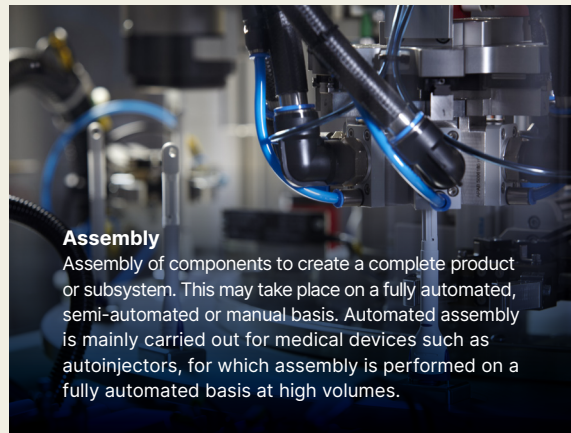
Die-cutting

Technology for producing flat products from one or more materials and for providing effective joining of components and electronics. We use die-cutting for manufacturing adhesive, gaskets, seals and cosmetic details for customers in the telecom, automotive, medical technology and electronics industries.



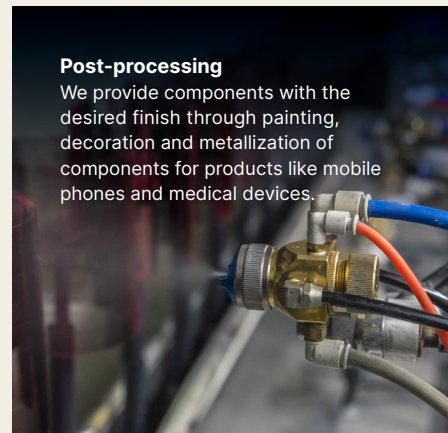
EMC shielding

Techniques and materials developed to achieve electromagnetic compatibility, i.e. to prevent disruption from electromagnetic radiation between electronic components. Radio base stations are an example of a customer product that uses EMC shielding.



Assembly

Assembly of components to create a complete product or subsystem. This may take place on a fully automated, semi-automated or manual basis. Automated assembly is mainly carried out for medical devices such as autoinjectors, for which assembly is performed on a fully automated basis at high volumes.



Post-processing

We provide components with the desired finish through painting, decoration and metallization of components for products like mobile phones and medical devices.

Nolato and responsible business conduct

Preventive and targeted initiatives enable Nolato to create value for customers, employees, shareholders and other stakeholders. Our objective is to be customers' first choice for sustainable development.

Our sustainable development strategy is therefore focused on addressing challenges in the near future, while equipping ourselves to respond to future expectations and requirements. The strategy encompasses targets and activities within social responsibility, business ethics, financial responsibility and the environment. An important aspect of the strategy is taking a systematic approach to developing resource-efficient production methods and products with a low carbon footprint. Nolato is moving in the right direction within these areas, but the challenge of improving products' environmental attributes requires continued in-depth cooperation with raw material suppliers and customers.

This is what Nolato means by responsible business conduct:

> **A proactive approach** – Nolato should be the experts regarding the impact of our business on people, the environment and society. Risks and costs can be reduced through preventive measures, risk analysis and investments in modern technology.

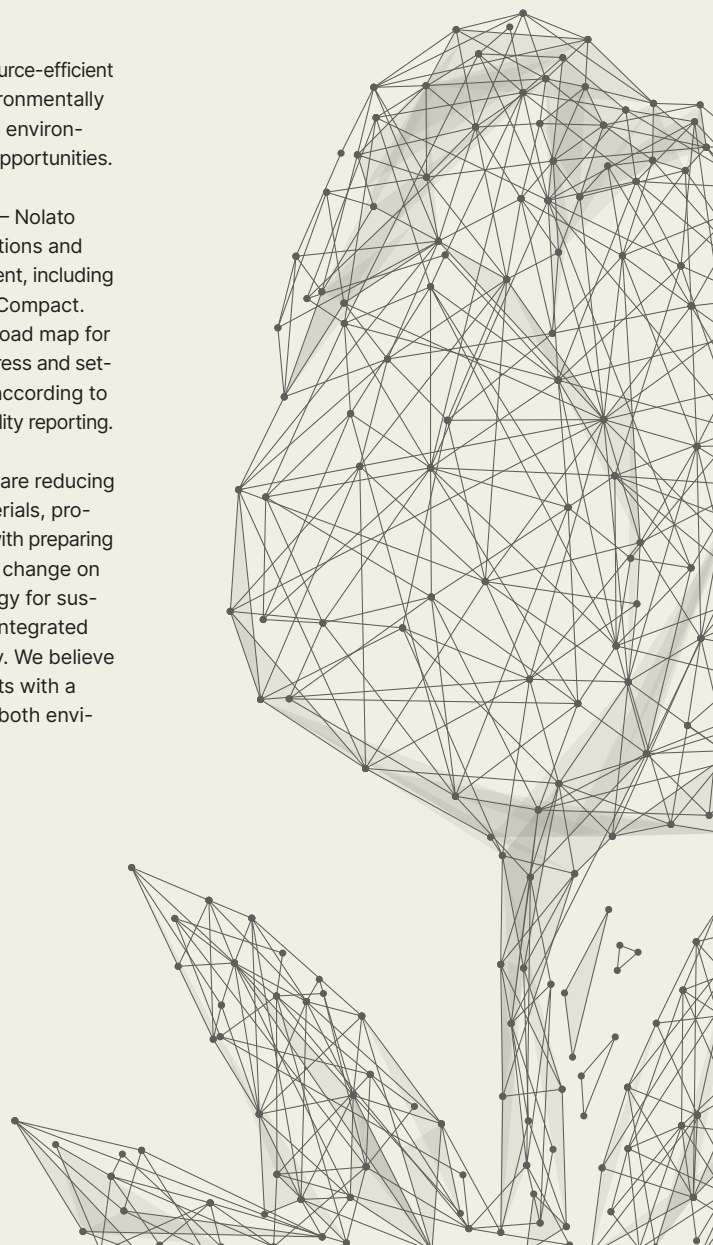
> **New business opportunities** – Resource-efficient production and greater use of environmentally sustainable raw materials generate environmental benefits and new business opportunities.

> **Responsibility and transparency** – Nolato complies with international conventions and principles for sustainable development, including by being a signatory to the Global Compact. The long-term targets set out the road map for our sustainability work and our progress and setbacks are reported transparently, according to international standards for sustainability reporting.

The key strategic issues for Nolato are reducing the carbon footprint from raw materials, production plants and products, along with preparing ourselves for the impact of climate change on the Group's value chain. The strategy for sustainable development is therefore integrated into the overarching group strategy. We believe that focusing on innovative products with a lower carbon footprint will provide both environmental and business benefits.

Sustainability reporting

For detailed information about how Nolato manages and monitors work concerning sustainable development, please see Our Sustainability Work 2020, at www.nolato.com



2020 HIGHLIGHTS

Despite the global pandemic, there was a continued strong interest in sustainability issues. Nolato’s sustainability work was only very marginally affected by the pandemic, and essentially all scheduled measures were implemented. Updates to our Code of Conduct and policies, along with new sustainability targets, demonstrated our maintained high level of ambition. Climate change and the role of plastics in society continued to be a topic of concern for Nolato’s stakeholders. Several projects were implemented, with the aim of increasing the use of bio-based plastics and recycled plastic raw materials. Progress and positive results were also achieved in other priority areas such as energy efficiency, health and safety, and social responsibility.



Updated sustainable development targets

Nolato introduced new targets in 2020 that aim to reduce our carbon footprint. In order to achieve these ambitious targets our energy usage needs to essentially be fossil-free, and the proportion of bio-based and recycled plastic needs to increase significantly.

Gold for Nolato Cerbo

Customer expectations of Nolato are increasing within sustainable development, and the Group’s companies are regularly assessed by clients. For the second time in a row Nolato Cerbo has been rated Gold under the criteria of EcoVadis’ system for assessing companies’ sustainability efforts. Nolato Cerbo received even more points than last time, placing it in the top two percent of the best companies globally. Nolato Cerbo was ranked among those plastics industry companies with the top ratings.



Nolato Lövepac helps out

As the pandemic gained momentum in spring 2020, we drew on our experience from the automotive industry to quickly produce protective equipment. Nolato worked in cooperation with truck manufacturer Scania and Karolinska University Hospital to develop a prototype for a face visor. The product was approved in a matter of days and the company made a total of almost 250,000 visors for Karolinska University Hospital.



“To ensure early on in the development phase that a new product is easy to recycle is an important step that contributes to a circular economy. If we can also make it from recycled or bio-based plastic raw material then we’ve come a fair way towards environmental adaptation. And naturally the product must be manufactured in a plant with a certified environmental management system, and where energy is derived from fossil-free electricity.”

Christer Wahlquist
President and CEO

Key performance indicators*

	2020	2019	2018
Energy consumption/sales (GWh/SEKm)	0.021	0.023	0.022
Purchased fossil-free electricity (% of total electricity use)	72	75	62
Carbon dioxide emissions/sales (tons/SEKm)	5.0	4.3	4.5
Recycled/bio-based polymer raw materials (%)	2	2	2
Breaches of environmental and occupational environment legislation	0	2	0
Occupational accidents (number/million hours worked)	5.2	4.9	4.1
Employee training (hours/employee)	36	26	24
Percentage of women on local management teams (%)	25	25	22
Human rights breaches	0	0	0
Economic value allocated by stakeholder (SEKm)	8,526	7,592	7,993

* Nolato’s separate sustainability report provides an overview of key sustainable performance indicators over a 10-year period. GW Plastics is not included in these key performance indicators.

Targets for sustainable development

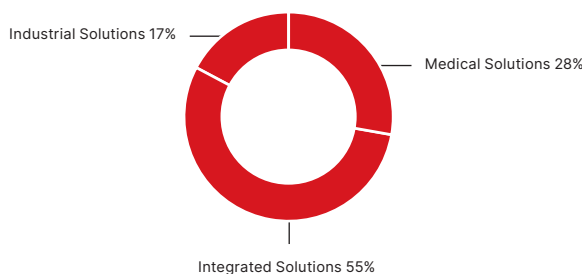
Nolato has introduced long-term targets covering the environment, people and society. These targets support Agenda 2030 and the UN Sustainable Development Goals (SDGs). The group-wide targets were updated in 2020. Below is an overview of the outcome of Nolato's sustainability work.

Social responsibility

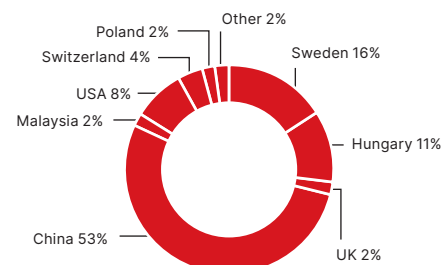
The Nolato Spirit is the Group's Code of Conduct. It provides ethical guidance on issues concerning legal responsibility, accounting, conflicts of interest, working conditions, the environment, social responsibility and business ethics. The Code of Conduct also contains policies on the environment, health and safety and other areas. An updated version of The Nolato Spirit was issued in 2020 and employees are currently being informed about the new code. Long-term goals on social responsibility include initiatives that contribute to a safe work environment and respect for human rights.

Target	SDG	Measures to achieve goal	Outcome in 2020
Safe workplaces The number of workplace accidents must be kept to a minimum, with the long-term goal of no injuries at work.	8 DECENT WORK AND ECONOMIC GROWTH 	Work should be both preventive and systematic. International standards should be introduced where relevant. Systems for registering and managing near misses should be in place at all units.	There were 5.2 accidents resulting in absence per million hours worked (4.9). Systems for recording near misses are in place at 90% of units and there are certified management systems in place at 6 (6) units.
Human rights and gender equality There should be no cases of infringements of human rights, discrimination or forced labor. The proportion of women in management positions should increase at Nolato at all levels.	5 GENDER EQUALITY 	Up-to-date information to employees and new staff. Nolato should contribute towards employees' personal development and create career opportunities.	Employee training was held on The Nolato Spirit. No cases of infringements of human rights were recorded. Recruitment of people with disabilities continued. Local management teams are made up of approximately 25% (25) women.

Employees by business area








Employees by country

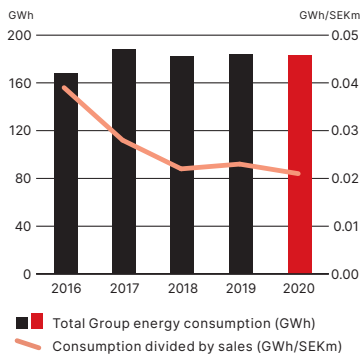


Environmental responsibility

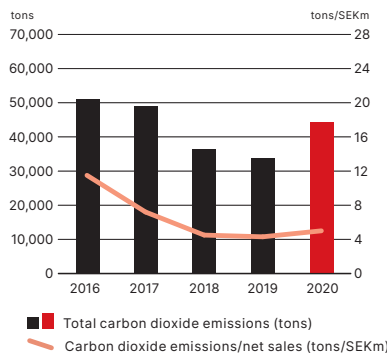
Climate change brings both risks and opportunities for Nolato. Boosting energy efficiency and phasing out fossil fuels is reducing the Group's carbon footprint. These measures also create preparedness for higher fees and taxes on carbon-emitting operations. Greater use of recycled and bio-based raw materials are other initiatives that will help reduce carbon emissions. So environmentally sustainable product development is a priority area, in which the Group's expertise and technology can contribute to customers' environmental and carbon reduction efforts.

Target	SDG	Measures to achieve goal	Outcome in 2020
<p>Energy More efficient energy use, and up until 2025 usage should decrease by 55% compared with the average for 2011–2012 (GWh/net sales).</p>	<p>7 AFFORDABLE AND CLEAN ENERGY</p> 	<p>Energy audits and continued investment in more energy-efficient production equipment, infrastructure and lighting. However, increased automation will mean higher electricity consumption.</p>	<p>The Group has significant energy requirements, but the resource is used in an increasingly efficient way. Since 2011–2012, GWh/net sales has decreased by more than 50 percentage points.</p>
<p>Carbon emissions Emissions of carbon dioxide from energy consumption (Scope 1, 2) will be reduced by 80% by 2025 compared with the average for 2011–2012 (tons/net sales). Carbon dioxide emissions that are related to the products (Scope 3) will be reduced by 5% between 2020 and 2025 (tons/net sales).</p>	<p>13 CLIMATE ACTION</p> 	<p>The measures to cut our carbon footprint are strong and consistent with the Paris Agreement's goal of reducing global warming. Nolato's measures include more efficient use of energy, heat pump installations, procurement of fossil-free electricity, installation of solar panels and the phasing out of fossil fuels. The products' environmental impact will decrease through greater use of bio-based and recycled raw materials.</p>	<p>Since 2011–2012, carbon dioxide emissions from energy consumption (tons/net sales) have declined by roughly 70 percentage points. Emissions rose in 2020. This was due to increased production in countries with fossil-based energy systems. One key climate measure that remains important is to enable the procurement of fossil-free electricity in China and the US. The use of bio-based and recycled plastic raw materials is currently helping reduce carbon dioxide emissions to a limited extent.</p>
<p>Chemical products Hazardous chemical substances should be identified and, where possible, phased out.</p>	<p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p> 	<p>A handful of chemical substances have been identified as candidates for phasing out. Continued measures for the safe handling of chemical products are being implemented.</p>	<p>A number of raw materials within silicone rubber were phased out in 2020. The reason was that hazards relating to certain cyclic siloxanes were detected by the European Chemicals Agency.</p>
<p>Raw materials and products The percentage of bio-based and recycled raw materials should increase.</p>	<p>13 CLIMATE ACTION</p> 	<p>Nolato will be the driving force in projects with customers and other stakeholders aimed at reducing the carbon footprint of existing or new products.</p>	<p>56 (43) tons of bio-based and 764 (626) tons of recycled plastics were used. It is positive to see that customer interest increased, and that a number of projects were carried out in this area.</p>
<p>Environmental management systems All units to be ISO 14001-certified.</p>	<p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p> 	<p>Acquired companies should be certified within two years.</p>	<p>91% of production units are certified in accordance with ISO 14001.</p>

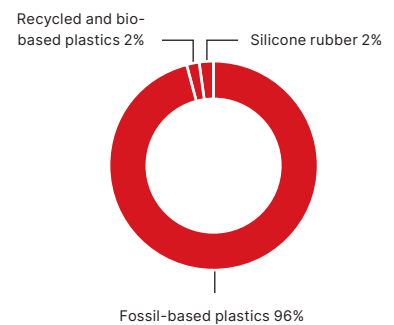
Energy consumption



Carbon dioxide emissions*




Polymer raw materials



*Scope 1 (2,300 tons) and Scope 2 (42,030 tons) under GHG Protocol.

Business benefits

Nolato business principles are characterized by integrity, responsibility and good ethics – basic principles that are shared with suppliers, customers and others affected by Nolato's business operations. Prevention of corruption is a high priority. The Nolato Spirit is based in part on the Global Compact, and provides support for employees and reassurance when interacting with customers and other stakeholders.

Target	SDG	Measures to achieve goal	Outcome in 2020
Anti-corruption There should be no cases of bribery, corruption or cartel formation. Continued up-to-date information to employees.		Continued application of preventive procedures and controls. In addition, training, information and discussions are tools being used in anti-corruption work. The whistleblowing system is to be applied throughout the entire Group.	The annual evaluation of Group companies' anti-corruption measures indicated a persistently high level of ambition. No incidents were recorded relating to corruption or inadequate business ethics.
Customers Nolato aims to maintain a leading position and be perceived as the customer's first choice within sustainable development.		Trends and customer requirements within sustainable development should be identified and, where relevant, turned into practical measures. The overriding aim is to exceed customer expectations.	The majority of the Group's companies managed customer requirements within sustainable development. Interest in renewable or recycled raw materials grew. Customers completed a significant number of evaluations, which on the whole gave Nolato excellent ratings.
Suppliers By 2025, all strategic suppliers will be assessed according to Nolato's guidelines for suppliers.		Strategic suppliers represent 80% of purchasing expenditure, or can have a direct impact on Nolato's product quality and/or sustainability work.	The guidelines for suppliers were updated during the year. In 2020, roughly 240 (200) evaluations of suppliers' sustainability work were conducted. The suppliers satisfied Nolato's requirements at an acceptable or good level.

Nolato and TCFD



The Task force on Climate-related Financial Disclosures (TCFD) is a market-based initiative that was launched in 2017. The aim is to develop recommendations for voluntary and consistent reporting of climate-related financial risks and opportunities. TCFD's guidelines encompass governance, strategy, risk management, metrics and targets. For Nolato, this is about having financial control over how the Group is affected by climate change over time, and how operations are impacted by mechanisms aimed at limiting carbon dioxide emissions.

Supporting TCFD is voluntary. A growing number of companies and organizations are officially affiliated with TCFD, and Nolato is now taking the initial steps towards following the guidelines. TCFD outlines four key areas that investors and market operators are keen to be informed about. The Group's climate work is focused on these areas, but there is still work to do in order to comply with TCFD's guidelines:

➤ **Governance** – Nolato's Board has assigned one of its members special responsibility for following up sustainability work, including climate-related risks and opportunities. The Board receives regular updates about how climate-related work is developing, and it has ultimate responsibility for the format and implementation of the Group's climate goals.

➤ **Strategy** – Climate change creates risks and opportunities for Nolato, and climate issues are part of the company's overall sustainable development strategy. A scenario in which society decides to make dramatic changes in order to reduce emissions of fossil-based carbon dioxide will impact Nolato in the form of both increased costs (taxes, fees) and regulation, for example new or tougher legislation. The transition towards reducing the Group's carbon footprint is ongoing, but will demand significant resources over the next few years.

Significant temperature increase is another scenario that will likely cause physical risks, with an effect on both Nolato and the company's value chain. Our current risk analyses factor in flooding, extreme weather

events and drought. To meet TCFD guidelines, the Group needs to work more on possible scenarios in order to quantify how earning capacity could be affected by these situations.

➤ **Risk management** – To reduce the risks, the Group is moving away from fossil-based energy. Furthermore, opportunities are being created via the development of products containing bio-based and recycled raw materials. Find out more about risks and risk management on page 53–56.

➤ **Metrics and targets** – For many years, Nolato has been reporting its carbon dioxide emissions and KPIs on how emissions change over time. A new, ambitious climate target was introduced for the Group in 2020.

EU taxonomy for sustainable investments

The taxonomy for environmentally sustainable investments is one of the measures in the EU Action Plan for Financing Sustainable Growth. The taxonomy enables investors to identify and compare investments that are essential in achieving a sustainable economy. The idea is for it to form the basis of future standards and labelling of sustainable financial products. Companies with more than 500 employees are expected to report sales, capital expenditure and operating expenditure in accordance with the taxonomy. Nolato is likely to be subject to this regulation and the Group may consequently be affected in various ways.

Contributing to environmental goals

In order to be classified as sustainable according to the Taxonomy Regulation, Nolato must make a significant contribution to at least one of the environmental objectives in the table. The contribution can be made via internal measures, such as by phasing out fossil fuels, and/or by Nolato facilitating a contribution from a stakeholder to one of the objectives. One example is Nolato working with a customer to develop a product that is made from bio-based raw material, and reducing its carbon footprint through this work. The separate Sustainability Report includes a number of examples of products that contribute environmental benefit.

The table shows that Nolato is contributing to the environmental objectives, but there is currently a lack of guidance regarding what is meant by 'significant' in our industry. To satisfy the taxonomy requirements, Nolato must also report revenue, investments and expenditure that can be linked to environmental objectives.

Not obstructing environmental goals

Nolato must not cause significant harm to any of the objectives detailed above. Several of them are already a priority for Nolato, and we have introduced group-wide targets and action plans. We do not believe the Group's operations cause significant harm to the objectives, but again there is currently a lack of guidance as to how this is to be determined.

Satisfying fundamental principles and standards

This relates to conventions and guidelines in areas such as health and safety and human rights. In Nolato's case this requirement is satisfied in that we work according to, and comply with the company's basic values (The Nolato Spirit), UN Global Compact, OECD Guidelines for Multinational Enterprises, the standard for social re-

Target	Nolato's contribution	
	Internal measures*	Facilitating for stakeholders**
Climate change mitigation	✓	✓
Climate change adaptation	✓	-
Sustainable use and protection of water and marine resources	✓	✓
Transition to a circular economy	✓	✓
Pollution prevention and control	✓	✓
Protection of healthy ecosystems	-	-

* For example, energy efficiency improvements, risk analyses, ISO 14001, sustainability targets and waste management.
 ** For example products with a lower fossil raw material content, saving fuel through use of lighter materials, products used within environmental technology.

sponsibility ISO 26000 and other international guidelines. Our sustainability work is reported in line with GRI's international standards and climate-related work is reported according to CDP.

Adoption of technical criteria

The taxonomy has specifications and criteria for an activity or product to be regarded as sustainable. Activities that are covered by these criteria include forestry, cement manufacture and energy production. There are criteria for the production of primary plastic raw material, but not for activities in which plastic raw material is

converted into products. So there are not currently any criteria available that can be applied directly to Nolato's operations.

The EU taxonomy for sustainable investments is new and Nolato will not be obliged to produce a complete report until 2022. This will certainly be made easier by the provision of guidance and examples of practical applications. Pending further guidance, we will continue to work with the taxonomy, primarily how to report direct and indirect activities in monetary terms.



Three areas with a shared focus on customer value

Maximum customer value is provided through the combination of our three business areas' cutting-edge technologies, in-depth expertise and global presence.

Nolato is made up of a number of stand-alone companies organized into three business areas. The decentralized business model is one of Nolato's many strengths, providing each company with considerable freedom to tailor its offerings to the specific needs of each customer. A high degree of decentralization also provides the basis for an organization that's close to decisions, with significant opportunities for flexibility in customer relationships. Together these three business areas form a winning concept, as clearly demonstrated by their financial results and higher growth than for their respective market segments over an extended period.

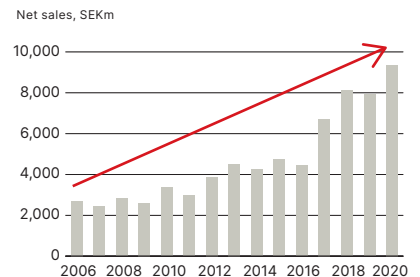
Three business areas with a lot in common
All of Nolato's combined expertise, cutting-edge technologies and geographical presence

across three continents are available to those customers who need it. Nolato is able to deliver comprehensive customer-specific solutions in the form of subsystems or complete products by sharing production units, expertise in technologies, materials and processes. Cooperation between the three business areas is also constantly developing as opportunities for boosting benefits for customers become increasingly clear.

Examples include Industrial Solutions' establishment of operations at Medical Solutions' Wisconsin-based production unit in the US, enabling effective expansion together with an existing customer. In addition, the other two business areas can benefit from Industrial Solutions' in-depth experience of lean manufacturing, and as electronics and IoT are integrated into products, Integrated Solutions can assist through its expertise in electronics, EMC shielding and heat dissipation.

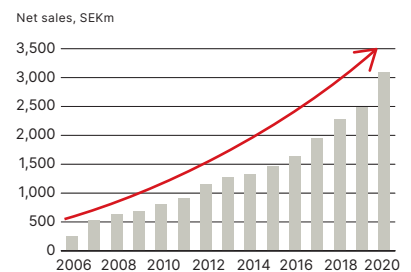
The Nolato Group 2006–2020

A well-balanced group



Medical Solutions 2006–2020

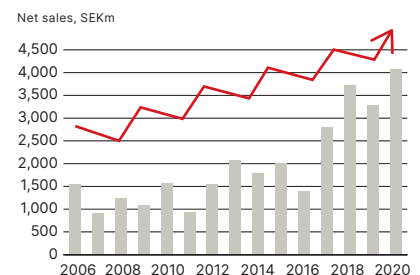
Global expansion



Growth-related

Integrated Solutions 2006–2020

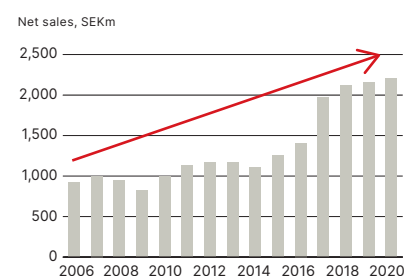
Expansion into new market segments



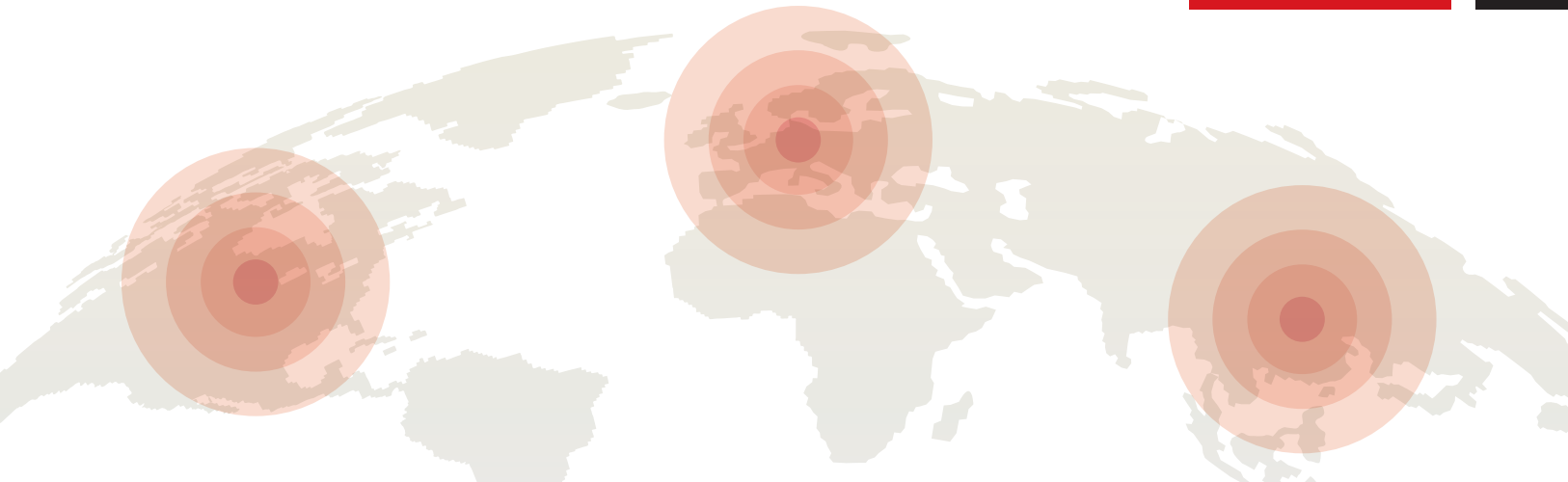
Project-related

Industrial Solutions 2006–2020

Technological and geographical expansion



Business cycle-related



Business areas' strategic growth markets

Medical Solutions

Express aim of growing on the American, European and Asian markets. Operates in a sector with stable growth driven mainly by population growth, an aging population and lifestyle diseases. Growing demand for outsourcing services and medical devices that make life easier for patients. Bolt-on acquisitions are continually considered.

Integrated Solutions

Continued focus on the American, European and Asian markets. Continual demand for advanced components and subsystems for consumer electronics products, in addition to a growing need for shielding and heat dissipation for electronics.

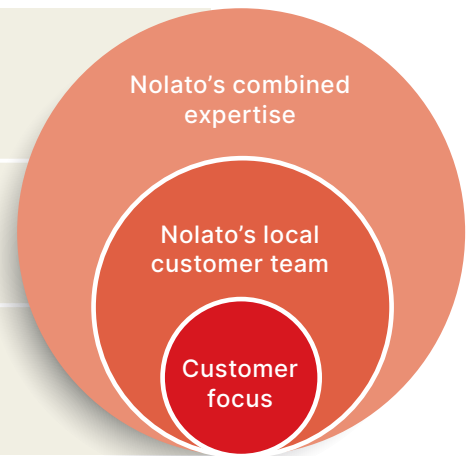
Industrial Solutions

Continued emphasis on the industrial sector on the Nordic market and selected Central European markets, with the possibility of bolt-on acquisitions. The establishment of production in the US brings a valuable increase in capacity and new business opportunities. The ability to supply high-quality, cost-effective products with short lead times based on customer requirements is a key growth driver.

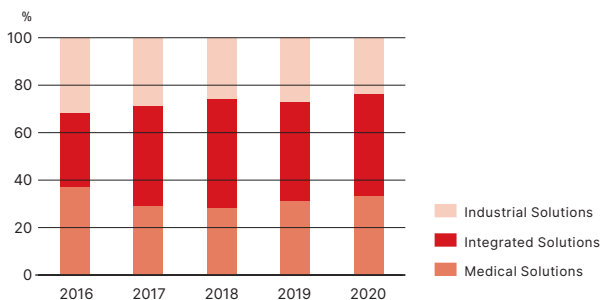
Access to the entire Group's expertise and resources + combination of close cooperation and an efficient decision-making structure with the local customer team.

The local team of experts with a dedicated customer team that takes overall responsibility for projects and delivery in close cooperation with the customer.

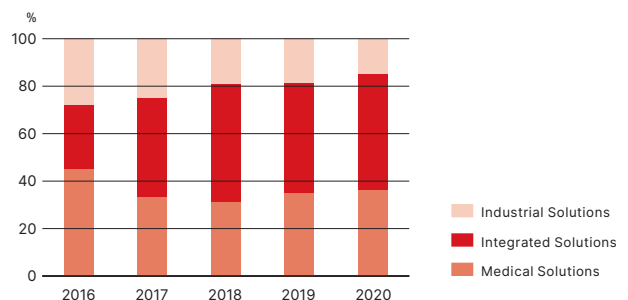
An end-to-end solution offering that generates increased customer value.



The business areas' share of net sales



The business areas' share of operating profit (EBITA)



BUSINESS AREA

Medical Solutions

Medical Solutions develops and manufactures complex product systems and components for medical devices, the pharmaceutical industry and diagnostics.

NATURE OF THE MARKET

- > Large, global medical technology, diagnostics and pharmaceutical companies.
- > Long development phases and product life cycles.
- > Extensive regulatory requirements and regulations.
- > High standards on quality, safety and traceability.

CUSTOMER TRENDS

- > Greater focus on core business is leading to product development and production being outsourced.
- > Projects that require shorter lead times and greater globalization.
- > Consolidation among both customers and suppliers.
- > Increasing customer requirements on responsible business conduct, as well as sustainable product packaging and medical devices made from fossil-free materials.

STRENGTHS

- > In-depth medical understanding that puts the patient front and center.
- > Expertise in developing and manufacturing high-quality customer-specific solutions.
- > Broad technological base and global production.
- > Access to Nolato's combined technologies, know-how and resources.

STRATEGIC FOCUS

- > Organic growth.
- > Partnerships – increased proportion of system projects.
- > Global expansion and acquisitions.

VOLATILITY

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

2020 highlights

Production volumes saw strong growth during the year. This was particularly the case with in vitro diagnostics (IVD), which saw increased demand for critical products owing to the pandemic. The acquisition of US-based company GW Plastics, which specializes in medtech, brought additional growth opportunities and an expanded customer base. The acquisition gives Nolato a solid global position on the three key markets of Europe, North America and Asia.

Organic growth of 7% and a margin of 13.0% resulted in high project activity, high capacity utilization, new customer assignments and a favorable sales mix.

Financial highlights	2020	2019
Sales, SEKm	3,089	2,484
Operating profit (EBITA), SEKm	402	320
EBITA margin, %	13.0	12.9
Average no. of employees	1,870	1,624

> Sales increased to SEK 3,089 million (2,484) and operating profit (EBITA) was SEK 402 million (320). Adjusted for currency and acquisitions, growth was a strong 7%.

> US-based group GW Plastics was acquired and consolidated from September 1.



MEDICAL SOLUTIONS 2020

Strong growth and completion of acquisition on key North American market

The Medical Solutions business area operates on the market for medtech equipment, pharmaceuticals and diagnostics, developing and manufacturing complex product systems and components based on advanced polymer technology and automation. Its Packaging segment also develops and manufactures advanced packaging solutions for pharmaceuticals and dietary supplements.

Developments in 2020

> Production volumes grew strongly, particularly in the IVD segment. Demand in this segment has been rising steadily for many years, but growth intensified further in 2020 as a result of the Covid-19 pandemic. Production of these products can be regarded as critical to society, and by focusing on action that ensured the safety of workers, high capacity utilization was achieved for the production of diagnostics and respirators. As a result of the healthcare sector temporarily performing fewer planned operations, surgery products were, however, negatively impacted, particularly in the US business.

> The acquisition of GW Plastics strengthens and complements Medical Solutions in a number of ways. Particularly in adding significant volumes and a robust position on the key North American market, supporting relationships with existing customers and providing opportunities for further growth and an expansion of the customer offering. Since September 2020, over four-fifths of GW Plastics business has been reported within Medical Solutions.

> Medical Excellence continued to contribute to all of the business area's units through more effective global coordination of quality management resources, combined with lean manufacturing and continuous improvement.

> The strategic focus on increasing capacity throughout the organization progressed further during the year. In addition, the customer offering was further expanded by investing in important prototype and pilot production.

Long-term solid growth makes for bright market outlook

Expected growth in medical devices remains solid at around 4%–5% worldwide. The main drivers are global population growth, increased access to medication in developing countries, an aging population, and more people being affected by lifestyle diseases. This is resulting in a greater need for health care, much of which will have to take place in the form of self-care at home with medical devices that patients can easily use themselves. The need for more precise diagnostics is also a key driver for in vitro diagnostics (IVD).

Medical Solutions' market is characterized by companies that:

> Need to focus more on developing new drugs. This increases the need for outsourcing to global cooperation partners for both advanced development and production of medical devices.

Customers & competitors

Some of Medical Solutions' customers

- > Abbott
- > Becton Dickinson
- > Boston Scientific
- > Coloplast
- > Hamilton
- > Johnson & Johnson
- > Medtronic
- > Novo Nordisk
- > Pfizer
- > Roche
- > Sanofi
- > Takeda

Some of Medical Solutions' competitors

- > Bepak/Consort
- > Carclo
- > Gerresheimer
- > Nemera
- > Phillips-Medisize
- > West Pharmaceuticals

Global presence

○ Development, production & sales





Products



Medical devices

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



Pharmaceutical packaging

Standard or customer-specific primary plastic packaging that meets pharmaceutical and dietary supplement industry requirements.



Product life cycle

Long product life cycles.

> Are looking to cooperate with global companies that can manage the entire value chain.

> Are developing new medications that require new medical devices for administration.

> Are conducting more and larger development projects that demand shorter lead times in the development phase.

One effect of these market trends is continued consolidation among both customers and competitors. As an established end-to-end provider with a global presence, this is a trend that provides Nolato with good opportunities to grow faster than the market.

Strong position to handle changes in the market

Medical Solutions is well positioned thanks to its in-depth medical understanding that puts the patient front and center, with wide-ranging expertise to develop and manufacture both customer-specific solutions and platform solutions for a global market. It has good capabilities to meet the growing demand for green materials and development towards a greater proportion of fossil-free raw materials in packaging solutions. And to respond to rapid technological development, particularly in the area of IoT. The acquisition of GW Plastics further enhances Nolato's global presence on the three key continents of Asia, Europe and North America. In addition, it has a strong pharma customer offering that fully complies with regulatory management and applicable quality requirements for both individual components and entire packaging solutions. Another of Medical Solutions' advantages is being one of only a few packaging system suppliers that is focused

solely on the pharmaceutical and dietary supplements sector.

Strategy for sustained growth

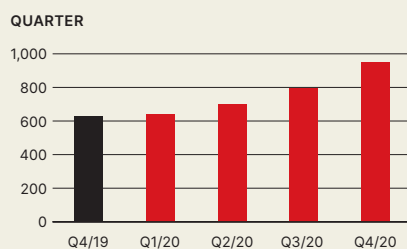
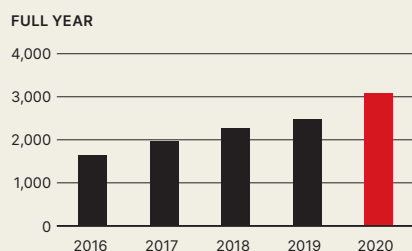
Medical Solutions' vision is to be the acknowledged best global systems solution development and production partner for medical technology, diagnostics and pharmaceutical companies. This strategic focus is based on growing faster than the market in all segments. The aim is to do this both organically and through acquisitions, enabling rapid global expansion. The strategy is also based on growing alongside customers' businesses, and ensuring offerings comprising global production, design optimization, product development and integrated electronics. This is combined with the sale of standard products via own channels and distribution networks.

Forward-looking comments

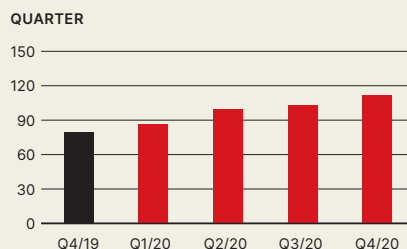
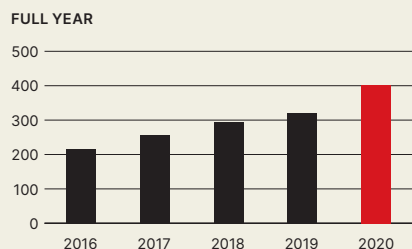
Medical Solutions' aim is to continue growing faster than expected market growth of 4-5%. The strongest growth is expected in IVD, auto-injectors, insulin products and incontinence products. There is also rising demand for sustainable products containing a higher proportion of bioplastics and recycled plastic replacing fossil-based materials.

The expanded production capacity that is being rolled out globally is also key to ensuring capacity in line with the many customer projects that are already up and running, as well as forthcoming development projects. Our aim is to also remain at the very forefront of technical progress with solutions that make us more competitive, using a range of initiatives and investments including AI and automation systems.

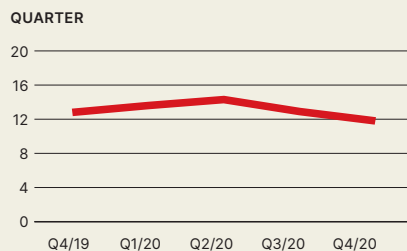
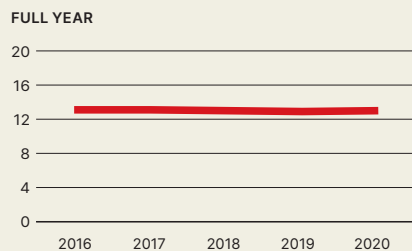
Net sales, SEKm



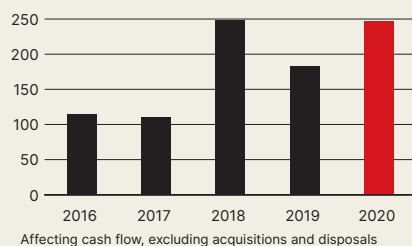
Operating profit (EBITA), SEKm



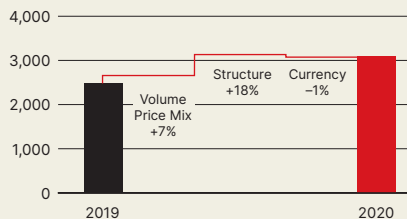
EBITA margin, %



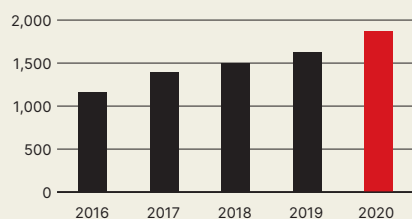
Investments, SEKm



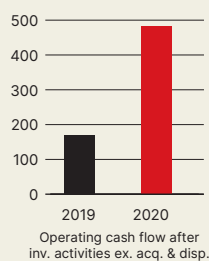
Change in sales, SEKm



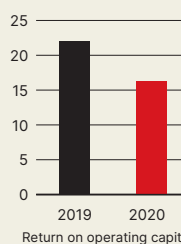
Average no. of employees



Cash flow, SEKm



Return, %



Business area's units

- Avenue
Sligo, Ireland
MD Gerard Henn
- Nolato Beijing Medical
Beijing, China
MD Thomas Hofflander
- Nolato Cerbo
Trollhättan, Sweden
MD Glenn Svedberg
- Nolato Contour
Baldwin, USA
MD Russell Steele
- Nolato GW Bethel
Bethel, USA
MD John Silva
- Nolato GW Dongguan
Guangdong, China
MD Ron Tomes
- Nolato GW Querétaro
El Marques, Mexico
MD Eric Olvera
- Nolato GW Royalton
Royalton, USA
MD John Therriault
- Nolato GW San Antonio
San Antonio, USA
MD Rafael Sojo
- Nolato GW Silicones
Royalton, USA
MD Mark Hammond
- Nolato GW Tucson
San Antonio, USA
MD Ed Boyden
- Nolato Hungary
Mosonmagyaróvár, Hungary
Negoiesti, Romania
MD Johan Arvidsson
- Nolato Jaycare
Newcastle, UK
MD Joe Barry
- Nolato MediTech
Hörby and Lomma, Sweden
MD Torkel Skoglösa
- Nolato MediTor
Torekov, Sweden
MD Michael Holmström
- Nolato Stargard
Stargard, Poland
MD Wojciech Orlowski
- Nolato Treff
Degersheim, Switzerland
MD Guido Vollrath

BUSINESS AREA

Integrated Solutions

Integrated Solutions designs, develops and produces advanced components, subsystems and ready-packaged products for consumer electronics. EMC & Thermal develops and manufactures shielding and heat dissipation products and systems for electronics.

NATURE OF THE MARKET

- > A number of large, global companies.
- > Stringent customer requirements for advanced technology.
- > Expectations of short development times and rapid production start-ups.

CUSTOMER TRENDS

- > Constant need for cost-effective solutions.
- > Cosmetic effects, unique design solutions and special functions of great importance.
- > Significant growing need for EMC shielding and heat dissipation for electronics in products.

STRENGTHS

- > High level of creativity in development work, combined with cutting-edge technologies.
- > Expert advanced project management.
- > Capable of rapid production start-ups and high productivity.
- > Access to Nolato's combined technologies, know-how and resources.

STRATEGIC FOCUS

- > Organic growth and broader customer offering for new markets.
- > One-stop shop with development of niche technologies, advanced project management and rapid time to market.
- > Further development of EMC & Thermal aimed at reaching new markets and customer segments.

VOLATILITY

- > High. Project-based operations.

2020 highlights

This business area managed the effects of the Covid-19 pandemic well, as production remained largely uninterrupted and deliveries took place as agreed.

Its strong growth, driven by sustained high Vaporiser Heating Products (VHP) volumes continued in the year. This helped sales for the year, adjusted for currency and acquisitions, increase by a considerable 23%, with a very strong margin of 13.5%.

There was a successful launch of Compashield Pad, a proprietary EMC grounding component featuring a soft silicone rubber core and a conductive silicone-rubber shell for surface-mounting on circuit boards.

Financial highlights	2020	2019
Sales, SEKm	4,068	3,292
Operating profit (EBITA), SEKm	548	427
EBITA margin, %	13.5	13.0
Average no. of employees	3,712	3,201

> Sales totaled SEK 4,068 million (3,292) and operating profit (EBITA) was SEK 548 million (427). Adjusted for currency and acquisitions, growth was a strong 23%.

> The higher margin was due to high volumes and the business area receiving a general subsidy from Chinese authorities.



INTEGRATED SOLUTIONS 2020

Strong growth and continued technological development

The Integrated Solutions business area comprises two business sectors:

- > **Consumer Electronics:** Design, development and manufacture of advanced components, sub-systems and ready-packaged electronic products. Integrated electronics and IoT also remain key drivers. Consumer electronics also includes VHP, for which Nolato supplies heating devices.
- > **EMC & Thermal:** Process and material solutions for the shielding of electronics to achieve electromagnetic compatibility (EMC), and for heat dissipation (Thermal). The automotive industry in particular is becoming increasingly important as electronics develop for all types of vehicle.

Developments in 2020

> Integrated Solutions generally managed the impact of the Covid-19 pandemic well with

regard to its own business operations and maintaining delivery performance. Following a brief shutdown of some manufacturing in February, volumes recovered to more normal levels as early as March.

- > The significant growth was mainly driven by increased VHP volumes. As expected, VHP volumes dipped slightly towards the end of the year because of implemented cost reductions and slightly lower volumes.
- > EMC sales were solid, while volumes for mobile phones were weak.
- > Working together with a customer, cost reductions were successfully implemented throughout the entire VHP supply chain.
- > The integration of Ja-Bar Silicone continued as planned, with additional EMC production

technologies, a large customer base and an established presence in North America providing good opportunities to increase both business benefits and customer value.

- > The year also saw the successful launch of Compashield Pad, a type of surface-mounted grounding component for circuit boards.

Requirements for creative technical solutions

A core aspect of Integrated Solutions' development and production of advanced components and subsystems, along with shielding and heat dissipation solutions for electronics, is the ability to tailor technologies to both new and updated products. This allows the customer base to be gradually expanded, as the emergence of new areas of use make Integrated Solutions' cutting-edge technologies relevant to more customers.

Customers & competitors

Some of Integrated Solutions' customers

- > Delphi
- > Dyson
- > Ericsson
- > Fitbit
- > Google
- > Harman
- > Motorola Solutions
- > Nokia
- > Sonos
- > Sony
- > Xioami
- > ZTE

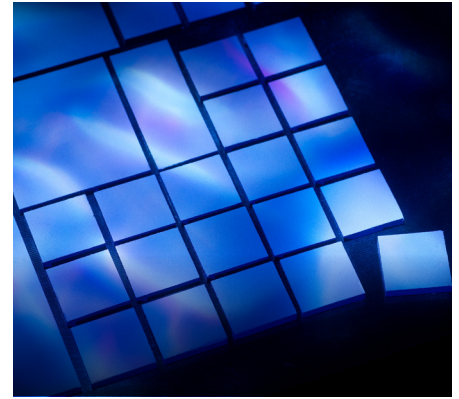
Some of Integrated Solutions' competitors

- > BYD
- > Chiyoda
- > Chomerics
- > Jabil Green Point
- > Laird
- > Marian

Global presence

○ Development, production & sales





Business sectors



Components, subsystems and ready-packaged products for consumer electronics

Subsystems for VHPs, mobile phones and home electronics products, which contain injection-molded, painted and decorated components, in certain cases integrated with electronics in the form of 'mechanical modules', sometimes water-resistant. Creative material and surface design with significant cosmetic and haptic content. Small, designed adhesive-based components with mechanical and/or cosmetic functions, such as logos, speaker grilles and three-dimensional design elements.



EMC & Thermal

Process and material solutions for the shielding of electronics to achieve electromagnetic compatibility (EMC), and for heat dissipation.



Product life cycle

Short.

This also calls for a high level of creativity in development work to provide customer offerings that can be quickly adapted, for instance for the huge, agile and fast-changing consumer electronics market. The successful development of VHP is a good example of creative technical development to keep pace with regulatory changes in the sector and a general trend towards a healthier lifestyle. Another example is in the Laser Applications and Ceramics product areas, whose customer base is gradually being expanded by making products relevant to companies that develop fitness trackers, loud-speakers, thermostats and webcams.

Similarly, growth on EMC's market is chiefly fueled by growing needs for applications and products that can be tailored to 4G and 5G networks as the number of new connected products grows. Increased network traffic along with the ongoing electrification of vehicles is leading to greater requirements for process and materials solutions for shielding and heat dissipation. There are also good opportunities to address the need for materials used for demanding heat dissipation for electronics in telecom, automotive, home electronics, IT and medtech.

Varying market positions

Integrated Solutions is largely a niche operator in consumer electronics product areas, based on in-depth in-house expertise in development, design and production.

Its role is well established in the VHP product area as a close strategic partner to one of the market's larger operators.

The business area has a strong position in EMC & Thermal mainly as a supplier of technically advanced products, such as shielding solutions for mobile phone network base stations.

Strategy for sustained growth

The aim is to be a partner and provider of technically advanced products mainly for high-end segments of the electronics and telecom industry. This strategic focus is based on growing faster than the market in all segments through organic growth.

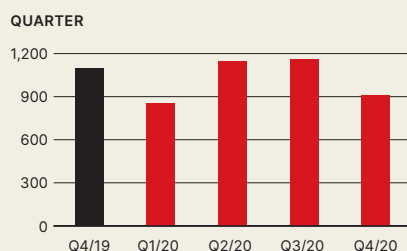
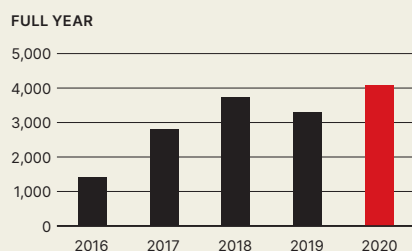
In areas such as injection molding, die-cutting, painting, decoration, assembly, testing and packaging of electronic products the business area aims to offer a one-stop shop, including advanced project management and rapid time to market.

The VHP area remains focused on developing its position as a strategic partner for one of the market's leading operators. The aim is to grow alongside the customer's business and launches on new markets by providing product development, production and assembly of complete products, delivered direct to the customer's distributors. In addition, it will be intensifying development of electrically conductive material solutions and components for the shielding of electronics. The aim is to reach new markets and customer segments, both through direct sales channels and licensed partners.

Forward-looking comments

Managing the impact of the pandemic is likely to continue to be reflected over the coming year. However, the general assessment is that there is good long-term growth potential for most areas in consumer electronics. EMC & Thermal will have additional business opportunities as the 5G network is rolled out, along with the rapid development of electronics in the automotive industry.

Net sales, SEKm



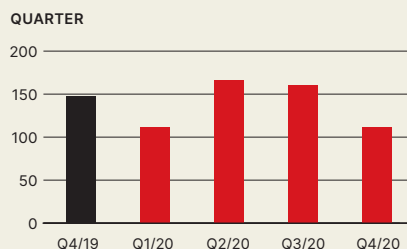
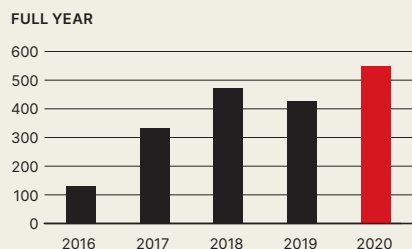
Business area's units

Consumer Electronics:
 Nolato Beijing
 Beijing & Suzhou, China
 MD Thomas Hofflander

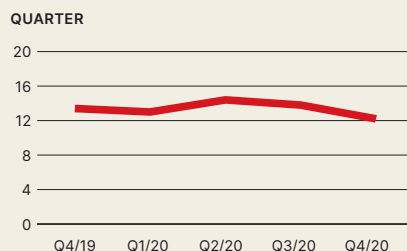
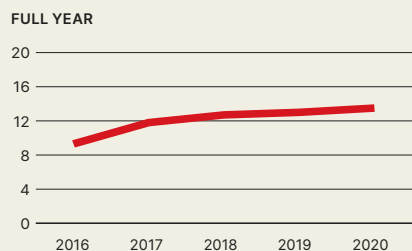
Lövepac Converting
 Beijing, China
 Shenzhen, China
 Penang, Malaysia
 MD Dan Wong

EMC & Thermal:
 Nolato Silikonteknik
 Hallsberg, Sweden
 Beijing, China
 Suzhou, China
 Penang, Malaysia
 Győr, Hungary
 New Jersey, USA
 MD Anders Ericsson

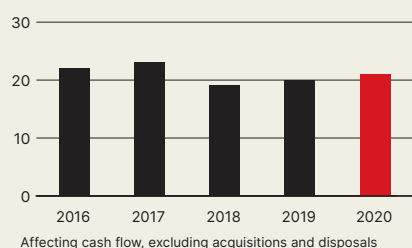
Operating profit (EBITA), SEKm



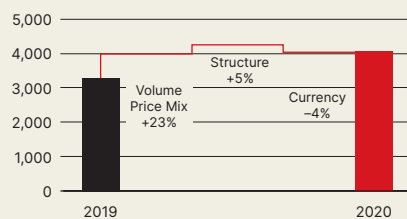
EBITA margin, %



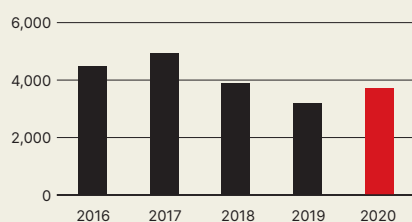
Investments, SEKm



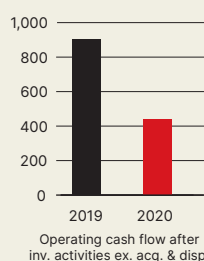
Change in sales, SEKm



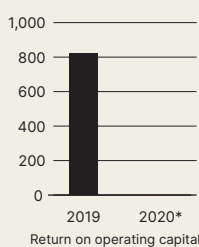
Average no. of employees



Cash flow, SEKm



Return, %



* Operating capital is negative in the calculation for 2020, so no return figure can be calculated for this period.

BUSINESS AREA

Industrial Solutions

Industrial Solutions develops and manufactures products and product systems, primarily in polymer materials, for customers in the automotive sector, hygiene, packaging, gardening/forestry, domestic appliances, furniture and other selected industrial segments.

NATURE OF THE MARKET

- > A fragmented and differentiated market with good access to both customers and suppliers.

CUSTOMER TRENDS

- > Growing demand for sustainable solutions such as bioplastics and recycled plastic to replace fossil-based plastic and metal components.
- > A desire for cooperation early on in the development process.
- > Growing need for global operators with a local presence.

STRENGTHS

- > Extensive technology base, project management and high productivity.
- > Access to the Nolato Group's combined technologies, know-how and resources.

STRATEGIC FOCUS

- > Developing existing customers and winning market share in these segments.
- > Selective geographic expansion, together with the customer and through acquisitions that bring new customers or technologies.
- > Improving productivity.

VOLATILITY

- > Medium. Follows the industrial business cycle, particularly in Northern Europe.

2020 highlights

Expanded offering and geographical reach through the acquisition of GW Plastics.

Successful start-up of new projects.

The successful production start-up in Wisconsin, USA, together with a customer in the hygiene sector progressed well during the year.

Financial highlights	2020	2019
Sales, SEKm	2,205	2,159
Operating profit (EBITA), SEKm	168	181
EBITA margin, %	7.6	8.4
Average no. of employees	1,133	1,109

> Sales totaled SEK 2,205 million (2,159) and operating profit (EBITA) was SEK 168 million (181). Adjusted for currency and acquisitions, sales decreased by 1%.

> Production halts in the automotive industry as a result of the pandemic had a significant negative impact on customer demand, particularly in the second quarter.



INDUSTRIAL SOLUTIONS 2020

Expansion into new markets

Industrial Solutions' business is strongly customer oriented and mainly aimed at two client sectors:

- > Development and manufacture of advanced technical products for the automotive industry.
- > Development and manufacture of products for customers in general industry, in sectors such as hygiene, packaging, gardening/forestry, domestic appliances, furniture, and other selected industrial segments.

Both of these sectors feature continual and extensive purchasing of large volumes and long product series.

Developments in 2020

- > The focus on production in the hygiene sector, which began in 2019 together with a customer of our Medical Solutions manufacturing unit in Wisconsin in the US, continued to perform well during the year.

> New customer projects within general industry made a positive contribution.

> The acquisition of GW Plastics expands both the offering and geographical markets for this business area's customers. Since September 2020, just under one-fifth of GW Plastics' business has been reported within Industrial Solutions.

> Customers in the automotive sector halted operations in the spring as a result of the coronavirus pandemic. Production resumed gradually from the summer but with significantly lower volumes than the previous year. This was something that initially had a significant impact on Industrial Solutions' margin. However, towards the end of the year the margin had recovered owing to continually increasing volumes combined with implemented cost savings.

Fragmented market

The polymer product manufacturing market is made up of a large number of companies. Many are locally based companies. This makes the market fragmented and highly competitive.

One of the drivers for the business area's customers is being able to offer cost-effective high-quality products on their respective markets. It creates demand for end-to-end providers with the capacity and expertise to offer integrated production processes. During the year Industrial Solutions increased its market share with a number of customers primarily in general industry.

In addition, fluctuations in industrial activity have a significant impact on market performance.

Customers & competitors

Some of Industrial Solutions' customers

- > Bosch
- > Brose
- > Continental
- > Geberit
- > Husqvarna
- > Kinnarps
- > MCT Brattberg
- > Scania
- > SKF
- > Volvo
- > Volvo Cars

Some of Industrial Solutions' competitors

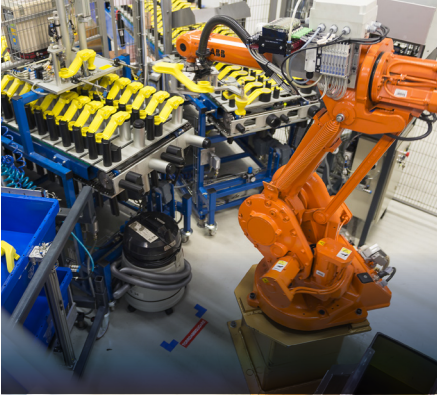
- > Euroform
- > Flextronics
- > KB Components
- > Plastal
- > Rosti (Nordstiernan)

Global presence

○ Development, production & sales



Development, production and sales take place in Sweden, Hungary, Switzerland, Romania, the US, China and Mexico.

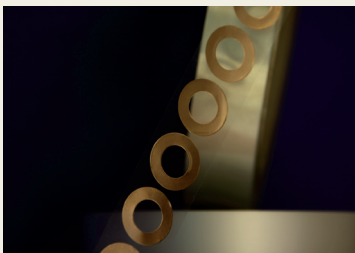


Customer sectors



General Industry

Ball retainers and storage seals for ball bearings, armrests etc. for office chairs and fireproof cable ducts. Components for microwave ovens, chainsaws and grass trimmers (recoil housing, filler caps, air filter holders, etc.), flushing mechanisms for toilets and brew units for coffee machines.



Automotive industry

Exterior details, engine components, gaskets for engines and exhaust systems, interior details, battery casings, etc.



Product life cycle

Medium/long.

Offering based on customer needs

Industrial Solutions has grown by flexibly adapting its offering to the changing needs and demand of the export industry. Industrial Solutions meets its customers' needs by being everything from a high-volume manufacturer of components to a high-tech solutions provider involved from development to delivery of finished products to market. Industrial Solutions has a strong market position because it is a global high-tech partner with a well-established local presence. Industrial Solutions has long been a market leader in the Swedish market, and has robust and, in many cases, leading positions in the European market. Establishing production in the US and the acquisition of GW Plastics further bolsters its market position by providing both an expanded customer offering and a wider geographical market.

Strategy for sustained growth

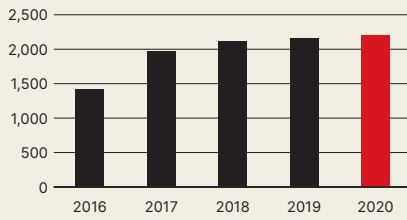
Industrial Solutions' objective is to be a leading high-tech supplier, providing development and production of products and product systems in polymer materials for customers in the automotive and general industry sectors. The business area's strategic focus is based on helping existing customers to develop and growing faster than the market in all segments. Acquisition opportunities are continually considered as a complement to organic growth. Lean manufacturing is an important aspect of delivering on this strategy, and for Industrial Solutions this involves ensuring the business is well organized with an increasingly high degree of integrated processes and automation, minimal warehousing and an aim to eliminate production defects.

Forward-looking comments

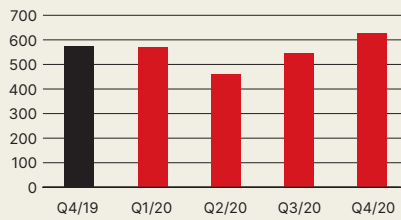
Managing the impact of the pandemic is likely to have a number of different effects over the coming year. As technology advances, Industrial Solutions aims to continue growing alongside customers, both in terms of volume and geographically. It aims to do so while growing at a faster rate than the market.

Net sales, SEKm

FULL YEAR

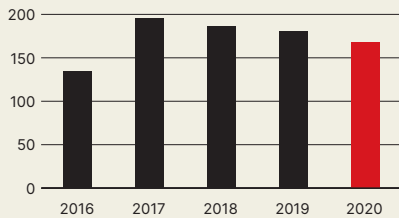


QUARTER

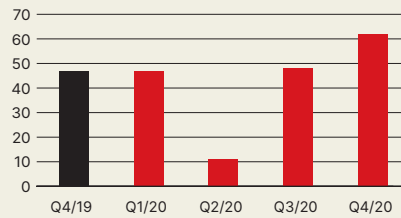


Operating profit (EBITA), SEKm

FULL YEAR

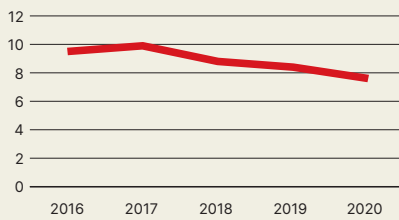


QUARTER

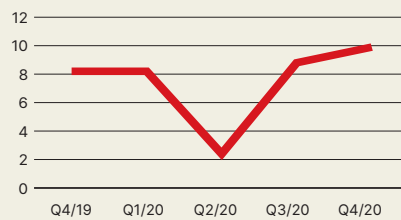


EBITA margin, %

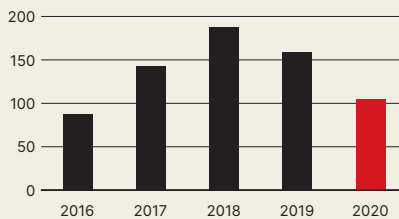
FULL YEAR



QUARTER

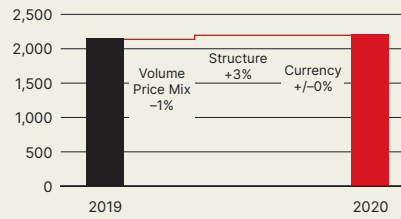


Investments, SEKm

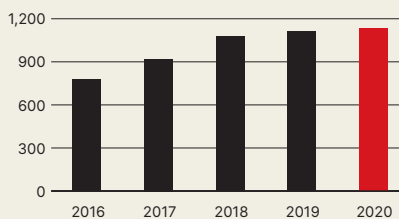


Affecting cash flow, excluding acquisitions and disposals

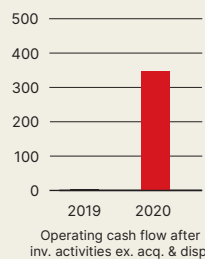
Change in sales, SEKm



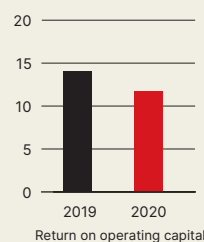
Average no. of employees



Cash flow, SEKm



Return, %



Business area's units

Nolato Contour
Baldwin, Wisconsin, USA
MD Russell Steele

Nolato Gota
Göteborg, Sweden
MD Olof Pettersson

Nolato GW Dongguan
Guangdong, China
MD Ron Tomes

Nolato GW Querétaro
El Marques, Mexico
MD Eric Olvera

Nolato GW San Antonio
San Antonio, USA
MD Rafael Sojo

Nolato Hungary
Mosonmagyaróvár, Hungary
MD Johan Arvidsson

Nolato Lövepac
Skånes Fagerhult, Sweden
MD Henrik Enoksson

Nolato Plastteknik
Gothenburg, Sweden
MD Magnus Hettne

Nolato Polymer
Torekov & Ängelholm, Sweden
MD Anders Willman

Nolato Romania
Negoesti, Romania
MD Johan Arvidsson

Nolato Treff
Degersheim, Switzerland
MD Guido Vollrath

Shareholder information

Listing

Nolato AB was listed on the Stockholm Stock Exchange in 1984, and its B shares are now listed on Nasdaq Stockholm. Nolato is a Large Cap company in the Industrials sector. The share symbol is STO:NOLA B and the ISIN code is SE0000109811.

Share price performance

Nolato's B shares rose by 51% during the year (50). The share price at the end of 2020 was SEK 832.00 (550.00). The highest closing price on Nasdaq Stockholm in 2020 was SEK 904.00 (Oct. 5, 2020) and the lowest closing price was SEK 365.80 (Mar. 23, 2020).

In 2020 29.2 million Nolato class B shares were traded, of which 52% was in open exchange trading (lit + auction market) and 48% in other trading (dark, off-book and SI). Of open exchange trading, 79% took place on Nasdaq Stockholm, 12% on Cboe, 7% on Aquis, 1% on Turquoise and 1% on other exchanges.

The turnover ratio for class B shares (i.e. the level of liquidity) in open trading in 2020 was 63% based on the number of shares at December 31. There were 11,656 (11,592) shareholders at December 31.

Share capital

The share capital of Nolato AB totals SEK 134 million, divided among 26,744,208 shares. Of these, 2,759,400 are A shares and 23,984,808 are B shares. Each A share entitles the holder to ten votes, while a B share entitles the holder to one vote. All shares have equal rights to the assets and earnings of the company.

Incentive programs

Nolato has two share warrant programs for management, which could result in the dilution of the number of shares. For further information, see Note 27 on page 80.

Dividend policy and dividend

Nolato's dividend policy is to propose a dividend that exceeds 50% of profit after tax, taking accounting of Nolato's long-term development opportunities, financial position and investment needs. The Board of Directors proposes a dividend for 2020 of SEK 16.00 (0.00), corresponding to SEK 428 million (0).

The pay-out ratio, i.e. the dividend in relation to profit after tax, is 53% (0). The dividend yield was 1.9% in relation to the share price at December 31, 2020. Over the last five years, the average dividend yield from Nolato's shares was 2.4%.

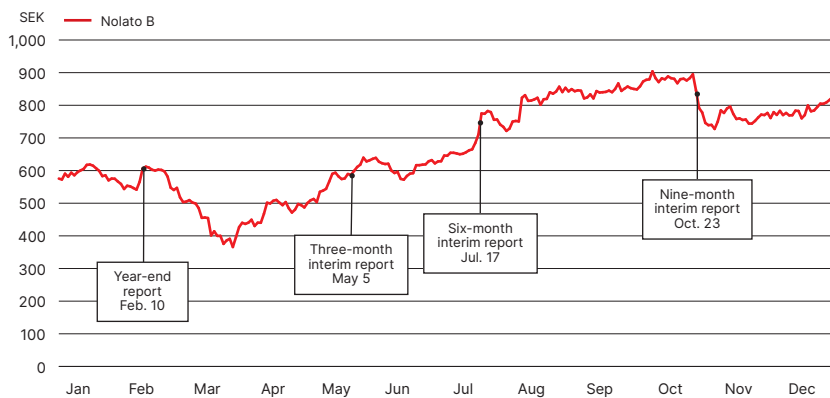
Transferability

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

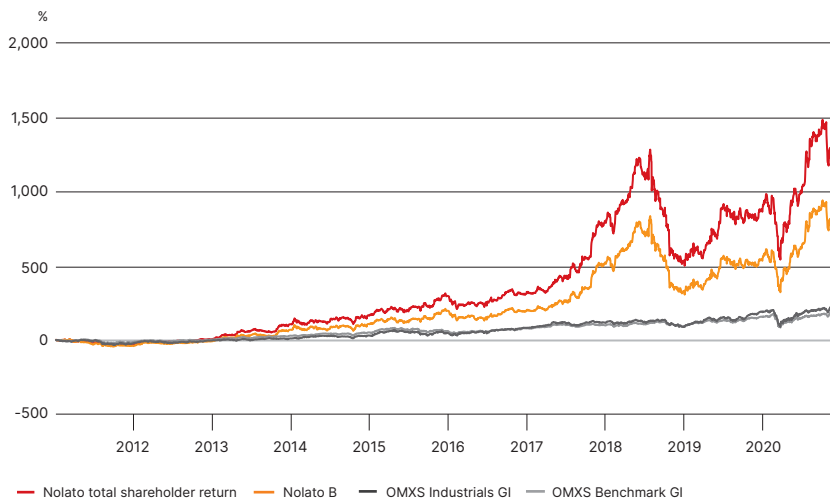
Financial information

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. Information about the current and historical price of Nolato's B shares and monthly updates on Nolato's largest shareholders can be found on our website, www.nolato.com. On the website you will also find all interim reports, annual reports and press releases dating back 10 years.

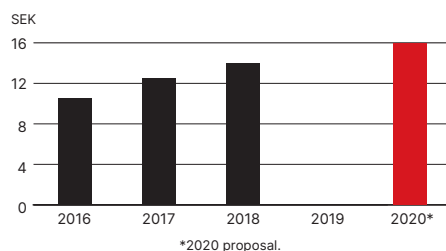
Share price performance in 2020



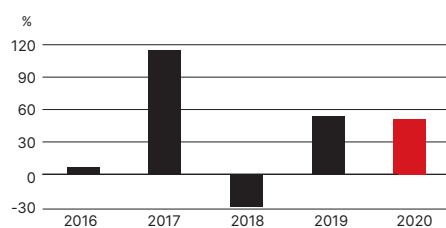
Total shareholder return and share price performance 2011–2020



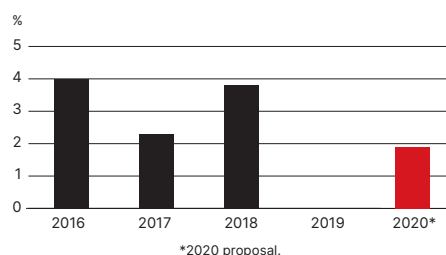
Dividend 2016–2020



Annual total shareholder return 2016–2020



Dividend yield, 2016–2020



Total shareholder return:

10 years	1,426% (yearly average 31%)
5 years	268% (yearly average 30%)
3 years	62% (yearly average 18%)
2 years	134% (yearly average 51%)

Definition of total shareholder return (not IFRS measure):

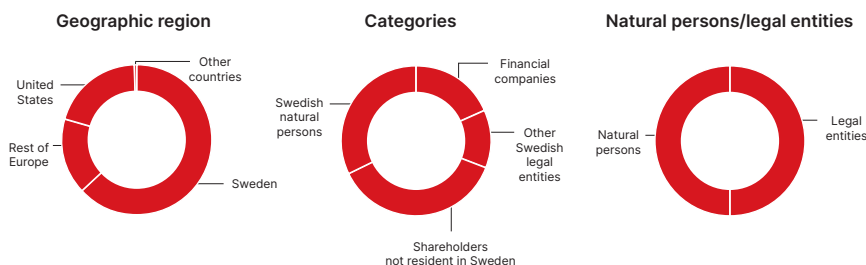
Total shareholder return shows the change in the share price, including reinvested dividends over the period.

Analysts

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

- > ABG Sundahl Collier – Erik Cassel +46 8 5662 8625
- > Carnegie – Mikael Laséen +46 8 5886 8721
- > Handelsbanken – Daniel Lindkvist +46 8 701 2819
- > Nordea – Carl Ragnerstam +46 10 1562 817

Breakdown of shareholders at December 31, 2020



The largest shareholders at December 31, 2020

Shareholders	% of capital		% of votes	
	Dec. 31, 2020	Change*	Dec. 31, 2020	Change*
Jorlén family	9.4	-0.2 ↓	24.1	-0.1 ↓
Boström family	9.3	-0.1 ↓	19.4	-0.1 ↓
Hamrin family	8.2	-0.1 ↓	18.5	-0.1 ↓
State Street Bank and Trust	13.4	0.3 ↑	6.9	0.1 ↑
Lannebo funds	7.2	0.3 ↑	3.8	0.2 ↑
CBNY Norges Bank	2.8	0.9 ↑	1.5	0.5 ↑
First Swedish National Pension Fund (AP1)	2.0	2.0 ↑	1.1	1.1 ↑
Didner & Gerge Fonder Aktiebolag	2.0	-1.8 ↓	1.0	-1.0 ↓
BNY Mellon SA/NV	1.9	0.5 ↑	1.0	0.3 ↑
JP Morgan Chase Bank NA	1.8	-0.4 ↓	0.9	-0.2 ↓
HSBC Trinkhaus & Burkhardt AG	1.7	1.6 ↑	0.9	0.8 ↑
Swedbank Robur Funds	1.6	1.4 ↑	0.8	0.8 ↑
BNY Mellon NA	1.3	-0.2 ↓	0.7	-0.1 ↓
Total for largest shareholders	62.6		80.6	
Other shareholders	37.4		19.4	

* Change (percentage points) in shareholdings compared with December 31, 2019.

Data per share

	2020	2019	2018	2017	2016
Diluted earnings per share after tax, SEK ¹⁾	30.24	26.60	27.37	21.74	12.77
Shareholders' equity per share, before dilution, SEK ²⁾	138	112	99	82	70
Cash flow after investing activities excl. acquisitions and disposals per share, before dilution, SEK	34.00	30.19	22.54	18.85	9.31
Share price at December 31, SEK	832.00	550.00	366.50	539.00	263.00
Price/earnings ratio, times ³⁾	28	21	13	25	21
Turnover rate, %	63	68	92	66	58
Dividend (2020 proposal), SEK	16.00	0.00	14.00	12.50	10.50
Dividend yield (2020 proposal), % ⁴⁾	1.9	–	3.8	2.3	4.0
Dividend as a percentage of earnings per share (2020 prop.)	53	–	51	57	82
Average number of shares after dilution, thousand	26,656	26,432	26,384	26,316	26,307
Price/equity per share, times	6.0	4.9	3.7	6.6	3.8
Market capitalization at December 31, SEK million	22,251	14,601	9,642	14,180	6,919

Definitions

¹⁾ Profit after tax divided by the average number of shares, IFRS measure.

²⁾ Shareholders' equity divided by the number of shares.

³⁾ Quoted share price at December 31 divided by earnings per share after tax.

⁴⁾ Dividend for the year divided by the market price quoted on December 31.

Corporate governance

Nolato is a Swedish limited company. Its corporate governance is based on Swedish legislation (primarily the Swedish Companies Act), the regulations set out by Nasdaq Stockholm, the Swedish Code of Corporate Governance and the rules and recommendations issued by relevant organizations.

Corporate governance report

Nolato's formal corporate governance report is available to read on our website at www.nolato.com/corpgov. The report specifies, among other things, how the assessment of the Board's work is conducted and reported.

Shareholder governance

Shareholders exercise their power of ownership at annual general meetings. Nolato's A shares entitle holders to ten votes, and the B shares to one vote. There is no restriction on how many votes shareholders may cast at general meetings.

Resolutions at annual general meetings are normally passed by simple majority. On certain issues, the Swedish Companies Act stipulates a specific minimum percentage of the shareholders present and/or a larger majority.

The general meeting of the company, where the Board presents the annual accounts and auditor's report, is called the annual general meeting (AGM) and is usually held by Nolato in late April or early May. The AGM also addresses matters regarding dividends, the discharge of Board members and the CEO from liability, and the election of Board members, the Chairperson and auditors. The AGM also determines the fees payable to the Board and the auditors, guidelines for the remuneration of senior executives and the principles for appointing the Nomination Committee for the next AGM.

Shareholders have the opportunity to ask questions about the company and its performance at the AGM. Shareholders also have opportunities to request that a particular issue be dealt with by submitting such a request in writing to the Board.

2020 Annual General Meeting

The 2020 Annual General Meeting took place on May 4, 2020, in Grevie. The meeting was attended by 235 shareholders, together representing 52.4% of the number of shares and 75.4% of the number of votes in the company.

The AGM re-elected Board members Fredrik Arp, Sven Boström-Svensson, Lovisa Hamrin, Åsa Hedin, Lars-Åke Rydh, Dag Andersson and

Jenny Sjö Dahl, and elected Erik Lyngé-Jorlén as a new Board member. Fredrik Arp was re-elected as Chairman of the Board. The members are presented in more detail on pages 44–45 and at nolato.com/en/corporate-governance.

The AGM resolved on several issues, including fees for Board members, guidelines for remuneration of senior executives and principles regarding the composition of the Nomination Committee. The AGM also resolved to adopt the income statement and balance sheet for Nolato AB and for the Group, as well as the proposed appropriation of profits. The meeting discharged the members of the Board and the President and CEO from liability for the 2019 financial year. The meeting resolved in accordance with the Board's proposal regarding an amendment to the Articles of Association. Approval was also given for the Board's proposal for authorization of the Board to make decisions regarding the issue of new B shares.

Auditor elected by AGM

The 2020 AGM elected Ernst & Young AB as auditor of Nolato, with authorized public accountant Joakim Falck as principal auditor.

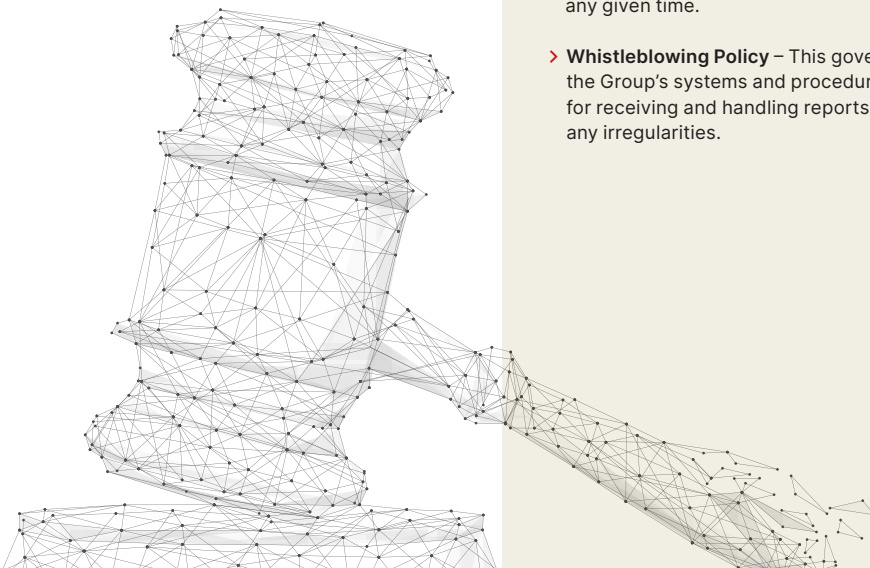
Auditor

Joakim Falck, born in 1972. Authorized public accountant, Ernst & Young AB. Auditor of Nolato since 2018. Other clients include Xano Industri AB, Garo AB, Itab Shop Concept AB and Nefab.

POLICY DOCUMENTS

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

- › **Nolato's Basic Principles** – These define the platform of shared values for all Group operations.
- › **Code of Conduct** – This sets out the ethical and compassionate principles that Nolato employees are obliged to follow. Nolato's group-wide policies regarding the environment, health and safety, suppliers and quality are integrated into the Code of Conduct.
- › **Financial Policy** – This governs how financial risks should be managed in the Group.
- › **IT Policy** – This governs the Group's IT security structure.
- › **Information Policy** – This governs the dissemination of information by the Group, including in relation to listing requirements.
- › **Inside Information Policy** – This supplements the rules contained in the EU Market Abuse Regulation and other insider trading legislation with directives on notification obligations and trading in Nolato's shares.
- › **Trade Sanctions Policy** – This regulates the restrictions on employees having business relationships with certain individuals, companies, governments and countries according to sanctions, laws and rules issued by various countries at any given time.
- › **Whistleblowing Policy** – This governs the Group's systems and procedures for receiving and handling reports of any irregularities.



SCHEMATIC DESCRIPTION OF THE NOLATO GROUP'S CORPORATE GOVERNANCE

The **Nomination Committee** is responsible for submitting proposals to the AGM regarding the Chairman of the Board, Board members, directors' fees, remuneration for committee work, how the Nomination Committee should be appointed for the coming year and submitting proposals regarding auditors and auditors' fees.

The right of **shareholders** to determine Nolato's affairs is exercised at the annual general meeting (AGM), which usually takes place in late April or early May. Among other things, the AGM elects the Board of Directors and takes decisions regarding a dividend, directors' fees and adopts the annual accounts. By registering a matter in writing with the Board within certain timeframes, shareholders have the right to have a matter addressed by the AGM.

The **Auditor** is elected by the shareholders at the AGM to audit the company's annual report and accounts, and the Board and CEO's management of Nolato. The auditor also reviews the remuneration of senior executives and the corporate governance report.

Reporting takes place to the Board and the Audit Committee. At the AGM, the auditor provides information about the auditing work and observations made in an auditors' report.

The **Audit Committee's** task is to supervise the procedures for accounting, financial reporting and internal control.

The **Remuneration Committee** is responsible for proposing to the Board all remuneration and benefits for the President and CEO and principles for remuneration of senior executives.

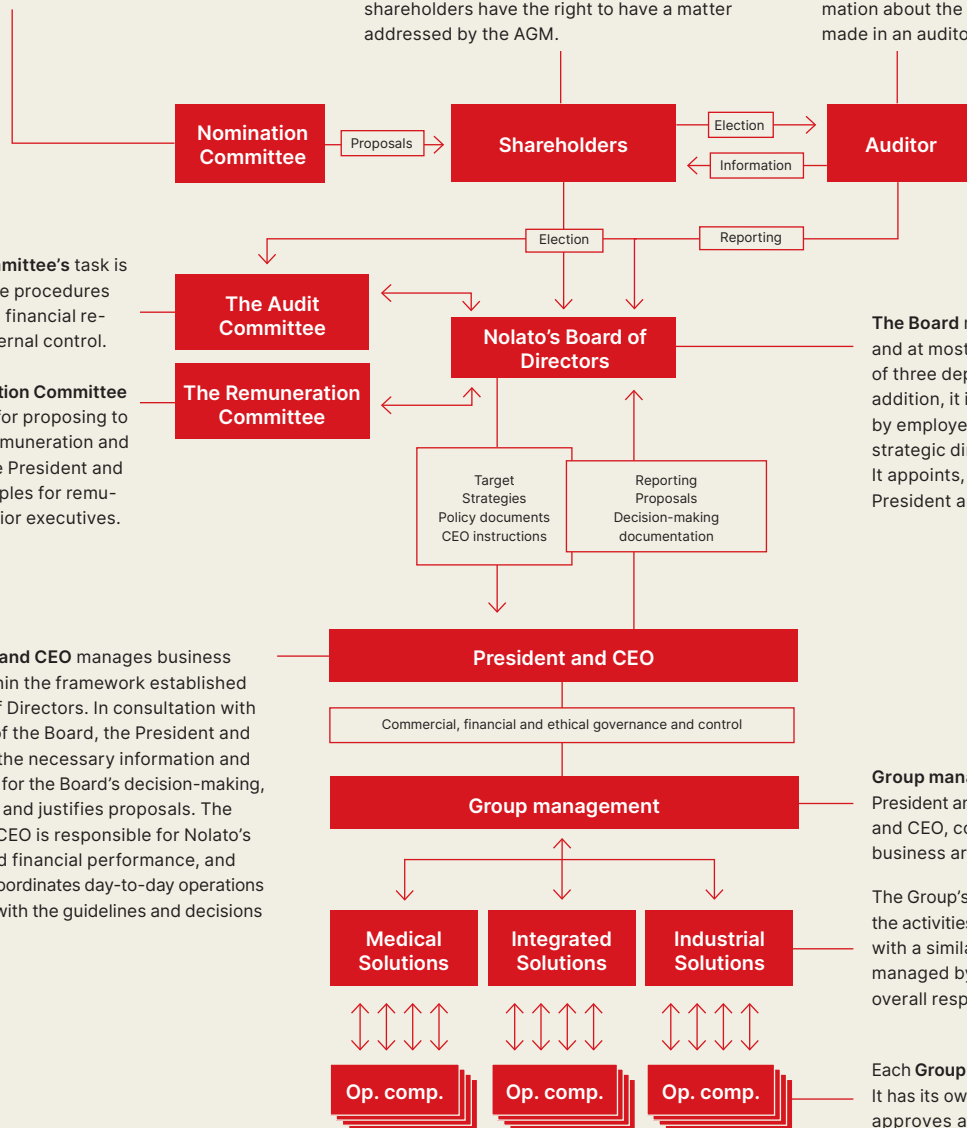
The **Board** must consist of at least of five and at most nine members, and a maximum of three deputies elected by the AGM. In addition, it includes two members elected by employees. The Board decides on the strategic direction of Nolato's operations. It appoints, dismisses and oversees the President and CEO.

The **President and CEO** manages business operations within the framework established by the Board of Directors. In consultation with the Chairman of the Board, the President and CEO draws up the necessary information and documentation for the Board's decision-making, presents items and justifies proposals. The President and CEO is responsible for Nolato's commercial and financial performance, and manages and coordinates day-to-day operations in accordance with the guidelines and decisions of the Board.

Group management is appointed by the President and CEO and, besides the President and CEO, consists of the CFO and the three business area presidents.

The Group's three **business areas** coordinate the activities in a number of Group companies with a similar focus. Each business area is managed by a business area president with overall responsibility for operations.

Each **Group company** has a managing director. It has its own board of directors, which approves and makes decisions on the company's long-term strategies and overall structural and organizational changes.



Reporting and control occurs by means of the Board and the Audit Committee analyzing and assessing risks and control environments, and overseeing the quality of financial reporting and Nolato's internal control systems. This takes place through, for example, issuing instructions to the President and CEO and establishing requirements for the content of the financial performance reports provided to the Board on an ongoing basis. In addition, the committee is responsible for making recommendations and proposals for ensuring reporting reliability. The Board reads and checks financial reporting such as monthly reports, forecasts, interim reports and the annual accounts. The committee must inform the Board of the result of the audit, how it contributed to the reliability of reporting and what role the committee had.

Nolato's Board of Directors



Name	Fredrik Arp	Sven Boström-Svensson	Lovisa Hamrin	Åsa Hedin	Erik Lynge-Jorlén
Elected	2009 (also member 1998–1999)	2013	2017	2014	2020
Position	Chairman of the Board and Chairman of the Remuneration Committee	Board member	Board member and member of the Remuneration Committee	Board member and member of the Audit Committee	Board member and Board's representative for sustainability issues
Born	1953	1983	1973	1962	1979
Education	Master of Science (Economics) and Ec. Doctor h.c.	Bachelor of Science (Chemistry) Master of Science (Analytical Chemistry) and Bachelor of Science (Economics)	Master of Science (Economics and Business), Stockholm School of Economics and Bachelor of Science (Economic History)	Master of Science (Biophysics), Bachelor of Science (Physics)	Bachelor of Education
Other assignments	Chairman of Bravida Holding AB, Gränges AB and Hövding AB. Board member of Vattenfall and Swedfund International.	—	Chairman of the Carl-Olof and Jenz Hamrin Foundation. Board member of the Advisory Board of Jönköping International Business School.	Board member of Tobii AB, Cellavision AB, C-Rad AB, Immunovia AB and Industrifonden AB.	—
Background	CEO of Volvo Cars, Trelleborg, PLM.	—	Owner and President of Herenco AB, owner and Executive Chairman of Herenco Holding AB, senior management positions at Hall Media AB and Schibsted.	Deputy CEO of Elekta AB. Senior management positions at Siemens Healthcare and Gambro AB.	Upper secondary school teacher.
Attendance	8 out of 8 meetings	8 out of 8 meetings	8 out of 8 meetings	8 out of 8 meetings	5 out of 8 meetings (elected at AGM)
Remuneration¹⁾	595,000	215,000	215,000	262,000	215,000
Shareholding²⁾	3,000 B (3,000 B)	255,870 B (255,870 B)	819,200 A + 1,364,743 B (819,200 A + 1,431,743 B)	0 (0)	200 A + 35,000 B
Dependence	Independent of the company and major shareholders.	Independent of the company but not independent of major shareholders.	Independent of the company but not independent of major shareholders.	Independent of the company and major shareholders.	Independent of the company but not independent of major shareholders.

¹⁾ For further information about remuneration, see Note 27 on pages 80–81.

²⁾ Shareholding in Nolato at Dec. 31, 2020 (Dec. 31, 2019) incl. family and companies, according to Euroclear Sweden. For current information see www.nolato.com



Name	Lars-Åke Rydh	Jenny Sjødahl	Håkan Bovimark	Björn Jacobsson
Elected	2005	2016	2014 Deputy 2009–2014	2015 (also member 2000–2013), Deputy 2014
Position	Member of the Board and chairman of the Audit Committee	Board member	Employee representative from PTK (Swedish Federation of Salaried Employees in Industry and Services)	Employee representative from LO (the Swedish Trade Union Confederation)
Born	1953	1973	1960	1971
Education	Master of Science (Engineering)	Master of Science (Industrial Economics), MBA	Upper secondary school. Certified member of the Board of PTK	Upper secondary school
Other assignments	Chairman of Danfo AB, Olja ek. för., Schuchardt Maskin AB, Chiffonjén AB and Prototypen AB. Board member of Nefab AB, Garo AB, Spectria Invest Fond AB, Söderbergsföre- tagen AB, Hjo Verktyg AB and Östrand o Hansen AB.	Board member of Nibe Industrier AB.	Deputy board member of Nolato Cerbo AB.	Board member of Nolato Gota AB.
Background	President and CEO of Nefab.	CEO of Westermo Network Technologies AB (ongoing). Senior management positions within ABB.	Employed at Nolato Cerbo.	Employed at Nolato Gota.
Attendance	8 out of 8 meetings	7 out of 8 meetings	8 out of 8 meetings	7 out of 8 meetings
Remuneration¹⁾	285,000	215,000	0	0
Shareholding²⁾	2,000 B (2,000 B)	0 (0)	0 (0)	0 (0)
Dependence	Independent of the company and major shareholders.	Independent of the company and major shareholders.	—	—

Deputy employee representatives are Arif Mislimi (LO Swedish Trade Union Confederation), Agneta Olsson and Reynaldo Mejedo (PTK organization).

¹⁾ For further information about remuneration, see Note 27 on pages 80–81.

²⁾ Shareholding in Nolato at Dec. 31, 2020 (Dec. 31, 2019) incl. family and companies, according to Euroclear Sweden. For current information see www.nolato.com

Nolato Group management



Name	Christer Wahlquist	Per-Ola Holmström	Johan Iveberg	Jörgen Karlsson	Johan Arvidsson
Employed	1996	1995	2010	1995	1994
Position	President and CEO since 2016	Executive Vice President and CFO since 1995	President of Medical Solutions since 2016	President of Integrated Solutions since 2009	President of Industrial Solutions since 2012 and MD of Nolato Hungary since 2008
Born	1971	1964	1969	1965	1969
Education	Master of Science (Engineering) MBA	Bachelor of Science (Economics)	Master of Science (Engineering)	Polymer Engineering	Master of Science (Engineering)
Background	Business Area President. MD in Group companies.	Authorized Public Accountant.	Senior positions with Trelleborg, Akzo Nobel and Perstorp. MD in Group companies.	Marketing manager. MD in Group companies.	MD in Group companies.
Shareholding¹⁾	21,712 B (17,712 B)	17,084 B (15,084 B)	7,500 B (5,500 B)	4,000 B (2,000 B)	11,000 B (10,000 B)
Warrants	38,000 (Series 2018/2021) 4,000 (Series 2020/2023)	19,000 (Series 2018/2021) 3,000 (Series 2020/2023)	19,000 (Series 2018/2021)	19,000 (Series 2018/2021)	19,000 (Series 2018/2021)

¹⁾ Shareholding in Nolato at Dec. 31, 2020 (Dec. 31, 2019) incl. family and companies, according to Euroclear Sweden. For current information see www.nolato.com

Directors' report and financial statements

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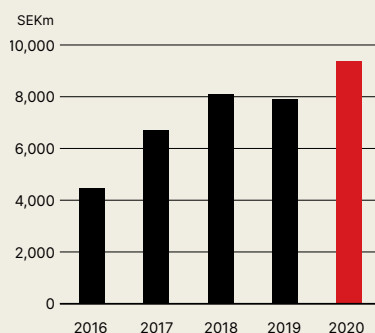
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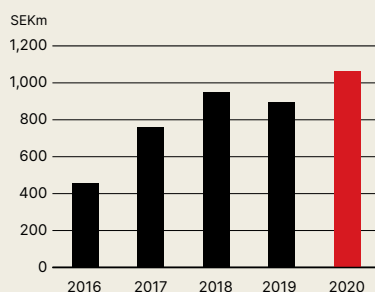
* The content of pages 47–96 has been audited.

Directors' report

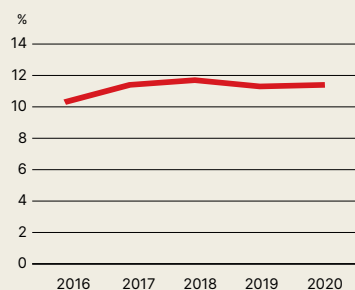
Sales



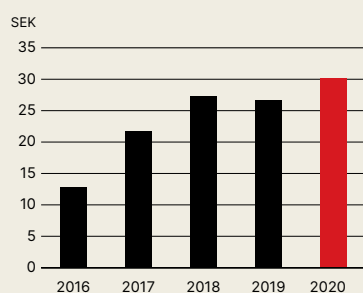
Operating profit (EBITA)



EBITA margin



Diluted earnings per share



Operations in 2020

The Board of Directors and President and CEO hereby publish the annual accounts and consolidated accounts for Nolato AB (publ), company registration number 556080-4592, for the 2020 financial year. Nolato is a Swedish publicly listed group with 6,721 employees in wholly owned subsidiaries in Europe, Asia and North America. The companies in the Group develop and manufacture products in polymer materials such as plastic, silicone and TPE for leading customers within medical technology, pharmaceuticals, consumer electronics, telecom, automotive and other selected industrial sectors. The business model is based on close, long-term and innovative collaboration with customers. Nolato endeavors to create added value for both customers and shareholders through leading technology, wide-ranging capabilities and highly efficient production.

Nolato's shares are listed on Nasdaq Stockholm Exchange in the Large Cap segment, where they are included in the Industrials sector.

Three business areas

Nolato's operational activities are conducted in three customer-focused business areas:

Medical Solutions: Development and manufacture of complex product systems and components for medical devices, the pharmaceutical industry and diagnostics.

Integrated Solutions: Design, development and manufacture of advanced components, sub-systems and ready-packaged products for consumer electronics. EMC & Thermal develops and manufactures shielding and heat dissipation products and systems for electronics.

Industrial Solutions: Development and manufacture of products and product systems for customers in the automotive, hygiene, packaging, gardening/forestry, domestic appliance and

furniture sectors, and other selected industrial segments.

The activities of these three business areas are based on the same core elements of responsible business conduct, wide-ranging technical capabilities and advanced production technology. These business areas all enjoy good opportunities to create their own optimal conditions to succeed as a result of their specialization in and adaptation to their respective customer sectors.

As all three business areas are affected differently by business cycle fluctuations, events and market patterns, the Group benefits from a healthy balance in its operations. Medical Solutions operates on a market with long product life cycles and low business cycle dependency, while Integrated Solutions is the opposite, with short product lifespans and high project volatility. And between these two is Industrial Solutions.

The operations of these business areas are presented in more detail on pages 26–39.

Financial summary

Consolidated sales rose by 18% in 2020, amounting to SEK 9,359 million (7,919). Adjusted for currency and acquisitions, sales rose by 12%. Operating profit (EBITA) increased to SEK 1,066 million (895), giving an EBITA margin of 11.4% (11.3).

Operating profit (EBIT) rose to SEK 1,079 million (909), excluding non-recurring items. Including non-recurring items, profit amounted to SEK 1,048 million (887) after an expense of SEK 18 million in amortization of intangible assets arising in connection with acquisitions. The EBIT margin was 11.2% (11.2).

For further financial information, see the five-year review on page 87.

Consolidated profit after tax was SEK 806 million (703). Diluted earnings per share were SEK 30.24

Sales, operating profit and EBITA margin by business area, 2018–2020

SEKm	Sales			Operating profit EBITA			EBITA margin (%)		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
Medical Solutions	3,089	2,484	2,270	402	320	295	13.0	12.9	13.0
Integrated Solutions	4,068	3,292	3,720	548	427	473	13.5	13.0	12.7
Industrial Solutions	2,205	2,159	2,119	168	181	186	7.6	8.4	8.8
Intra-Group adj., Parent Co.	-3	-16	-7	-52	-33	-5	—	—	—
Group total	9,359	7,919	8,102	1,066	895	949	11.4	11.3	11.7

(26.60). Adjusted earnings per share after dilution, excluding amortization of intangible assets arising from acquisitions, amounted to SEK 30.76 (26.82). The effective tax rate was 20.5% (18.0).

Medical Solutions

Medical Solutions sales totaled SEK 3,089 million (2,484); adjusted for currency and acquisitions, sales grew by 7%. Production volumes grew strongly, particularly in areas that have seen increased demand as a result of the pandemic such as diagnostics, while the surgery segment was negatively affected in the fourth quarter because of postponed operations, particularly in the US-based business.

Operating profit (EBITA) rose to SEK 402 million (320). The EBITA margin was 13.0% (12.9). The margin was boosted by high capacity utilization and a favorable sales mix, while a lower operating margin in the acquired US business GW Plastics had an impact in the last four months of the year. GW Plastics is consolidated from September 1, 2020. Integration is proceeding according to plan and will result in significant market synergies over time. Just over four-fifths of the business is reported within Medical Solutions.

This strong growth means that Nolato will be expanding production capacity in Switzerland, Hungary and Sweden.

Integrated Solutions

Integrated Solutions sales increased sharply to SEK 4,068 million (3,292), driven mainly by increased volumes in Vaporiser Heating Products (VHP). Adjusted for currency and acquisitions, sales rose by an exceptional 23%. EMC sales were solid, while volumes for mobile phones remained weak.

Operating profit (EBITA) increased to SEK 548 million (427). The EBITA margin was a very strong 13.5% (13.0). The higher margin was due to high volumes and the business area receiving a general subsidy from Chinese authorities.

Industrial Solutions

Industrial Solutions sales totaled SEK 2,205 million (2,159); adjusted for currency and acquisitions, sales decreased by 1%. The hygiene area, which saw low volumes in the first half of 2019, has returned to normal levels. Demand for certain products in this area was high in the second half of the year, partly as a result of the ongoing pandemic. Demand from automotive-sector customers was significantly impacted by the halt of operations for parts of the second quarter. Production resumed in the second half of May at low volumes, and has gradually increased since.

Operating profit (EBITA) was SEK 168 million (181). The EBITA margin was 7.6% (8.4). The margin was affected by the lower volumes, particularly in the automotive industry, mainly during the production suspensions in the second quarter. US-based GW Plastics was acquired and consolidated from September 1. Just under one-fifth of the business is reported under Industrial Solutions.

For additional comments on financial performance, see page 57, which is part of the directors' report.

Responsible business conduct

Nolato has a long tradition of responsible business conduct, and one of our Basic Principles is that efficient and profitable business operations must be combined with sound business ethics, responsibility and environmental awareness. The company's sustainable development strategy is built on the conviction that a forward-looking and responsible approach creates opportunities and business benefits.

Statutory sustainability report

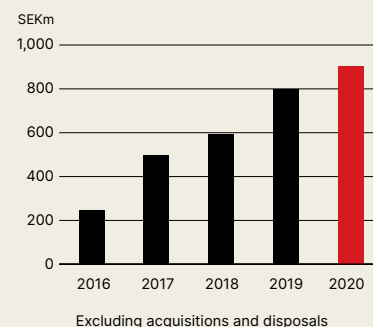
According to Chapter 6, Section 11 of the Swedish Annual Accounts Act, the company has opted to summarize the statutory sustainability report in the annual report, and to provide a more detailed account in a separate sustainability report as per the guidelines in the Global Reporting Initiative (GRI). The sustainability report is available on our website at www.nolato.com. The table below gives details of where the statutory information can be found in the annual report. The reporting policies are described in the Sustainability Report. The newly acquired company GW Plastics is not included in this year's Sustainability Report.

Area	Annual report (page)
Business model	17
Policies, framework, stakeholders and material topics	42, 50
Environmental responsibility	23, 51
Working conditions and social responsibility	22, 50-51
Anti-corruption	24, 51
Risks and risk management	53-55
Diversity on the Board and in management	51

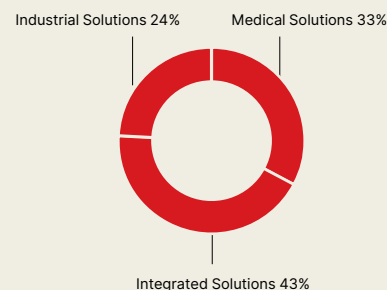
Key guidelines

The Nolato Spirit booklet summarizes the Group's core values, Code of Conduct and policies and explains how they relate to the business model. The document was updated in 2020. Since 2010, Nolato has been a signatory to the UN Global Compact, a framework document that comprises ten principles on the environment, human rights, labor and anti-corruption. These ten principles are incorporated into The Nolato Spirit. Nolato's

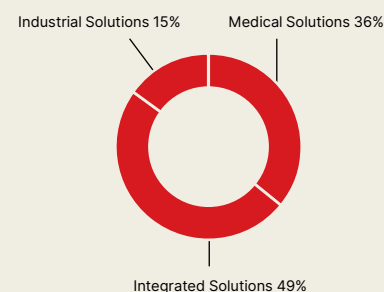
Cash flow after investments



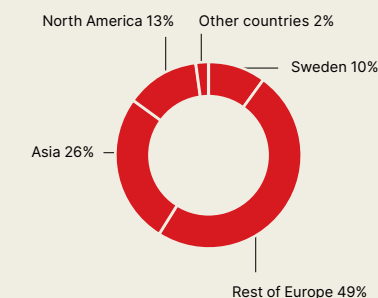
Share of sales



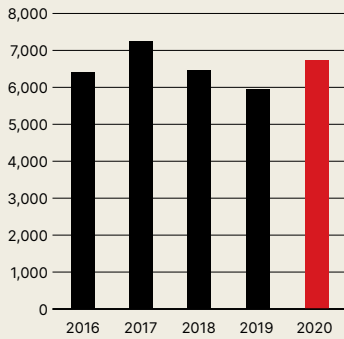
Share of operating profit (EBITA)



Sales by geographic markets



Average no. of employees



Employees by business area

Average

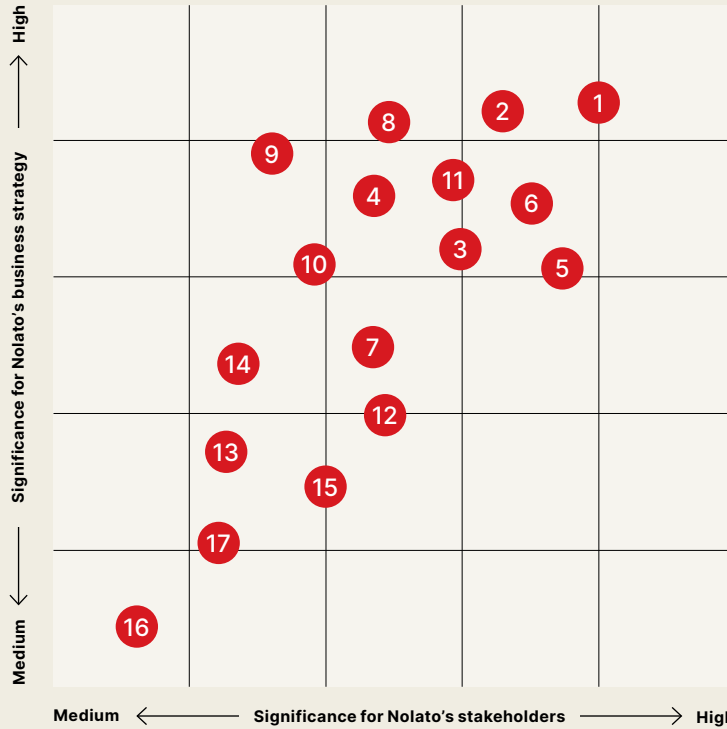
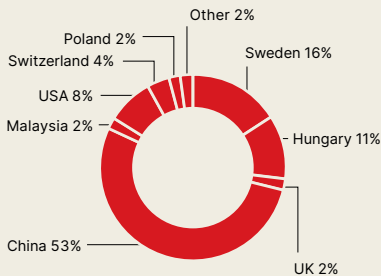
Industrial Solutions 17% Medical Solutions 28%



Integrated Solutions 55%

Employees by country

Average



- 1 Customer requirements in relation to sustainable development
- 2 Sound business ethics
- 3 Attractive employer
- 4 Legal requirements in relation to sustainable development
- 5 Sustainability issues in developing countries
- 6 Plastics in a life cycle perspective
- 7 Suppliers' sustainability work
- 8 Energy and climate
- 9 Safe and stimulating working environment
- 10 Gender equality, human rights
- 11 Investor requirements
- 12 Social engagement
- 13 Environmental impact of transport
- 14 Sustainability issues in connection with acquisitions
- 15 Emissions to air and water, waste
- 16 Disruption in surrounding area (noise, odor)
- 17 Use of chemical products

long-term goals are linked to the UN Sustainable Development Goals introduced by the UN in 2015. In this way, the Group is contributing to the 2030 Agenda for Sustainable Development. Nolato's sustainability work is reported in accordance with the Swedish Act on Sustainability Reporting by Large Companies, Global Reporting Initiative (GRI) guidelines, the Carbon Disclosure Project (CDP) and the UN Global Compact (Communication on Progress; COP). Nolato's units are certified to the international standards ISO 14001 (environment), ISO 9001 (quality management) and, where applicable, to industry-specific ISO standards.

We also work with health and safety and energy management standards. The ISO 26000 social responsibility standard provides guidance for our overarching sustainable development efforts.

Significant areas and stakeholders

The materiality analysis highlights the key issues for Nolato's stakeholders and the Group's business strategy. The analysis forms the basis of our priorities, targets and action plans with regard to sustainable development. Energy usage and carbon footprint have been assigned a somewhat higher priority compared with last year's analysis. Furthermore, investors and other financial providers have pushed sustainable development further up the agenda, which is clearly reflected in the materiality analysis. We are convinced that initiatives such as TCFD (page 24) and the EU taxonomy for sustainable investments (page 25) will lead to heightened requirements of Nolato from investors. Under the prioritized area 'Plastics in a life cycle perspective' there is the question of the use of plastics in society.

It is an issue that is of major concern for the Group's customers, and we are devoting an increasing amount of time and energy to developing products that contain bio-based and/or recycled raw materials.

Nolato interacts with a number of stakeholder groups (customers, employees, suppliers, shareholders, society), which brings requirements and expectations in relation to sustainable development. Our understanding of which stakeholders are significant – and what they consider to be important – is based on experience and long-standing commercial relationships, as well as events over the past financial year. Stakeholder engagement is carried out in multiple ways and includes performance reviews with employees, customer satisfaction surveys, analyst meetings and cooperation with customers, suppliers and contractors. An overview of stakeholder engagement can be found in the Sustainability Report.

Governance and monitoring

We manage sustainability issues in a methodical way and have integrated them into strategic planning and our day-to-day operations. We have set Group sustainable development targets (see pages 22–24) and they were updated in 2020. Operational responsibility for sustainable development is delegated to the Managing Director of each Group company. These activities are followed up through dialogue with the companies' management and through internal and external audits. Along with the Sustainability Report, we also carry out an in-depth analysis of compliance with legislation, target outcomes and performance and KPI development during the year. One representative on Nolato's Board has special responsibility for sustainability issues. Matters relating to strategy, risks, monitoring, sustainability reporting, sustainability issues associated with acquisitions and dialogues with investors are managed at Group level.

Environmental issues

The manufacture of products in polymer materials is associated with a number of significant environmental aspects. Some examples include the use of materials (plastics, silicone rubber, metals), chemicals (solvents and paints), energy and water. Emissions of greenhouse gases and solvents (VOC), along with the occurrence of various types of waste, are other key environmental issues. Indirect environmental aspects relating to products, packaging and transportation are also significant. In the Group, the ISO 14001 environmental management system is a valuable tool as part of efforts to systematically reduce our environmental impact.

All production units in Sweden apart from one are obliged to provide notifications pursuant to the Swedish Environmental Code. Most of the Group's units outside Sweden 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 the majority of the Group's net sales. Routine updates to the environmental permits will be carried out at two plants in 2021. We do not anticipate any significant legal or financial consequences as a result of the renewal of these environmental permits.

Environmental legislation in the form of EU directives (REACH, RoHS, CLP, WEEE, energy efficiency, sustainability reporting), or other national or international legislation, relate in the main to the Group's operations and products. About half of the units are covered by legislation concerning producer responsibility for packaging. In most cases, regular reports are submitted to the environmental authorities, and the supervisory authorities carry out inspections. No significant breaches of environmental legislation were registered in 2020.

Employees

The average number of employees at Nolato in 2020 was 6,721 (5,941). Of the total number of employees in the Group, 46% (47) were women. Local management teams are made up of approximately 25% (25) women. Of Nolato's Board members, 33% (30) are women, while the corresponding figure for Group management is 0% (0). All units are wholly owned by Nolato and comply fully with the guidelines in The Nolato Spirit. The practical work relating to personnel issues in the Group is decentralized. This means each individual Group company is responsible for managing issues in a way that complies with both Group guidelines and the legislation and culture of the country in question. All Nolato employees have the right to be represented by trade unions, and to collective agreements. In Sweden and China, the majority of employees are covered by collective agreements. At the units in other countries, there are no unions or collective agreements, and this reflects a normal situation in these countries.

In Beijing, China, where the Group has its largest workplace with around 44% (42) of its employees, an Employee Care Program was introduced and further developed in 2020. The program aims to ensure good conditions for employees in the workplace, and to offer training and stimulating leisure activities.

In order to quickly alert the company to breaches of the Code of Conduct or other serious irregularities, employees can sound the alarm regarding any irregularities without risk of reprisals or pressure (whistleblowing). Of the whistleblowing reports received in 2020 there were none that related to serious breaches of Nolato's Code of Conduct.

The total figure for the average number of employees includes staff in China who are employed through staffing agencies. This form of employment has mainly been chosen to make it easier for the business to recruit a workforce for various projects and consequently avoid creating its own large recruitment organization. In accordance with the Group's Code of Conduct, these employees are covered according to the same principles as Nolato's other employees in China with regard to the setting of wages, benefits, working hours, work environment, social responsibility, etc.

Zero tolerance on ethical issues

Nolato has zero tolerance of bribery, corruption and cartel formation. We therefore work continuously on managing and monitoring the methods used by the units within the Group to conduct business, based on Nolato's Basic Principles and Code of Conduct. We pay particular attention to ethical issues in our relationships with our partners. Standard business practice and corporate culture must be observed in each individual country, but if business practice does not comply with the Group's Code of Conduct we must refrain from doing business or take alternative actions. Managers and sales and marketing employees completed training on issues relating to corruption, cartel formation and sound business ethics. Using the Global Compact checklists, annual evaluations are carried out to examine what action is taken by Group companies to prevent corruption. No incidents relating to corruption or inadequate business ethics were recorded in 2020. The guidelines in Nolato's Code of Conduct also apply to suppliers and other business partners. Completed assessments revealed that our suppliers satisfied Nolato's requirements.

Operational risks

An important aspect of Nolato's strategic planning involves identifying potential risks in the organization, assessing their likelihood and any consequences and minimizing the negative impact that such risks could have on the Group. Financial risks are managed in accordance with a financial policy established annually by the Board of Directors. An analysis of potential

risks in Nolato's operations and how we manage these risks can be found on pages 53–55.

Management systems

Some 95% of Nolato's production units are certified in accordance with requirements in the ISO 9001 quality management system, while 80% of the units are certified to industry-specific ISO standards, for example with a focus on the automotive industry (IATF 16949), medical technology (ISO 13485), food industry (ISO 22000) and pharmaceutical packaging (ISO 15378).

For the environment and work environment, all companies, with the exception of the recently acquired production units, are certified according to the environmental management standard (ISO 14001), almost 30% according to the health and safety standard (ISO 45001), and roughly 5% according to the energy management standard (ISO 50001). The social responsibility standard (ISO 26000) provides a guideline for Nolato's sustainable development work.

Nolato shares

Nolato was registered on the Stockholm Stock Exchange OTC list in 1984. The company's B shares are now listed on Nasdaq Stockholm in the Large Cap segment, where they are included in the Industrials sector. The company's A shares are not listed.

The share capital totals SEK 134 million, divided among 26,744,208 shares. Of these, 2,759,400 are A shares and 23,984,808 are B shares. Each A share entitles the holder to ten votes, while a B share entitles the holder to one vote. All shares have equal rights to the assets and earnings of the company.

At the end of 2020, Nolato had 11,656 (11,592) shareholders. The largest shareholders are the Jorlén family and the Boström family with 9% each, the Hamrin family and Capital Group with 8% each, and Lannebo Funds with 7% of capital.

Nolato does not own any of its own shares. There are no restrictions as a result of legal provisions or the company's Articles of Association that affect the transferability of the shares.

Nolato's management were offered the opportunity to acquire warrants on market-based terms for the purchase of shares at a predetermined price.

At the end of the period, the Group had two incentive programs: Incentive Program 2016/2021 and Incentive Program 2019/2024.

In Incentive Program 2016/2021, Series 2018/2021 has redemptions from May 1, 2021, to December 15, 2021. The subscription price for Series 2018/2021 is SEK 502.00. In incentive program 2019/2024, Series 2020/2023 has been exercised with redemptions from May 1, 2023, to December 15, 2023. The subscription price for Series 2020/2023 is SEK 928.80. The programs have been taken into account in calculating the number of shares after dilution. Upon full subscription of remaining warrants, the programs provide a maximum of 488,250 new B shares. Further information about Nolato's shares can be found on pages 40–41. Up-to-date information about the share price and shareholders is always available at www.nolato.com.

Corporate governance

Basic information about the company's governance, Board of Directors and management can be found on pages 42–46. Nolato's formal corporate governance report is available at www.nolato.com/corpgov.

Remuneration guidelines

The guidelines for the remuneration of senior executives agreed on at the latest annual general meeting are summarized in Note 27 on pages 80–81. This note also explains what happens if these executives resign or are dismissed by the company. The guidelines can be read in full on Nolato's website, www.nolato.com/corpgov. These guidelines are also essentially the same as the Board's proposals for guidelines for the remuneration of senior executives proposed to the 2021 annual general meeting.

Parent Company

The Parent Company Nolato AB, which has no operating activities, is a holding company which carries out joint Group management functions and financial and accounting functions.

Sales totaled SEK 69 million (60). Profit after financial income and expense was SEK 508 million (396).

Proposed appropriation of profits

The profit at the disposal of the annual general meeting is as follows (SEKm):

Retained earnings	1,411
Profit for the year	635
Total	2,046

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

Dividend to shareholders of SEK 16.00 per share	428
To be carried forward	1,618
Total	2,046

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

Future performance

Nolato's financial position remains very strong, providing flexibility and opportunities to act, while enabling our customers to feel secure in their choice of Nolato as supplier.

Nolato has an excellent platform for its future operations through a high level of technological expertise and professionalism, modern production units, a clear focus on sustainability and a customer-specific geographic presence in Europe, Asia and North America, as well as a strong financial position. For Medical Solutions, we see opportunities for sustained growth by investing in new projects and customer relationships. For Integrated Solutions, we will carry on extending our offering into related products with our integrated solutions. Industrial Solutions will continue expanding into new markets and growing through acquisitions.

We are continuing to explore acquisition opportunities, primarily within Medical Solutions, but also bolt-on acquisitions on the technology side to enable us to expand our customer offering.

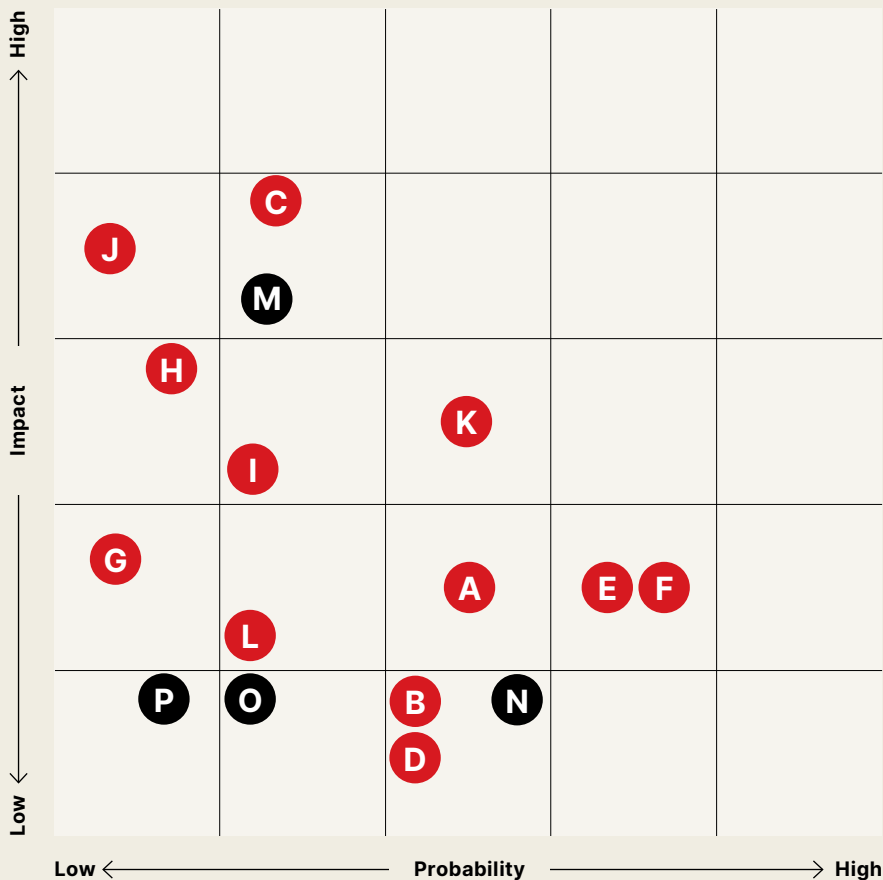
However, Nolato does not provide any earnings forecast because as a supplier, the company conducts operations that are highly dependent on its customers' internal decisions and commercial performance. Factors among customers that we cannot influence in the short term, such as postponed or cancelled projects, higher or lower sales volumes and longer or shorter product lifespan, are thus of great significance to Nolato's sales and profit.

The positions we have on the market and the investments we have implemented within each business area should enable us to continue to develop Nolato irrespective of economic fluctuations. We will continue to grow by working even more closely with our customers to ensure we satisfy their demands and requirements.

Potential risks in the organization

An important aspect of Nolato's strategic planning is identifying potential risks in the organization, assessing their likelihood and any consequences and minimizing the negative impact that such risks could have on the Group. Financial risks are managed in accordance with a financial policy established annually by the Board of Directors.

The chart below shows our assessment of the probability of a risk occurring and – if it did – the anticipated impact on Nolato's operations and earnings.



The aim of Nolato's risk management

- > To manage the risks in the Group's operations while enabling good business opportunities to be strengthened.
- > To create a high level of risk awareness throughout the entire organization, from operational functions at company level to Group management and the Board.
- > To support Nolato's Board and Group management in risk assessments.
- > To create, by means of an open and reliable information flow, a basis for the constant evaluation of risks and opportunities.
- > To contribute to continuous improvement at all levels through regular evaluation and monitoring of risks.

Operational risks

- A** Business cycle risk
- B** Subcontractor risk
- C** Customer dependence
- D** Supplier dependence
- E** Raw material price risk
- F** Energy cost risk
- G** Production risks
- H** Property damage and disruptions
- I** Legal risks
- J** Product liability risk
- K** Sustainable development risks
- L** Pandemic

Financial risks

- M** Customer credit risk
- N** Foreign exchange risk
- O** Interest rate risk
- P** Financing and liquidity risk

Operational risks	Risk exposure	Risk management
<p>A Business cycle risk The risk that an economic downturn could have a significant impact on Nolato's performance and earnings.</p>	<p>Medical Solutions and Integrated Solutions' operations have a fairly low sensitivity to economic and business cycle fluctuations, while Industrial Solutions' business generally follows the Northern European industrial business cycle.</p>	<p>Active monitoring of markets and efficient decision-making hierarchy enable quick decisions to be taken to adapt resources at an early stage ahead of an anticipated economic downturn.</p>
<p>B Subcontractor risk The risk that changes at customers could have a significant negative impact on Nolato's performance and earnings.</p>	<p>As a subcontractor, Nolato is highly dependent on customers' internal decisions and commercial performance. Factors among customers that we cannot influence include postponed or cancelled projects, higher or lower sales volumes and longer or shorter product lifespans.</p>	<p>By means of active and close contact with customers we endeavor to identify changes at an early stage and adapt our resources. Within mobile phone operations, which are characterized by rapid changes in project life cycles and volumes, all production takes place in Asia. This provides significant flexibility and good opportunities to manage this risk in a cost-effective way.</p>
<p>C Customer dependence The risk that changes at individual customers could have a significant negative impact on Nolato's performance and earnings.</p>	<p>Dependence on individual customers is lowest in Industrial Solutions, whose market is made up of a large number of customers. Medical Solutions also has good risk diversification across a large number of customers, while Integrated Solutions has fewer customers. One VHP customer accounts for roughly two-thirds of the business area's sales.</p>	<p>We are endeavoring to broaden our customer base and offering within Integrated Solutions.</p>
<p>D Supplier dependence The risk of a supplier being unable to deliver to Nolato on time or at the right quality.</p>	<p>If a significant, strategic supplier does not fulfil its undertakings we could face problems supplying on time and at the right quality to our customers.</p>	<p>For input goods and machinery, this risk is limited by the fact that there are a number of alternative suppliers. In terms of components for system products, the choice of supplier is usually made in consultation with Nolato's customer.</p>
<p>E Raw material price risk The risk of an important raw material increasing in price and having a significant negative effect on various projects. In Nolato, this mainly applies to various plastic raw materials.</p>	<p>Quantities of plastic raw material in our production vary from business area to business area. For Integrated Solutions, which also has other input materials, the plastic raw material only accounts for around 5–10% of the selling price, while the corresponding figure is around 20–25% for Medical Solutions and 25–30% for Industrial Solutions.</p>	<p>We endeavor to include price adjustment clauses in supply agreements that cover an extended period of time. Product lifespan within Integrated Solutions is short, which limits the risk in this business area.</p>
<p>F Energy cost risk The risk of the cost of energy rising and having a significant negative impact on profitability. Within Nolato this mainly applies to the purchase of electricity.</p>	<p>Nolato primarily uses electrical energy in production. The energy cost in 2020 totaled SEK 142 million, 93% of which was for electricity. This does not include the cost for the newly acquired GW Plastics.</p>	<p>The risk of negative effects from rising electricity prices is addressed by the Group entering into fixed price agreements for 20–80% of electricity requirements for the next four to 12 quarters.</p>
<p>G Production risks The risk of significant supply delays and/or quality issues.</p>	<p>As a subcontractor, the products and components that we manufacture are supplied in accordance with customer specifications and quality requirements. Disruptions can mainly occur during the start-up of a project, but also during ongoing production.</p>	<p>In order to counteract disruptions, the Group follows an advanced concept involving competent staff, quality assurance systems, vision monitoring systems and checklists. All production units apart from one are certified in accordance with ISO 9001. Most are also certified in accordance with industry-specific standards such as ISO/TS 16949 (automotive) and ISO 13485 (medical technology).</p>
<p>H Property damage and disruptions The risk of a negative impact on earnings and customer confidence as a result of a fire, explosion, natural disaster, damage to machinery, etc.</p>	<p>Major property damage to a building or production equipment can lead to production losses that could impact the Group's profit. Our base technologies are in place at most of the Group's production units, making it possible to relocate production from one affected unit to another unit in the event of disruptions and consequently mitigate the effects of the damage.</p>	<p>All units must follow Nolato's risk management manual to achieve the specified level of risk and thereby reduce the risk of significant damage and create strong security of supply. The risk manual also provides guidelines for the Group's property insurance. External risk engineers inspect the production units based on a rolling schedule to verify that risks are being managed in line with the manual.</p>
<p>I Legal risks The risk of significant disputes with different external stakeholders.</p>	<p>Legal risks can primarily arise in connection with the supply of products. This may concern issues relating to quality or liability and intellectual property rights.</p>	<p>To prevent disputes Nolato works with external lawyers and consultants on legal issues, for example on agreements with customers and suppliers. The Group also has internal policies and regulations relating to which agreements senior executives are authorized to enter into.</p>
<p>J Product liability risk The risk of faults in a product manufactured by Nolato leading to significant financial claims on the Group.</p>	<p>Design liability for products and components usually lies with customers. Nolato's risk is therefore usually limited solely to manufacturing faults.</p>	<p>The Group follows an advanced concept involving competent staff, quality assurance systems and checklists. In many cases, in-line monitoring takes place using automated vision systems. All production units apart from one are certified in accordance with ISO 9001. Most are also certified in accordance with industry-specific standards such as ISO/TS 16949 (automotive) and ISO 13485 (medical technology).</p>
<p>K Sustainable development risks The risk of significant environmental damage, which could lead to costs or have a negative impact on Nolato's reputation.</p>	<p>Nolato's operations do not involve any significant environmental impact through a risk of emissions to air, water and land. There are no known pollutants of land and groundwater at Nolato's plants. Hazardous substances (asbestos) are present in buildings and equipment to a very limited extent at a couple of plants. The risk to people and the environment is deemed to be very small.</p>	<p>The production units have the necessary environmental permits and fulfil the requirements of other relevant environmental legislation. Most production units are certified in accordance with ISO 14001. Regular risk assessments are carried out to identify new environmentally related risks and/or costs. Regular assessments are carried out of the risk of ground contamination and other environmental damage in connection with company acquisitions.</p>

Operational risks	Risk exposure	Risk management
<p>The risk of climate change affecting the Group's operations.</p>	<p>None of the Group's units are exposed to extreme weather conditions or flooding. The units in Beijing are located in an area with limited access to water.</p>	<p>The Group is proactive about cutting greenhouse gas emissions from production plants and products. Scenario analyses have been initiated into how Nolato is impacted by physical climate change, political decisions and legislation. Nolato has begun applying TCFD guidelines in relation to these issues (page 24). Climate-related risks are taken into account when carrying out acquisitions and supplier assessments.</p>
<p>The risk of lost business due to customers' interest in greater use of bio-based and recycled polymer raw materials not being satisfied. The risk of lost business through society being more cautious about plastic products.</p>	<p>Nolato makes polymer products that are primarily based on fossil raw materials. The use of fossil raw materials contributes to climate change. Our range includes products with both long and short lifespans. There is a risk of products with short lifespans ending up littering the environment.</p>	<p>Our range also includes a number of products that have an environmental benefit, for example through reduced weight and lower content of fossil raw materials. The Group is stepping up its efforts within environmentally sustainable product development to reduce the risk of losing business, and to contribute to sustainable development.</p>
<p>The risk of the Group's costs increasing significantly or of negative publicity owing to events relating to employees, respect for human rights, business ethics or other areas related to social responsibility.</p>	<p>Nolato has large units in Sweden, Hungary, the UK, Switzerland, the US and China. The majority of our employees operate outside Sweden. Operations in Asia bring a heightened risk in areas such as working conditions and business ethics (corruption). There is always a risk of failure to apply sound business principles, irrespective of where operations are pursued. The materiality analysis therefore gives business ethics a very high priority.</p>	<p>All major units are wholly owned by Nolato, which facilitates the Group's management of sustainable development. Nolato has a significant focus on all units creating good working conditions for employees.</p> <p>Nolato has zero tolerance of bribery, corruption and cartel formation. Nolato's core values and Code of Conduct are continually communicated to staff. Whistleblowing is applied within the Group. Suppliers are regularly assessed via audits and questionnaires.</p>
<p>L Pandemic The spread of Covid-19 or other global pandemics can have a negative impact on the development of the company's business, position and earnings.</p>	<p>Nolato has operations on three continents and a global pandemic can affect customer behavior and their ability to purchase the Group's products. Furthermore, national regulatory measures such as lockdowns can impact Nolato's production capacity. The same applies to suppliers of goods and services, and customers. However, a global pandemic can increase demand for certain products within Nolato Medical, such as medical diagnostics products.</p>	<p>Nolato's responsibility as an employer is to help reduce the spread of infection and quickly adjust operations to national recommendations and rules that are put in place. Our fundamental approach is to conduct operations in a safe way, primarily via precautionary measures and adapted working procedures. This approach has evolved during 2020 based on our experiences, and has proved effective. In addition to internal work, Nolato can work with suppliers and customers to ensure we are prepared for a future global pandemic.</p>
Financial risks*	Risk exposure	Risk management
<p>M Customer credit risk The risk of a major customer becoming insolvent and being unable to pay for orders made.</p>	<p>In terms of customers within Industrial Solutions and Medical Solutions, this risk is mitigated by sales taking place in a large number of countries to a large number of customers, which diversifies the risk. Integrated Solutions has fewer customers. If any of the Group's major customers were to suffer financial difficulties, the Group could sustain significant bad debt losses.</p> <p>The Group's maximum exposure of accounts receivable amounted to SEK 1,254 million at year-end (all receivables from all customers).</p>	<p>The Group's revenues are mostly derived from medium-sized and large global customer groups, which reduces the risk of credit losses but does not eliminate them. Nolato continually monitors the development of overdue receivables and the financial position of large customers.</p>
<p>N Foreign exchange risk The risk that fluctuations between different currencies will have a significant negative impact on Nolato's performance and earnings. This risk consists of transaction exposure, which derives from buying and selling in different currencies, and translation exposure, which derives from the translation of foreign subsidiaries' assets, liabilities and earnings to Swedish kronor.</p>	<p>Estimated net flows in foreign currency amounted to SEK 249 million at year-end, 47% of which was hedged. This means that SEK 131 million of estimated net flows were unhedged and a change in the value of the Swedish krona of ±5% would have an impact of ±SEK 6 million on Group profit.</p> <p>The Group has SEK 1,917 million in foreign net assets, mainly in China, Hungary and the US. A 5% appreciation in the Swedish krona would have an impact of SEK 96 million on the net assets in the Group.</p>	<p>Nolato carries out short-term currency hedging for part of the Group's estimated net exposure in foreign currencies in order to even out fluctuations in earnings. See tables in Note 30 on pages 83–84.</p>
<p>O Interest rate risk The risk that the Group's net interest expense will significantly increase in the event of changes to market interest rates.</p>	<p>At year-end, interest-bearing liabilities amounted to SEK 2,417 million. An increase in the interest rate of one percentage point would result in an increase of SEK 24 million in annual interest expense.</p> <p>At year-end, the Group's financial net liabilities amounted to SEK 930 million, including pension and lease liabilities.</p>	<p>In order to limit interest rate risk, the portion of those interest-bearing liabilities exceeding SEK 400 million must have a fixed interest term maturity structure as follows: Loans with a maturity of up to one year should account for 35–65%. Loans with a maturity of over one year should account for 35–65%.</p>
<p>P Financing and liquidity risk The risk of the Group having problems accessing capital.</p>	<p>Total credit lines granted in the Group amount to SEK 3,295 million (1,260). Of this amount, SEK 409 million matures on August 6, 2021, SEK 509 million on September 27, 2021, SEK 600 million on April 24, 2022, SEK 900 million on August 6, 2023, and SEK 614 million on August 6, 2025. Other credit commitments of SEK 263 million (133) mature between 2021 and 2023.</p>	<p>In order to maintain financial flexibility and meet the Group's capital requirements, loan facilities are continually agreed.</p>

* Financial risk management is described in detail in Note 30 on pages 83–86.

Consolidated income statement

SEKm	Note	2020	2019
Net sales	3, 4	9,359	7,919
Cost of goods sold	5, 6	- 7,853	- 6,671
Gross profit		1,506	1,248
Selling expenses	6	- 138	- 126
Administrative expenses	6	- 293	- 231
Other operating income and operating expenses, net	7	- 27	- 4
		- 458	- 361
Operating profit		1,048	887
Financial income	8	20	16
Financial expenses	8	- 54	- 46
		- 34	- 30
Profit after financial income and expenses		1,014	857
Tax	9	- 208	- 154
Profit for the year attributable to Parent Company shareholders		806	703
Basic earnings per share, (SEK)	10	30.27	26.60

Consolidated comprehensive income

SEKm	2020	2019
Profit for the year attributable to Parent Company shareholders	806	703
Other comprehensive income		
Items that cannot be transferred to profit for the period		
Revaluations of defined benefit pension schemes	- 26	- 66
Tax attributable to items that cannot be reversed to profit for the period	4	11
	- 22	- 55
Items transferred or that could be transferred to profit for the period		
Translation differences for the year on translation of foreign operations	- 139	21
Changes in the fair value of cash flow hedges for the year	- 11	2
Tax attributable to changes in the fair value of cash flow hedges	2	—
	- 148	23
Total other comprehensive income, net	- 170	- 32
Comprehensive income for the year attributable to Parent Company shareholders	636	671

Comments on the consolidated income statement

Net sales

Consolidated sales totaled SEK 9,359 million (7,919). Adjusted for currency and acquisitions, this was a strong 12% increase.

Medical Solutions sales totaled SEK 3,089 million (2,484); adjusted for currency and acquisitions, sales grew by 7%. Production volumes grew strongly, particularly in areas that have seen increased demand as a result of the pandemic such as diagnostics, while the surgery segment was negatively affected in the fourth quarter because of postponed operations, particularly in the US business.

Integrated Solutions sales increased sharply to SEK 4,068 million (3,292), driven mainly by increased volumes in Vaporiser Heating Products (VHP). Adjusted for currency and acquisitions, sales rose by an exceptional 23%. EMC sales were solid, while volumes for mobile phones remained weak.

Industrial Solutions sales totaled SEK 2,205 million (2,159); adjusted for currency and acquisitions, sales decreased by 1%. The hygiene area, which saw low volumes in the first half of 2019, has returned to normal levels. Demand for certain products in this area was high in the second half of the year, partly as a result of the ongoing pandemic. Demand from automotive-sector customers was significantly impacted by the halt of operations for parts of the second quarter. Production resumed in the second half of May at low volumes, and has gradually increased since.

Gross profit

Gross profit totaled SEK 1,506 million (1,248). The cost of goods sold consists of production costs for materials and manufacturing salaries, as well as other production expenses. The gross margin was 16.1% (15.8). Total depreciation/amortization increased and amounted to SEK 408 million (376). This consisted mainly of depreciation of non-current assets in production, which is included in the cost of goods sold in the income statement at SEK 387 million (366). Other depreciation/amortization primarily relates to amortization of intangible assets arising in connection with acquisitions. The increase in depreciation is due to the investments made by the Group over the past few years to expand production capacity, with higher investments than depreciation. The acquisition of US-based GW Plastics, which is consolidated as of September 1, has also resulted in increased

amortization of customer relationships of SEK 10 million.

Other operating income and operating expenses, net

The net amount was a cost of SEK 27 million in 2020 compared with a cost of SEK 4 million for 2019. Negative currency effects of SEK 29 million (3), together with acquisition expenses of SEK 27 million (3), were partly offset by state subsidies received in China of SEK 23 million (2).

Operating profit

Operating profit totaled SEK 1,048 million (887). Excluding non-recurring items, profit increased to SEK 1,079 million (909). Growth within Medical Solutions and Integrated Solutions has been the main contributor to increased operating profit. SEK 14 million was expensed in the first quarter as a non-recurring item for the closure of one of UK-based business unit Nolato Jaycare's production plants (SEK 22 million was expensed in the fourth quarter of 2019). In August Nolato announced that it had acquired US-based GW Plastics Inc. and a non-recurring item of SEK 17 million in acquisition costs was expensed in the third quarter in connection with the acquisition. These non-recurring items were recognized at Group level and have consequently not affected the profit of the business areas.

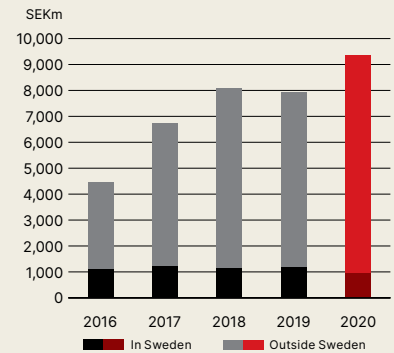
Net financial income/expense

Net financial income/expenses amounted to SEK -34 million in 2020 (-30). The higher net cost is mainly attributable to foreign exchange effects of SEK -16 million (-11).

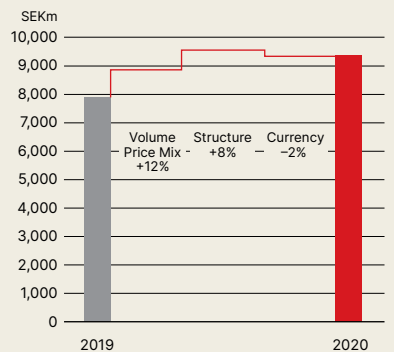
Profit after tax

Profit after tax totaled SEK 806 million (703), and diluted earnings per share rose to SEK 30.24 (26.60). Excluding non-recurring items, diluted earnings per share were SEK 31.17 (27.20). The effective tax rate was 20.5% (18.0).

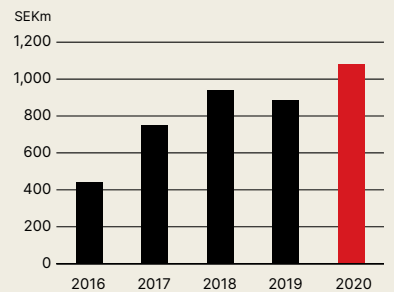
Sales



Change in sales



Operating profit (EBIT)



Consolidated balance sheet

SEKm	Note	2020	2019
Assets			
Non-current assets			
Non-current intangible assets	11	2,093	852
Property, plant and equipment	12	2,049	1,565
Rights of use	13	353	274
Non-current financial assets	14	2	2
Other non-current receivables		1	1
Deferred tax assets	9	50	58
Total non-current assets		4,548	2,752
Current assets			
Inventories	15	1,110	667
Accounts receivable	14	1,254	1,051
Current tax assets		32	47
Other current assets	16	226	250
Other current financial assets	14	27	5
Cash and cash equivalents	14	1,487	1,362
Total current assets		4,136	3,382
Total assets		8,684	6,134
Shareholders' equity and liabilities			
Equity attributable to Parent Company shareholders			
Share capital		134	133
Other capital contributed		392	298
Other reserves	18	11	159
Retained earnings, (incl. profit for the year)		3,162	2,376
Total shareholders' equity		3,699	2,966
Non-current liabilities			
Provisions for pensions and similar obligations	20	274	246
Non-current financial liabilities	13, 19	1,217	834
Deferred tax liabilities	9	223	110
Other provisions	21	93	99
Total non-current liabilities		1,807	1,289
Current liabilities			
Accounts payable	19	930	839
Current tax liabilities		42	31
Other current financial liabilities	13, 19	944	140
Other current liabilities	22	1,262	869
Total current liabilities		3,178	1,879
Total liabilities		4,985	3,168
Total liabilities and shareholders' equity		8,684	6,134

Comments on the consolidated balance sheet

Assets

Non-current assets increased, as the Group acquired GW Plastics Inc. on September 1, 2020. Non-current intangible assets increased as a result of the acquisition by SEK 1,286 million, and property, plant and equipment by SEK 539 million. Net investments in property, plant and equipment amounted to SEK 375 million excluding acquired property, plant and equipment (286). Total depreciation/amortization increased and amounted to SEK 407 million (376). The increase in depreciation is due to the investments made by the Group over the past few years to expand production capacity, with higher investments than depreciation and the acquisition of GW Plastics.

Current assets increased by SEK 754 million. The acquisition of GW Plastics in the US contributed SEK 775 million. The balance sheet item 'Inventories' increased by SEK 443 million, while accounts receivable saw a rise of SEK 203 million, both including acquisitions. The increase in inventories and accounts receivable was largely an effect of the acquisition. Cash and cash equivalents increased by SEK 125 million via the positive cash flow and amounted to SEK 1,487 million (1,362).

Shareholders' equity

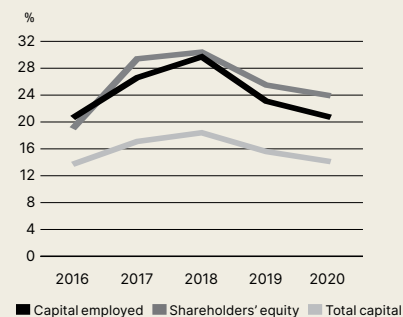
Shareholders' equity increased as a result of comprehensive income for 2020 of SEK 636 million, which consists of profit after tax and currency effects from translation differences

and the revaluation of defined benefit pension schemes, as well as warrants in the incentive program of SEK 97 million. Nolato's 2020 AGM resolved that no dividend should be issued due to the pandemic. Consequently no dividend has been paid. The previous year, SEK 368 million was paid out to shareholders. The return on shareholders' equity was 23.9% (25.5) and the decline was due to higher average equity for the past five quarters.

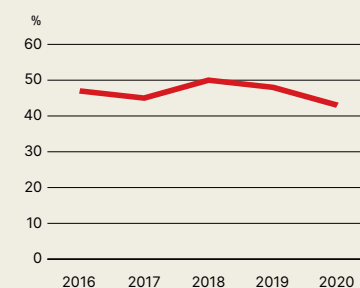
Liabilities

Non-interest-bearing liabilities and provisions increased, amounting to SEK 2,568 million (1,949); the increase is mainly due to the acquisition of GW Plastics. The average total working capital requirement in relation to sales was 3.6% (3.2). The return on capital employed amounted to 20.7% (23.1) and the lower return is due to higher average capital employed. Interest-bearing liabilities and provisions increased, totaling SEK 2,417 million (1,219), mainly including new borrowing to finance the acquisition in the amount of SEK 860 million, and an additional financial liability for estimated contingent consideration from the acquisition of SEK 256 million. Interest-bearing assets amounted to SEK 1,487 million (1,362), and accordingly, net financial debt totaled SEK 930 million (net assets: 143), including pension and lease liabilities. Nolato has increased its long-term credit agreements, which amount to just over SEK 2 billion. Short-term financial credit facilities of just over SEK 1 billion are also available.

Return



Equity/assets ratio



Changes in consolidated shareholders' equity

SEKm	Attributable to Parent Company shareholders					
	Share capital	Other capital contributed	Hedging reserves	Translation reserves	Retained earnings	Total shareholders' equity
Opening balance, January 1, 2019	132	228	-1	137	2,096	2,592
Profit for the year	—	—	—	—	703	703
Other comprehensive income for the year	—	—	2	21	-55	-32
Comprehensive income for the year	—	—	2	21	648	671
Warrants exercised in incentive program	1	70	—	—	—	71
Dividend for 2018	—	—	—	—	-368	-368
Closing balance, December 31, 2019	133	298	1	158	2,376	2,966
Opening balance, January 1, 2020	133	298	1	158	2,376	2,966
Profit for the year	—	—	—	—	806	806
Other comprehensive income for the year	—	—	-9	-139	-22	-170
Comprehensive income for the year	—	—	-9	-139	784	636
Warrants exercised in incentive program	1	94	—	—	—	95
Warrants included in incentive program	—	—	—	—	2	2
Closing balance, December 31, 2020	134	392	-8	19	3,162	3,699

Consolidated cash flow statement

SEKm	Note	2020	2019
	25		
Operating activities			
Operating profit		1,048	887
<i>Adjustments for items not included in cash flow:</i>			
Depreciation/amortization and impairment		408	376
Provisions		7	7
Capital gain from sale of property, plant and equipment		- 5	—
Unrealized exchange rate differences		- 292	- 21
Other items		17	5
Pension payments		- 5	- 5
Interest received		20	16
Interest paid		- 36	- 35
Realized exchange rate differences		18	- 22
Income tax paid		- 123	- 203
Cash flow from operating activities before changes in working capital		1,057	1,005
Cash flow from changes in working capital			
Changes in inventories		- 41	- 75
Changes in accounts receivable		- 12	- 71
Changes in accounts payable		- 6	306
Other changes in working capital		166	- 5
		107	155
Cash flow from operating activities		1,164	1,160
Investing activities			
Acquisition of non-current intangible assets		- 5	- 5
Acquisition of property, plant and equipment		- 368	- 355
Business combinations, excluding cash and cash equivalents		- 1,348	- 93
Sale of property, plant and equipment		26	—
Cash flow from investing activities		- 1,695	- 453
Cash flow before financing activities		- 531	707
Financing activities			
Borrowings	25	860	89
Repayment of loans	25	- 227	- 107
Warrants paid for in incentive program		2	—
Warrants exercised in incentive program		95	71
Dividend paid		—	- 368
Cash flow from financing activities		730	- 315
Cash flow for the year		199	392
Cash and cash equivalents, opening balance		1,362	953
Exchange rate difference in cash and cash equivalents		- 74	17
Cash and cash equivalents, closing balance		1,487	1,362

Comments on the consolidated cash flow statement

Cash flow from operating activities

Cash flow before investments amounted to SEK 1,164 million (1,160). Changes in working capital had a positive impact of SEK 107 million (155) on cash flow.

Cash flow from investing activities

Net investments affecting cash flow totaled SEK 347 million excluding acquisitions (360). Investments in property, plant and equipment largely comprised machinery and equipment as well as construction in progress, but also to a lesser extent investments in buildings and land in connection with new construction and extensions to factories. Net investments affecting cash flow excluding acquisitions are allocated between the Group's business areas as SEK 226 million (183) for Medical Solutions, SEK 21 million (20) for Integrated Solutions and SEK 100 million (159) for Industrial Solutions. For Medical Solutions, investments chiefly consisted of additional machinery capacity, primarily for new customer projects to facilitate growth. Integrated Solutions investments consisted mainly of technology initiatives, expansion of EMC production and investments in the replacement of machinery in China. Industrial Solutions made investments in additional machinery capacity for new projects.

Investments (net)	2020	2019
Non-current intangible assets	5	5
Buildings and land	19	11
Machinery and equipment	161	118
Construction in progress	162	226
Total investments	347	360

Affecting cash flow, excluding acquisitions and disposals.

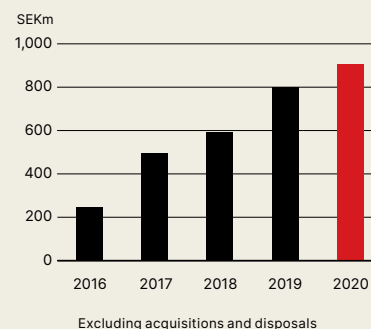
Cash flow after investing activities

Cash flow after investments was SEK 905 million excluding acquisitions of businesses (800). The change in cash flow was due to the strong earnings, reduced tied-up working capital and slightly lower investments (excluding acquisitions). Including acquisitions of businesses, cash flow amounted to SEK -531 million (707).

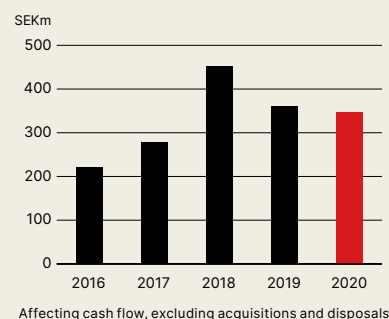
Cash flow from financing activities

Financing activities describe the Group's financing and dividends to shareholders, and totaled a net amount of SEK 730 million (-315). This consists of net raised borrowings of SEK 633 million (-18 net amortization), dividends paid totaling SEK 0 million (-368) and warrants under the incentive program of SEK 97 million (71).

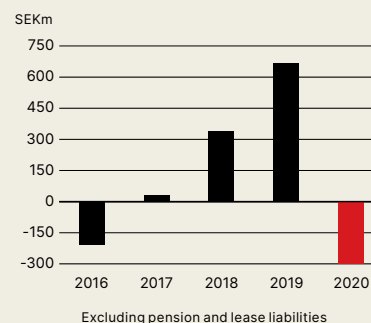
Cash flow after investments



Investments



Net financial liabilities (-)/net financial assets (+)



Notes to the consolidated financial statements

Note 1 General information

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

The Parent Company Nolato AB, company registration number 556080-4592, is a limited company with its registered office in Båstad municipality, Sweden. The company's head office address is Nolato AB, Nolatovägen 32, 269 78 Torekov, Sweden.

Nolato's B shares are listed on Nasdaq Stockholm Exchange in the Large Cap segment, where they are included in the Industrials sector.

Note 2 Accounting and valuation policies

Compliance with standards and laws

The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the EU, and interpretations from the International Financial Reporting Interpretations Committee (IFRIC). The Swedish Financial Accounting Standards Council's recommendation RFR 1 Supplementary Rules for Consolidated Financial Statements has also been applied.

The Parent Company applies the same accounting policies as the Group, except in those cases specified in the section 'Parent Company's accounting policies'.

Significant accounting policies applied

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

In order to make the text clearer and easier to read, accounting policies and estimates and judgements have been moved to the beginning of each note. Any accounting policies that do not relate to a specific note can be found in this note.

New IFRS standards and interpretations that have not yet been applied

IASB and the IFRS Interpretations Committee have issued new standards and statements that apply to financial years starting January 1, 2021, or later. There are no plans for the early application of new or amended standards for future application.

None of the standards or interpretations published by IASB are expected to have a material impact on the Group or Parent Company's financial statements.

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 cost, except for certain financial assets and liabilities, which are measured at fair value. In Nolato, these consist of currency derivatives measured at fair value. Non-current assets and non-current liabilities consist in all significant respects only of amounts which are expected to be recovered or paid after more than 12 months from the balance sheet date. Current assets and current liabilities consist in all significant respects only of amounts which are expected to be recovered or paid within 12 months of the balance sheet date. Offsetting of receivables and liabilities and of income and expenses is done only if this is required or expressly permitted.

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

Consolidation principles

Subsidiaries are companies in which Nolato AB has a controlling interest. A controlling interest exists if Nolato AB has influence over the investment object, is exposed or entitled to variable return from its exposure and can use its interest in the investment to influence the return. When determining whether a controlling interest exists, account is taken of potential voting shares and whether or not there is de facto control.

For all of the Group's subsidiaries, control exists via 100% ownership.

The consolidated financial statements have been prepared in accordance with IFRS 3 Business Combinations and by applying the acquisition method. This method means that shareholders' equity in the Group includes shareholders' equity in the Parent Company and the portion of shareholders' equity in subsidiaries that has accumulated since the acquisition. The difference between the acquisition cost of shares in a subsidiary and that company's shareholders' equity at the time of acquisition, adjusted in accordance with consolidated accounting policies, has been allocated among the assets and liabilities measured at fair value that were taken over on acquisition. Transaction costs on acquisitions are recognized under profit for the year in accordance with IFRS 3 for the Group. Amounts that cannot be allocated are reported as goodwill. Intra-group transactions and balance sheet items and unrealized gains/losses on transactions between Group companies are eliminated. The accounting policies for subsidiaries have been changed, where applicable, to ensure the consistent application of consolidated accounting policies.

Translation of foreign currencies

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

Transactions in foreign currencies are translated into the functional currency at the rate in effect on the transaction date. Exchange rate gains and losses arising from the payment of such transactions and from the revaluation of monetary assets and liabilities denominated in foreign currencies at the rate on the balance sheet date are recognized in profit for the year.

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

- assets and liabilities are translated at the rate on the balance sheet date;
- income and expenses are translated at the average rate of exchange for the financial year;
- exchange rate differences arising in the translation of foreign operations are recognized as translation differences for the year under 'Other comprehensive income'.

Note 3 Operating segments

Accounting policies

Each operating segment is defined as business activities from which income can be generated or expenses incurred, whose operating earnings are regularly monitored by the Group's Chief Operating Decision Maker (CODM) and for which separate financial information is available. In Nolato's case, CODM is defined as Group management, which determines how resources are to be allocated between the different segments and that also makes regular assessments of earnings. The Group's internal reporting covers three segments: Medical Solutions, Integrated Solutions and Industrial Solutions.

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

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

The assets in each business area consist of all operating assets used by the operating segment, primarily non-current intangible assets arising through business

combinations, property, plant and equipment, inventories and accounts receivable. Liabilities assigned to operating segments include all operating liabilities, mainly accounts payable and accrued expenses.

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

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

The segments' investments in non-current assets include all investments other than investments in expendable equipment and low-value equipment. All segments are established in accordance with Group accounting policies.

Information on operating segments

Medical Solutions develops and manufactures complex product systems and components for medical devices, the pharmaceutical industry and diagnostics. The market consists of large, global customers, featuring demanding development work, long product lifespans and stringent requirements in terms of quality, traceability and safety. Medical Solutions enjoys a solid global position on the three continents of Europe, North America and Asia. Development and production take place in Sweden, Hungary, the US, the UK, Switzerland, Poland, Ireland, Mexico and China. A more detailed presentation of the business area can be found on pages 28–31.

Integrated Solutions business is divided into two sectors: consumer electronics and EMC & Thermal. Consumer electronics comprises selected electronics products where Nolato designs, develops and produces advanced components, subsystems and ready-packaged products. EMC & Thermal develops techniques and materials for shielding of electronics to achieve electromagnetic compatibility and heat dissipation of electronics. The market consists of a few large, global companies with high technological demands, extremely short development times and quick production start-ups. Integrated Solutions enjoys a strong position with selected customers. Development and production are conducted in China, Malaysia, Hungary, the US and Sweden. A more detailed presentation of the business area can be found on pages 32–35.

Industrial Solutions develops and manufactures components and product systems for customers in the automotive industry, hygiene, packaging, gardening/forestry, domestic appliances, furniture and other selected industrial segments. The market is fragmented and diversified, with a large number of customers and a large number of suppliers. Industrial Solutions has a strong position in the Nordic region and parts of Central Europe. Development and production are carried out in Sweden, Hungary, Romania, Switzerland, Mexico and the US. A more detailed presentation of the business area can be found on pages 36–39.

	Medical Solutions		Integrated Solutions		Industrial Solutions		Group adjustment, Parent Company		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
External sales	3,089	2,483	4,065	3,277	2,205	2,159	—	—	9,359	7,919
Internal sales	—	1	3	15	—	—	-3	-16	—	—
Net sales	3,089	2,484	4,068	3,292	2,205	2,159	-3	-16	9,359	7,919
Profit										
Operating profit (EBITA)	402	320	548	427	168	181	-52	-33	1,066	895
Amort. of intang. assets arising from acq.	-11	-3	-2	—	-5	-5	—	—	-18	-8
Operating profit	391	317	546	427	163	176	-52	-33	1,048	887
Financial income									20	16
Financial expenses									-54	-46
Tax expenses for the year									-208	-154
Profit for the year									806	703
Receivables and liabilities										
Segments' assets	4,576	2,256	1,238	1,270	1,881	1,730	-565	-558	7,130	4,698
Unallocated assets									1,554	1,436
Total assets	4,576	2,256	1,238	1,270	1,881	1,730	-565	-558	8,684	6,134
Segments' liabilities	1,072	645	1,196	1,316	428	363	-435	-584	2,261	1,740
Unallocated liabilities									2,724	1,428
Total liabilities	1,072	645	1,196	1,316	428	363	-435	-584	4,985	3,168
Other information										
Investments (capitalized)	2,115	171	42	90	422	103	—	—	2,579	364
Depreciation/amortization and impairment	193	160	44	78	151	131	—	19	388	388
Significant items, other than depr./amort./impairment with no offsetting payments, impairment and provisions	-12	54	-1	11	-16	2	—	—	-29	67

Cash flow from operations, allocated by segment

	2020				2019			
	Medical Solutions	Integrated Solutions	Industrial Solutions	Total	Medical Solutions	Integrated Solutions	Industrial Solutions	Total
Cash flow from operating activities before changes in working capital	584	610	315	1,509	477	493	307	1,277
Changes in working capital	124	- 149	133	108	- 124	428	- 145	159
Cash flow from operating activities	708	461	448	1,617	353	921	162	1,436
Unallocated items ¹⁾				- 453				- 276
Total cash flow from operations				1,164				1,160

Cash flow from investing activities, allocated by segment

	2020				2019			
	Medical Solutions	Integrated Solutions	Industrial Solutions	Total	Medical Solutions	Integrated Solutions	Industrial Solutions	Total
Acquisition of non-current assets ²⁾	- 247	- 21	- 106	- 374	- 183	- 20	- 159	- 362
Sale of non-current assets	21	—	6	27	—	—	—	—
Business combinations, excl. cash and cash equivalents				- 1,348				- 93
Group elimination, Parent Company				—				2
Cash flow from investing activities	- 226	- 21	- 100	- 1,695	- 183	- 20	- 159	- 453

¹⁾ For 2020, the Group's change in working capital was SEK 107 million and, allocated by business area according to the above, was SEK 108 million. The difference of SEK -1 million is included in the SEK -453 million. Other unallocated items consist chiefly of operating loss of SEK -52 million (with the Parent Company accounting for the majority), unrealized exchange rate differences of SEK -291 million, income tax paid at SEK -123 million and other items such as pension payments, other provisions paid, interest received/paid, including certain parts of the items not affecting cash flow.

²⁾ Paid investments for the year in non-current assets, i.e. after adjustment for outstanding supplier invoices on the balance sheet date of SEK 29 million (-67).

Information about geographic markets

In the Nordic region, the rest of Europe, Asia and North America, the Group manufactures and sells products from all three business areas.

	Sweden		Other Nordic countries		Rest of Europe		North America		Asia		Other countries		Group	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	External sales	971	1,167	209	204	4,401	2,943	1,225	608	2,388	2,843	165	154	9,359
Assets	2,172	2,034	—	—	1,894	1,776	2,862	532	1,756	1,792	—	—	8,684	6,134
Average no. of employees	1,096	1,135	—	—	1,368	1,362	555	281	3,702	3,163	—	—	6,721	5,941
Investments (capitalized)	135	117	—	—	315	118	2,050	123	79	6	—	—	2,579	364

Note 4 Sales

Accounting policies

The Nolato Group's revenue is essentially derived from the sale of serially manufactured products and product systems within polymers such as plastic, TPE and silicone, which have been produced through development work and the creation of production equipment in partnership with our customers. Our customers maintain control over the products following delivery, which is when invoicing occurs with appropriate payment terms, see Note 14, with the average period of credit being 45 days. Jointly developed production equipment, which largely consists of tooling, is essentially owned by customers and invoiced to the customer in advance or over a period of time based on expenses incurred.

Nolato's customer contracts normally have entirely separate performance commitments with regard to delivery of serially manufactured products, which accounted for 93% of net sales in 2020, and development work and the creation of production equipment, which is considered to be a smaller separate performance commitment and is invoiced to the customer prior to the possible start of serial production. The products are primarily entirely customized and the design and

drawings are owned by the customer. Nolato normally assumes manufacturing responsibility, while the customer normally assumes design responsibility.

To give Nolato an idea of future production, customers often submit forecasts. These forecasts are often indicative and not binding for the customer. Nolato mainly uses the forecasts for planning with regard to input materials and machinery capacity, and begins production upon receipt of a purchase order from the client. Nolato invoices at the agreed price (transaction price) after delivery and once control has been transferred to the customer. The inventory turnover rate for completed products is very high. Agreed prices are continually adjusted, one reason being for Nolato to compensate for changes in the price of raw materials.

Nolato does not submit any information about outstanding performance commitments, as there are no unfulfilled performance commitments on completion of purchase orders received. Nolato has no significant contracts with an original anticipated term of more than one year, in which customers commit to buying more than continually placed purchase orders.

Allocation of income

	2020				2019			
	Total	Medical Solutions	Integrated Solutions	Industrial Solutions	Total	Medical Solutions	Integrated Solutions	Industrial Solutions
Sweden	971	154	12	805	1,173	157	35	981
Rest of Europe	4,611	1,824	1,678	1,109	3,148	1,620	548	980
North America	1,225	853	152	220	608	464	14	130
Asia	2,390	122	2,204	64	2,852	105	2,683	64
Other countries	165	136	22	7	154	138	12	4
Elimination internal sale	-3				-16			
Total revenue from contracts with customers	9,359	3,089	4,068	2,205	7,919	2,484	3,292	2,159

The above table essentially covers products transferred following delivery.

For 2020, the Group has a reduced provision for anticipated credit losses on accounts receivable and contract assets, with SEK 19 million recognized in the cost of goods sold.

Contract balances

	2020	2019
Accounts receivable	1,254	1,051
Opening balance for contract assets relating to development work and development of production tools	90	107
Recognized as income during the year	-89	-149
Additional during the year	64	145
Reclassification to contract liabilities	7	-13
Currency effects	-3	—
Closing balance for contract assets relating to development work and development of production tools (see also Note 16)	69	90
Opening balance for contract liabilities relating to development work and development of production tools	239	298
In new companies on acquisition	247	—
Recognized as income during the year	-111	-156
Additional during the year	144	146
Reclassification to contract assets	10	-56
Currency effects	-12	7
Closing balance for contract liabilities relating to development work and development of production tools (see also Note 22)	517	239

The Group recognizes development work and development of production tools per main product and customer as a net amount, either as a contract asset or contract liability.

Note 5 Research and development

	2020	2019
Development expenditure for customer-specific products	562	478

The Group's development expenditure relates to developing customer-specific products in close collaboration with the customer. Product development costs are charged to the income statement under cost of goods sold. Nolato normally invoices the customer for these costs prior to serial production of the product and it is regarded as a lesser separate undertaking.

Note 6 Expenses allocated by type of cost

	2020	2019
Material costs	4,291	3,499
Employee benefits	1,546	1,352
Social security contributions	280	280
Employee pensions	110	112
Energy costs	156	158
Other costs	1,550	1,257
Depreciation/amortization	407	376
Total	8,340	7,034
Depreciation/amortization is included in operating expenses as follows:		
Software	4	3
Customer relationships	18	8
Buildings and land improvements	111	104
Machinery and other technical facilities	242	228
Equipment, tools, fixtures and fittings	32	33
Total non-current assets	407	376
Accounts receivable (- reduced provision/ + increased provision) for anticipated bad debt losses	-19	12
Total	388	388
Depreciation/amortization has been allocated as follows:		
Cost of goods sold	368	378
Selling expenses	18	8
Administrative expenses	2	2
Total	388	388

Note 7 Other operating income and operating expenses

	2020	2019
Other operating income		
Capital gain from sale of property, plant and equipment	5	—
State subsidy received in China	23	2
Other	1	—
Total	29	2
Other operating expenses		
Effect of exchange rate on operating receivables/liabilities	-29	-3
Acquisition expenses	-27	-3
Total	-56	-6
Other operating income and operating expenses, net	-27	-4

Note 8 Financial income and expenses

Accounting policies

Financial income consists of interest income on invested funds measured at amortized cost. Profit from the disposal of a financial instrument is recognized once the risks and benefits associated with ownership of the instrument have been transferred to the buyer and the Group no longer has control of the instrument. Financial expenses primarily consist of interest expenses on loans measured at amortized cost and other borrowing costs such as commitment fees and credit charges relating to the Group's credit agreements.

	2020	2019
Interest income	20	16
Interest expenses	-22	-18
Foreign exchange gains and losses, net	-16	-11
Other financial expenses	-16	-17
Net financial income/expense	-34	-30
<i>Recognized as:</i>		
Financial income	20	16
Financial expenses	-54	-46
Net financial income/expense	-34	-30

Total net financial income/expense per category of financial instrument

	2020			2019		
	Interest income	Interest expenses	Foreign exchange gains/losses, net	Interest income	Interest expenses	Foreign exchange gains/losses, net
Derivatives used to hedge intra-group loans	—	—	13	—	—	-2
Bank deposits	20	—	—	16	—	—
PRI pension liability	—	-3	—	—	-3	—
Borrowings and lease liabilities	—	-19	—	—	-15	—
Supplier financial agreements	—	-9	—	—	-12	—
Other financial assets/liabilities	—	-7	-29	—	-5	-9
Total	20	-38	-16	16	-35	-11

Note 9 Tax

Accounting policies

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

All companies in the Group calculate income taxes in accordance with the tax rules and regulations that apply in the countries in which the profit is taxed.

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

Provision has been made in the Group for taxes on subsidiaries' taxable profits for the financial year, which may be allocated to the Parent Company next year. Provision for any coupon tax for anticipated dividends is made in the Parent Company once the dividend is recognized as a receivable from a Group company. However, no provisions have been made for tax that may arise on allocation of the remaining distributable profits in foreign subsidiaries as these may be distributed tax-free, or because the Group does not intend to allocate any internal dividends in the foreseeable future.

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

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

Deferred tax assets and tax liabilities are offset when there is a legal right to offset current tax assets against current tax liabilities and when taxes are charged by one and the same tax authority, and when the Group intends to pay the current tax assets and liabilities at a net amount.

Estimates and judgements

Management is required to make significant judgements when calculating tax liabilities and tax assets and for deferred tax for provisions and receivables. This process involves an assessment of the Group's exposure to current tax and the establishment of temporary differences created by various tax and accounting rules.

Management looks in particular at the likelihood that deferred tax assets may be offset against any surplus in future taxation.

Deferred tax assets are recognized to the extent that management deems it likely that sufficient taxable surplus will be available to permit recognition of such assets.

Recognized in the income statement

	2020	2019
Current tax expenses		
Tax expenses for the period	- 167	- 102
Adjustment for tax attributable to previous years	1	2
	- 166	- 100
Deferred tax income/expense		
Deferred tax in relation to temporary differences	- 42	- 54
Total recognized tax expense	- 208	- 154
Reconciliation of effective tax		
	2020	2019
Profit before tax	1,014	857
Tax according to applicable Parent Company tax rate	- 217	- 183
Effect of other tax rates for foreign Group companies	23	8
Non-deductible expenses	- 17	- 6
Non-taxable income	4	9
Tax attributable to previous years	- 7	2
Effect of change in tax rates	—	19
Effect of non-capitalized deficits arising during the year	6	- 3
Recognized effective tax	- 208	- 154

Swedish corporation tax was 21.4% (21.4) and the effective tax rate was 20.5% (18.0).

Recognized in the balance sheet

	Deferred tax assets		Deferred tax liabilities		Net	
	2020	2019	2020	2019	2020	2019
Non-current intangible assets	—	—	82	23	- 82	- 23
Property, plant and equipment	38	25	124	79	- 86	- 54
Inventories	19	14	4	3	15	11
Accounts receivable	1	5	—	—	1	5
Provisions for pensions	43	41	2	2	41	39
Tax allocation reserves	—	—	59	50	- 59	- 50
Other	35	33	41	16	- 6	17
Loss carry-forwards	3	3	—	—	3	3
Tax assets/liabilities	139	121	312	173	- 173	- 52
Offsetting	- 89	- 63	- 89	- 63	—	—
Tax assets/liabilities, net	50	58	223	110	- 173	- 52

Unrecognized deferred tax assets

Deferred tax assets have not been recognized in the Group in relation to loss carry-forwards totalling SEK 66 million (44). The loss carry-forwards relate to the business in India in the amount of SEK 24 million (28) and in China in the amount of SEK 42 million (16), and it is unlikely that it will be possible to use them against future taxable gains. The company in India is expected to be liquidated in 2021.

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

	Balance at Jan. 1, 2019	Recognized in profit for the year	Recognized in other compre- hensive income	Business acquisitions	Business disposals	Balance at Dec. 31, 2019
Non-current intangible assets	- 19	—	—	- 4	—	- 23
Property, plant and equipment	- 49	- 5	—	—	—	- 54
Inventories	26	- 15	—	—	—	11
Accounts receivable	3	2	—	—	—	5
Provisions for pensions	31	- 3	11	—	—	39
Tax allocation reserves	- 44	- 6	—	—	—	- 50
Other	43	- 26	—	—	—	17
Loss carry-forwards	4	- 1	—	—	—	3
Total	- 5	- 54	11	- 4	—	- 52

	Balance at Jan. 1, 2020	Recognized in profit for the year	Recognized in other compre- hensive income	Business acquisitions	Business disposals	Balance at Dec. 31, 2020
Non-current intangible assets	- 23	1	—	- 60	—	- 82
Property, plant and equipment	- 54	- 21	—	- 11	—	- 86
Inventories	11	- 3	—	7	—	15
Accounts receivable	5	- 4	—	—	—	1
Provisions for pensions	39	- 2	4	—	—	41
Tax allocation reserves	- 50	- 9	—	—	—	- 59
Other	17	- 6	2	- 19	—	- 6
Loss carry-forwards	3	—	—	—	—	3
Total	- 52	- 44	6	- 83	—	- 173

Tax attributable to other comprehensive income

	2020	2019
Deferred tax attributable to provisions for pensions (PRI)	4	11
Deferred tax on currency forwards	2	—
Total	6	11

Note 10 Earnings per share

	2020	2019
Profit for the year attributable to Parent Company shareholders	806	703
Average number of ordinary shares outstanding	26,631,168	26,431,806
Basic earnings in kronor per share (SEK)	30.27	26.60
Non-recurring items*	25	16
Profit for the year attributable to Parent Company shareholders after adjustment for non-recurring items	831	719
Basic earnings in kronor per share excluding non-recurring items (SEK)	31.20	27.20
	2020	2019
Dilutive shares from Series 2017/2020 Incentive Program (exercise price SEK 485.10 per share; total 196,200 warrants)	4,222	195
Dilutive shares from Series 2018/2021 Incentive Program (exercise price SEK 502.00 per share; total 193,500 warrants)	20,706	—
Average number of shares after dilution	26,656,096	26,432,001
Diluted earnings in kronor per share (SEK)	30.24	26.60
Diluted earnings in kronor per share excluding non-recurring items (SEK)	31.17	27.20

* 2020: Non-recurring item for closure of production facility at Nolato Jaycare in the UK which had a negative effect on operating profit in the amount of SEK -14 million, and tax effects of SEK +3 million, as well as acquisition costs for GW Plastics Inc. of SEK -17 million and tax effects of SEK +3 million, which impacted post-tax profit in a total amount of SEK -25 million. These non-recurring items were recognized at Group level and have consequently not affected the profit of the business areas.

* 2019: Non-recurring item for closure of production facility at Nolato Jaycare in the UK which had a negative effect on operating profit in the amount of SEK -22 million, and tax effects of SEK +6 million, which impacted post-tax profit in the amount of SEK -16 million. This non-recurring item has been recognized at Group level and has consequently not affected the profit of the business areas.

Basic earnings per share are calculated by dividing profit for the year attributable to Parent Company shareholders by the average number of ordinary shares outstanding during the period.

When calculating diluted earnings per share, the average number of shares outstanding during the period is adjusted for all potential dilutive ordinary shares. Shares from incentive programs are considered to be dilutive if the closing price was in the money at the end of the period, and the average closing price of Nolato's B share during the year has exceeded the exercise prices in the respective incentive program.

Incentive Program 2016/2021

The warrants in Series 2016/2019 (total 240,600) have been exercised to subscribe for shares in 2019.

The warrants in Series 2017/2020 (total 196,200) have been exercised to subscribe for shares in 2020.

The warrants in Series 2018/2021 (total 193,500) can be exercised to subscribe for shares as of May 1, 2021, up to and including December 15, 2021.

Incentive Program 2019/2024

The warrants in Series 2019/2022 (max. 266,000) have not been exercised to subscribe for shares in 2019.

The warrants in Series 2020/2023 (total 28,750) can be exercised to subscribe for shares as of May 1, 2023, up to and including December 15, 2023.

The warrants in Series 2021/2024 (max. 266,000 on full subscription) can be exercised to subscribe for shares as of May 1, 2024, up to and including December 15, 2024.

Note 11 Non-current intangible assets**Accounting policies**

Intangible assets are recognized at original cost less accumulated amortization and impairment. Amortization is applied on a straight-line basis over the useful lives of the assets and is initiated once the asset is put into use.

Useful life is based on historical experience of use of similar assets, area of use as well as other specific attributes of the asset.

Intangible assets acquired in a business acquisition which are recognized separately from goodwill consist of customer relationships.

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 recognized as an intangible asset. Goodwill is not amortized but impairment-tested annually, and is recognized at acquisition cost less accumulated impairment losses. Any gain or loss from the disposal of a unit includes the remaining carrying amount of the goodwill associated with the unit disposed of. Goodwill is allocated to cash-generating units in impairment tests.

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

Goodwill impairment testing

Goodwill is impairment-tested annually and when there is an indication of impairment. The test is performed at the lowest cash-generating unit level, or groups of cash-generating units on which these assets can be verified. For Medical Solutions and Industrial Solutions, impairment testing has been carried out at segment level (business area level). For Nolato Jabar LLC, impairment testing has been carried out within the EMC & Thermal business unit, which is part of Integrated Solutions.

Customer relationships

The Group's capitalized customer relationships relate to assets acquired through the acquisition of the Cerbo Group, Medical Rubber AB, Nolato Contour Inc. in the US, Nolato Jaycare Ltd in the UK, Nolato Stargard Sp.zo.o in Poland, Nolato Treff AG in Switzerland, Nolato Jabar LLC in the US and Nolato GW Inc. in the US. Straight-line depreciation is applied over the expected useful life, i.e. six to ten years.

Estimates and judgements

An impairment is recognized if the carrying amount exceeds the recoverable amount. The recoverable amount is established based on calculations of useful life. A discounted cash flow model is used to estimate useful life. The estimate includes an important source of uncertainty because the estimates and assumptions used in the discounted cash flow model contain uncertainty about future events and market circumstances, so the actual outcome can differ significantly. The estimates and assumptions have, however, been reviewed by management and are consistent with internal forecasts and future outlook for the operations.

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

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

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

Impairment-tested operations in the Group are mainly in Sweden, the UK, Switzerland and the US. These countries are deemed to have largely similar expected inflation, which is consistent with the goals of central banks and similar institutions. It is assumed that relevant markets will grow in line with general inflation.

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

In the impairment test in each segment, the discount rate has essentially been constructed segment by segment. The various legal companies in each segment are relatively similar in size, have the same type of customer segments with similar behavior, and similar types of products. Thus the risk level for the legal companies has been assumed to be roughly the same.

Using these assumptions, the recoverable amount exceeds the carrying amount of all cash-generating units, and there is no impairment. Sensitivity analyses have been performed to evaluate whether reasonable unfavorable changes for the most relevant parameters would lead to impairment. The analyses focused on a deterioration in the average growth rate, reduced profitability and an increase in the discount rate. These analyses did not give rise to any impairment indications.

	Software	Tenancy rights	Customer relationships ¹⁾	Capitalized development expenditure	Goodwill ¹⁾	Total
ACQUISITION COST						
At January 1, 2019	28	4	180	3	719	934
Investments	5	—	—	—	—	5
Acquisitions	—	—	14	—	36	50
Scrapping	—	—	—	-3	—	-3
Translation effects	—	—	7	—	26	33
At January 1, 2020	33	4	201	—	781	1,019
Investments	5	—	—	—	—	5
Acquisitions	1	—	276	—	1,090	1,367
Scrapping	-2	—	—	—	—	-2
Translation effects	-1	—	-25	—	-93	-119
At December 31, 2020	36	4	452	—	1,778	2,270
ACCUMULATED DEPRECIATION/AMORTIZATION						
At January 1, 2019	-18	-3	-130	-3	—	-154
Depreciation/amortization for the year	-3	—	-8	—	—	-11
Scrapping	—	—	—	3	—	3
Translation effects	-1	—	-4	—	—	-5
At January 1, 2020	-22	-3	-142	—	—	-167
Depreciation/amortization for the year	-4	—	-18	—	—	-22
Scrapping	2	—	—	—	—	2
Translation effects	1	—	9	—	—	10
At December 31, 2020	-23	-3	-151	—	—	-177
Carrying amount at December 31, 2019	11	1	59	—	781	852
Carrying amount at December 31, 2020	13	1	301	—	1,778	2,093

¹⁾ Consists of acquired surplus values. Amortization of customer relationships is included in Group selling expenses.

Goodwill is allocated to Group segments as follows:

	2020	2019
Medical Solutions	1,374	521
Industrial Solutions	372	224
Integrated Solutions		
EMC & Thermal	32	36
Total	1,778	781

Assumptions for establishing the discount rate

	Medical Solutions		Industrial Solutions		EMC & Thermal
	2020	2019	2020	2019	2020
Risk-free rate, %	0.83	0.73	0.80	0.24	0.27
Tax rate, %	19.7	17.8	15.8	17.8	21.3
Forecast period	3 years	3 years	3 years	3 years	3 years
Growth after forecast period, %	2.0	2.0	2.0	2.0	2.0
Applied discount rate before tax, %	9.1	8.2	9.8	8.7	9.7

Note 12 Property, plant and equipment

Accounting policies

Property, plant and equipment are recognized within the Group at acquisition cost after accumulated depreciation according to plan and any impairment.

The principle of componentization is applied for the depreciation of property, plant and equipment. This means that each component of an item of property, plant and equipment with a significant acquisition cost in relation to the asset's combined cost must be depreciated separately. Depreciation is applied on a straight-line basis and calculated based on the assets' original acquisition cost.

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

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

Buildings	25 years
Land improvements	20–27 years
Injection molding machines	8–10 years
Automated assembly equipment	3–5 years
Other machinery	5–10 years
IT	3 years
Other equipm., tools, fixtures and fittings	5–10 years

Estimates and judgements

Useful life is based on the estimated period of time for which the asset generates income and is largely based on historical experience of the use of similar assets and technological development.

Property, plant and equipment is tested for impairment if an event occurs or circumstances change that indicate that it will not be possible to recover the carrying amount.

	Buildings and land	Machinery and other technical facilities	Equipment, tools, fixtures and fittings	Construction in progress and advance payments	Total
ACQUISITION COST					
At January 1, 2019	730	2,759	303	228	4,020
Investments	11	103	15	159	288
In new companies on acquisition	19	—	2	—	21
Sales/disposals	—	- 43	- 2	—	- 45
Reclassifications	88	223	12	- 323	—
Translation effects	9	39	4	3	55
At January 1, 2020	857	3,081	334	67	4,339
Investments	19	156	31	191	397
In new companies on acquisition	211	253	3	72	539
Sales/disposals	- 2	- 80	- 15	—	- 97
Reclassifications	4	92	15	- 111	—
Translation effects	- 53	- 130	- 12	- 14	- 209
At December 31, 2020	1,036	3,372	356	205	4,969
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At January 1, 2019	- 335	- 1,943	- 224	—	- 2,502
Depreciation/amortization for the year	- 33	- 210	- 29	—	- 272
Sales/disposals	—	43	—	—	43
Impairment losses due to restructuring	—	- 18	—	—	- 18
Translation effects	- 2	- 22	- 1	—	- 25
At January 1, 2020	- 370	- 2,150	- 254	—	- 2,774
Depreciation/amortization for the year	- 39	- 242	- 29	—	- 310
Sales/disposals	1	60	14	—	75
Translation effects	9	74	6	—	89
At December 31, 2020	- 399	- 2,258	- 263	—	- 2,920
Carrying amount at December 31, 2019	487	931	80	67	1,565
Carrying amount at December 31, 2020	637	1,114	93	205	2,049

Note 13 Leases

Accounting policies

In transitioning to IFRS 16 on January 1, 2019, the Group has used a modified retrospective method, meaning that the 2018 financial year is not recalculated. The lease liability is the sum of the net present value of all future lease payments for leases at the end of 2018. The simplification rule, that a right-of-use asset (prior to adjustments for any advance payments) should correspond to the lease liability, was applied at transition. All components, with the exception of property tax in Sweden, have been deemed to be a lease component. Exemptions to not recognize short-term leases and low-value assets have also been applied.

The discount rate is based on high-quality mortgage bond yields in Sweden, with reference to the term of leases, which for foreign companies are then adjusted for differences between 10-year government bond yields of Sweden and foreign countries.

The largest asset class for leases is property, such as production plants and offices.

Leases consist mainly of rental contracts for production premises, primarily in China, the UK, Sweden and the US. They are in some cases restricted by index clauses and/or such terms that may provide entitlement to extend or acquire the leased items.

Carrying amounts per asset class in rights of use

	Buildings	Leasehold	Other equipment	Total
ACQUISITION COST				
At January 1, 2019	—	—	—	—
Transition to IFRS 16 Leases at January 1, 2019	336	15	11	362
Revaluation of IFRS 16 lease liability due to restructuring in the UK	-20	—	—	-20
Other revaluations of IFRS 16 lease liabilities	-3	—	—	-3
Translation effects	8	—	—	8
At December 31, 2019	321	15	11	347
Additional lease liabilities for the year	111	—	7	118
In new companies on acquisition	64	—	—	64
Other revaluations of IFRS 16 lease liabilities	-10	—	-5	-15
Translation effects	-26	—	—	-26
At December 31, 2020	460	15	13	488
ACCUMULATED DEPRECIATION/AMORTIZATION				
At January 1, 2019	—	—	—	—
Depreciation/amortization for the year	-71	—	-4	-75
Other revaluations of IFRS 16 lease liabilities	1	—	—	1
Translation effects	1	—	—	1
At December 31, 2019	-69	—	-4	-73
Depreciation/amortization for the year	-72	—	-3	-75
Other revaluations of IFRS 16 lease liabilities	3	—	3	6
Translation effects	7	—	—	7
At December 31, 2020	-131	—	-4	-135
Carrying amount at December 31, 2019	252	15	7	274
Carrying amount at December 31, 2020	329	15	9	353

Carrying amounts in the consolidated balance sheet for lease liabilities and changes during the year

	2020	2019
Opening balance	277	—
Transition to IFRS 16 Leases at January 1, 2019	—	362
Revaluation of IFRS 16 lease liability due to restructuring in the UK	—	-20
Other revaluations of IFRS 16 lease liabilities	-9	-2
Additional IFRS 16 lease liabilities for the year	182	—
Repayments	-79	-71
Translation effects	-13	8
At December 31	358	277
Long-term financial lease liability	287	207
Short-term financial lease liability	71	70
Total financial lease liability	358	277

Maturity structure for lease liabilities

	2020	2019
Matures 2020	—	70
Matures 2021	68	57
Matures 2022	73	47
Matures 2023	40	24
Matures 2024	34	—
Matures 2025 (2024) and after	143	79
Total financial lease liability	358	277

Carrying amounts for leases in the consolidated income statement

	2020	2019
Amortization of rights of use	-75	-75
Interest expenses on lease liabilities	-9	-11
Lease expenses for short-term leases	-3	-3
Lease expenses for low-value assets	-1	-1
Total in consolidated income statement	-88	-90

Note 14 Financial assets

Accounting policies

Financial assets are recognized in the balance sheet when the Group becomes a party to the commercial terms and conditions of the instrument. Financial instruments are initially recognized at fair value, which normally corresponds to the acquisition cost. Transaction costs are included in the initial valuation for financial assets not measured at fair value via profit or loss. Common purchases and sales of financial assets are recognized on the settlement date.

Accounts receivable are recognized at the first reporting date at their transaction price (according to the definition in IFRS 15) and subsequently at amortized cost. Recognition of expected credit losses is carried out at an amount corresponding to the expected credit losses for the remaining term. Term refers to the maximum contract period during which the Group is exposed to credit risk. For cash and

Effects of IFRS 16 on consolidated income statement

	2020	2019
Cost of goods sold	82	80
EBITDA (increase in performance indicator)	82	80
Amortization in cost of goods sold	-75	-75
EBITA/EBIT (increase in performance indicator)	7	5
Interest expenses	-9	-11
Profit after financial income and expenses (reduction in performance indicator)	-2	-6
Tax	1	1
Profit after tax (reduction in performance indicator)	-1	-5
Effect on basic earnings per share (SEK)	-0.04	-0.19

Effects of IFRS 16 on consolidated cash flow statement

	2020	2019
Operating profit	7	5
<i>Adjustments for items not included in cash flow:</i>		
Depreciation/amortization	75	75
Interest paid	-9	-11
Cash flow from operating activities before changes in working capital	73	69
Other changes in working capital	—	2
Cash flow from operating activities	73	71
Cash flow from financing activities	-73	-71
Cash flow for the period	—	—

cash equivalents, the carrying amount is considered to correspond to fair value.

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

Derivatives are categorized as held for trading, unless they are intended for hedge accounting, and are measured at fair value via profit or loss. Derivatives intended for hedge accounting are measured at fair value via other comprehensive income. The fair value of derivatives is based on listed market prices. Financial assets are removed from the balance sheet once the contractual rights to cash flows have ceased or been transferred, and when the risks and benefits associated with ownership of the financial asset have in all significant respects been transferred.

Financial assets per category 2020

	Amortized cost	Fair value via other comprehensive income	Derivatives – identified for hedge accounting	Derivatives at fair value via profit or loss	2020 Total
Non-current financial assets ¹⁾			2		2
Accounts receivable	1,254				1,254
Other current financial assets (see Note 30)			11	16	27
Cash and cash equivalents	1,487				1,487
Carrying amount	2,741	2	11	16	2,770
Fair value	2,741	2	11	16	2,770

¹⁾ The holding concerns 20,000 shares in Arenablaget i Ängelholm AB (Catena Arena). The value relates to the original transaction price (new share issue).

Cash and cash equivalents and credit rating

	Amortized cost
Moody's: A3	20
Standard & Poor's: AAA	2
Standard & Poor's: AA+	56
Standard & Poor's: AA-	17
Standard & Poor's: A+	1,197
Standard & Poor's: A	119
Standard & Poor's: BBB+	65
Other (credit rating not available)	11
	1,487

Financial assets per category 2019

	Amortized cost	Fair value via other comprehensive income	Derivatives – identified for hedge accounting	Derivatives at fair value via profit or loss	2019 Total
Non-current financial assets ¹⁾		2			2
Accounts receivable	1,051				1,051
Other current financial assets (see Note 30)			1	4	5
Cash and cash equivalents	1,362				1,362
Carrying amount	2,413	2	1	4	2,420
Fair value	2,413	2	1	4	2,420

¹⁾ The holding concerns 20,000 shares in Arenabolaget i Ängelholm AB (Catena Arena). The value relates to the original transaction price (new share issue).

Financial assets categorized at amortized cost have determinable payments and are not listed on any marketplace. The category includes investments for which the Group expects to regain principally the entire initial investment, such as accounts receivable and bank deposits. The fair value of the currency forward contracts (derivatives) is set according to Level 2.

Level 1: In accordance with prices listed on an active market for the same instrument. Level 2: Based on directly or indirectly observable market data which is not included in Level 1. Level 3: Based on input data which is not observable in the market.

	2020	2019
Accounts receivable	1,263	1,077
Deduction: Provision for expected credit losses	- 9	- 26
Carrying amount	1,254	1,051

The average period of credit in 2020 was 45 days (46). Accounts receivable as a percentage of sales amounted to 13.4% (13.3%). During the year, the Group reversed SEK 19 million (0) of provisions for expected credit losses at the start of the year. There is an additional SEK 2 million from the acquisition of GW Plastics Inc. Provisions for the year totaled SEK 0 million (12). The credit quality of accounts receivable not due and not impaired, and of other financial receivables is deemed to be good.

Accounts receivable

	Total	Not due	Due ≤ 15 days	Due 16–30 days	Due 31–60 days	Due > 60 days
Expected gross amount	1,263	1,097	82	31	28	25
Expected credit losses	- 9	- 6	—	—	—	- 3
December 31, 2020	1,254	1,091	82	31	28	22
Expected gross amount	1,077	922	98	28	11	18
Expected credit losses	- 26	- 25	—	—	—	- 1
December 31, 2019	1,051	897	98	28	11	17

Note 15 Inventories

Accounting policies

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

Estimates and judgements

The acquisition cost of inventories may need to be adjusted if the acquisition cost exceeds the net market value. The net market value is defined as the selling price after deductions for completion costs and selling expenses. The underlying assumptions used to establish the net market value of inventories can constitute an uncertainty factor. Since actual selling prices and selling expenses are not known at the time the assumption is made, management's assumption is based on current prices and cost levels. Adjustments to the net market value include assessments of technical and commercial obsolescence, which are conducted individually for each subsidiary. When assessing commercial obsolescence, risk factors include turnover rate and age.

	2020	2019
Raw materials and supplies	380	366
Products in manufacturing	406	74
Finished goods and goods for resale	324	227
Total	1,110	667

During the year, the Group impaired inventories by SEK 30 million (63). Impairment losses for the year are included in Cost of goods sold in the income statement.

During the year, reversed impairment losses recognized in Cost of goods sold totaled SEK 54 million (96). The reversal of previously impaired stocks is due to the fact that these items could be sold or were no longer deemed obsolete.

Note 16 Other current assets

	2020	2019
Other receivables	100	114
Prepaid expenses	48	44
Accrued income	9	2
Contract assets relating to development work and development of production tools (see also Note 4)	69	90
Closing balance	226	250

Note 17 Shareholders' equity

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.:

	2020	2019
Share capital	134	133
Other capital contributed	392	298
Translation reserve	19	158
Hedging reserves	-8	1
Retained earnings, incl. profit for the year	3,162	2,376
Total capital attributable to Parent Company shareholders	3,699	2,966

The Group has two incentive programs: Incentive Program 2016/2021 which may result in a dilution in the number of shares by 193,500 shares in 2021, and Incentive Program 2019/2024 which may result in a dilution of 28,750 shares in 2023 and max. 266,000 shares in 2024. The maximum total number of dilutive shares consequently amounts to 488,250 shares. Further information can be found in Note 27.

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 2020 is shown below.

	2020		2019	
	Financial targets	Outcome	Financial targets	Outcome
EBITA margin	>10%	11.4%	>10%	11.3%
Cash conversion	>75%	87.0%	>75%	88.0%
Equity/assets ratio	>35%	43.0%	>35%	48.0%

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 shall intend to propose a dividend which corresponds on average to at least 50% of profit after tax. For 2020, the Board proposes a dividend of SEK 16.00 per share (0.00), corresponding to SEK 428 million (0). The pay-out ratio is 53% (0).

Note 18 Other reserves

	Hedging reserves	Translation reserves	Total
Opening balance, January 1, 2019	-1	137	136
<i>Cash flow hedges:</i>			
Gain from fair value measurement during the year	2	—	2
Tax from fair value measurement	—	—	—
Translation differences	—	21	21
Closing balance, December 31, 2019	1	158	159
Opening balance, January 1, 2020	1	158	159
<i>Cash flow hedges:</i>			
Loss from fair value measurement during the year	-11	—	-11
Tax from fair value measurement	2	—	2
Translation differences	—	-139	-139
Closing balance, December 31, 2020	-8	19	11

Hedging reserves

Hedging reserves include the effective portion of the accumulated net change in fair value of a cash flow hedging instrument attributable to hedged transactions regarding sales and costs of goods which have not yet occurred. Transfers to the income statement of cash flow hedges are recognized as other operating income/expenses.

Translation reserve

The translation reserve includes all exchange rate differences arising on converting financial statements from foreign operations that 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 19 Financial liabilities

Accounting policies

Financial liabilities are recognized in the balance sheet when the Group becomes a party to the commercial terms and conditions of the financial instrument. Financial liabilities are initially recognized at fair value, which normally corresponds to the acquisition cost. Transaction costs are included in the initial valuation for financial liabilities not measured at fair value via profit or loss. Derivatives are recognized at the trading date.

Loans and other financial liabilities, apart from derivatives, are measured at amortized cost, which is calculated using the effective interest method. For fi-

ancial liabilities that are hedging instruments used for hedge accounting, the carrying amount is adjusted for gains or losses attributable to the hedged risks.

Financial liabilities are removed from the balance sheet once they have been settled.

Fair value has been provided as a disclosure for financial liabilities and with regard to non-current liabilities has been calculated using valuation techniques, primarily via discounted cash flows based on observable market information (Level 2). For current liabilities, carrying amount is deemed to be a good approximation of fair value.

	Year of maturity	2020		2019	
		Carrying amount	Fair value	Carrying amount	Fair value
Non-current financial liabilities					
Bank loan in CHF (fixed rate)*	2021	—	—	527	508
Bank loan in CHF (fixed rate)	2022	5	5	5	5
Bank loan in CHF (fixed rate)	2023	6	6	7	7
Bank loan in USD (variable rate)	2022	—	—	88	88
Bank loan in USD (fixed rate)	2025	614	487	—	—
Bank loan in USD (fixed rate)	N.A.	49	49	—	—
Contingent consideration GW Plastics Inc. (USD)	2022	174	174	—	—
Contingent consideration GW Plastics Inc. (USD)	2023	82	82	—	—
Lease liabilities (see Note 13)		287	287	207	207
Subtotal of non-current financial liabilities		1,217	1,090	834	815
Current financial liabilities					
Accounts payable	2020–2021	930	930	839	839
Bank loan in CHF (fixed rate)*	2021	509	501	—	—
Bank loan in CHF (fixed rate)	< 12 months	1	1	12	12
Bank loan in USD (fixed rate)	2021	245	245	—	—
Bank loan in USD (variable rate)	2021	78	78	—	—
Bank loan in USD (variable rate)	2021	13	13	—	—
Contingent consideration GW Plastics Inc. (USD)	2021	9	9	—	—
Working capital finance USD (zero interest)		—	—	57	57
Derivatives identified for hedge accounting, at fair value via other comprehensive income (see Note 30)		18	18	1	1
Lease liabilities (see Note 13)		71	71	70	70
Subtotal of current financial liabilities		1,874	1,866	979	979
Total		3,091	2,956	1,813	1,794

* Comprises financing and also hedging instruments for hedging of net investment in foreign business, concerning Nolato Treff AG. This loan carries a fixed rate of interest until September 27, 2021, and is not being amortized. The fair value has been calculated using the current fixed interest rate and discounting has been applied for the remaining payment flows in CHF up until maturity on September 27, 2021. The discounted value in CHF has then been revalued according to the exchange rate at the balance sheet date.

Interest-bearing liabilities

At the end of the year, the Group's interest-bearing liabilities excluding pension liability and lease liabilities, but including working capital finance, amounted to SEK 1,785 million (696). The average interest rate was 1.21% (0.7). The average remaining fixed-interest term is 27 months (21).

Terms and repayment periods

Total credit lines granted in the Group amount to SEK 3,295 million (1,260). Of this amount, SEK 409 million matures on August 6, 2021, SEK 509 million on September 27, 2021, SEK 600 million on April 24, 2022, SEK 900 million on August 6, 2023, and SEK 614 million on August 6, 2025. Credit facilities totaling SEK 3,032 million are conditional upon normal covenants. These include requirements in terms of financial KPIs for the Group, including net debt in relation to operating profit before depreciation/amortization (EBITDA). At December 31, all loan conditions were met.

Other credit lines of SEK 263 million (133) mature between 2021 and 2023, according to the table above. Pledged assets for other credit facilities amount

to SEK 75 million (86) and concern property mortgages in the Group's subsidiary in Switzerland, as well as a company mortgage of SEK 82 million (0) in the Group's subsidiary in the US. All loan agreements can be terminated by the other party in the event of any significant change in ownership control of the company.

Derivatives

The fair value of the currency forward contracts (derivatives) is set according to Level 2.

Additional disclosures regarding financial risk management and hedge accounting are provided in Note 30 Financial risk management.

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.

Note 20 Provisions for pensions and similar obligations

Accounting policies

There are a number of both defined contribution and defined benefit pension schemes within the Group.

In defined contribution schemes, the company pays defined contributions to a separate legal entity and has no obligation to make further contributions. Expenses are charged to the consolidated profit as the benefits are earned.

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

For defined benefit schemes, the projected unit credit method is used to calculate the net present value of defined benefit obligations and costs regarding service during the financial year. Unless there have been significant changes to the most important assumptions in the calculation, such as discount rate and inflation, calculations are carried out on a quarterly basis. The schemes are always recalculated annually.

Independent actuaries are used for these calculations and the estimation of obligations and costs involving assumptions. The Group's undertakings are measured at the present value of expected future payments using a discount rate equal to the interest rate of top-rated housing bonds (Sweden) and corporate bonds (Switzerland) with a maturity equal to that of such undertakings.

Revaluations mainly arise in the event of changes to actuarial assumptions and experience-based adjustment, which is the difference between actuarial assumptions and actual outcome. They are recognized directly in other comprehensive income and never restated in profit or loss. For all defined benefit schemes, the actuarial cost, which is charged to earnings, comprises costs relating to service during the financial year, net interest expense and, where appropriate, the cost of service during previous periods, reductions and adjustments. Any cost relating to service during previous periods is recognized immediately. Net interest expenses are classified as financial expenses. Other costs are allocated to the businesses based on the employee's position in the organization, within manufacturing, sales or administration.

The above-mentioned accounting policies for defined benefit schemes are only applied in the consolidated statements. Subsidiaries continue to use a local calculation for pension provisions and pension costs in their respective local annual accounts.

Commitments regarding retirement pensions and family pensions for salaried employees in Sweden are secured through a policy with Alecta. According to a statement issued by the Swedish Financial Reporting Board, UFR 10, this is a multiple-employer defined benefit scheme. For the 2020 financial year, the company had no access to any information that would enable it to recognize this scheme as a defined benefit scheme. The ITP pension scheme (supplementary pensions for salaried employees), which is insured by Alecta, is thus recognized as a defined contribution scheme.

Estimates and judgements

The significant assumptions used to calculate the obligations and costs vary according to the economic factors that reflect conditions in the countries where the defined benefit schemes are located and are adjusted to reflect market conditions on the calculation date. However, changes in market and economic conditions may mean that the actual costs and obligations generated by the scheme differ substantially from the estimations.

Assumptions are made when estimating obligations and costs, and the most sensitive assumptions may vary between the schemes but primarily concern discount rate, pension indexing, future salary increases and assumptions regarding lifespan. These assumptions are determined separately for each scheme. The discount rate for schemes in Sweden is based on the return on housing bonds, which have maturities that are consistent with the maturity of the obligation. Correspondingly in Switzerland, the return on high quality AA-classified corporate bonds is used. Pension indexing is mainly relevant for retired members of the scheme and is attributable to changes linked primarily to inflation. Assumptions regarding salary increases are relevant for active members of the scheme and reflect previous experience of long-term changes, forecasts for future changes to terms and conditions and anticipated inflation. Assumptions about lifespan reflect the anticipated lifespan of members of the scheme and are determined based on the mortality table applicable to each scheme.

	2020	2019
Net present value of defined benefit pension schemes in Sweden	157	155
Net present value of pension scheme in Switzerland	116	90
Other pension schemes	1	1
Total	274	246

Defined benefit pension schemes

In Sweden there is a defined benefit pension scheme (PRI) in which employees are entitled to remuneration after leaving their position based on their final salary and vesting period. In Switzerland, the Group has a defined benefit funded pension scheme in a Swiss pension fund. The fair value of the pension assets is established in accordance with Level 1: according to prices listed on an active market for the same instrument.

Fair value of the defined benefit pension schemes:

	2020	2019
Opening balance	245	181
Benefits vested during the period	5	3
Interest expenses	3	3
Benefits redeemed	—	—
Pension payments	- 5	- 5
Exchange rate effect	- 1	3
Actuarial gain (-)/loss (+)	26	60
Total	273	245

Amounts recognized in the balance sheet for the pension scheme in Switzerland:

	2020	2019
Net present value of pension commitments, funded pension scheme	408	383
Fair value of pension assets	- 292	- 293
Net debt, funded pension scheme*	116	90

* The net present value of expected net debt for 2021 is SEK 123 million (balance sheet date rate at Dec. 31, 2020).

Categories of pension assets for pension scheme in Switzerland (Level 1):

	2020	2019
Cash and cash equivalents	2.8%	1.9%
Shares	28.6%	29.2%
Bonds	44.8%	43.8%
Property funds	19.6%	19.4%
Other investments	4.2%	5.6%

The amounts recognized in the income statement during the year for pension schemes are as follows:

	2020	2019
Expenses related to service during the financial year	5	3
Interest expense	3	3
Expense for special employer's contribution	2	2
Total expense for defined benefit pension schemes	10	8
Expense for defined contribution schemes	89	93
Expense for special employer's contribution	11	11
Total pension expense	110	112

Costs relating to defined benefit pension schemes are recognized in the income statement as follows:

	2020	2019
<i>Amounts charged to operating profit:</i>		
Cost of goods sold	5	4
Administrative expenses	1	1
<i>Amounts charged to financial expenses:</i>		
Interest expenses	3	3
Total	9	8

Costs relating to defined benefit pension schemes are recognized in other comprehensive income as follows:

	2020	2019
Actuarial gains (+)/losses (-)	- 26	- 60
Special employer's contribution	—	- 6
Deferred income tax	4	11
Total	- 22	- 55

Key actuarial assumptions on the balance sheet date for defined benefit pension schemes in Sweden (weighted average):

	2020	2019
Discount rate	1.10%	1.40%
Inflation	1.50%	1.85%
Future annual salary increases	2.75%	2.75%
Employee turnover	5.00%	5.00%
Lifespan	DUS 14	DUS 14
Duration regarding pension commitments (years)	18.0	18.0

Key actuarial assumptions on the balance sheet date for pension scheme in Switzerland:

	2020	2019
Discount rate	0.10%	0.20%
Interest on pension credits	1.00%	1.00%
Inflation	0.50%	0.50%
Future annual salary increases	1.00%	1.00%
Future annual pension increases	0.00%	0.00%
Duration regarding pension commitments (years)	17.9	17.8

Sensitivity analysis (net present value of pension commitment in balance sheet):

	Sweden 2020	Switzerland 2020
Discount rate +0.5%	- 13	- 32
Discount rate -0.5%	14	37
Inflation +0.5%	11	4
Inflation -0.5%	- 10	- 4
Salary increase +0.5%	5	6
Salary increase -0.5%	- 4	- 5

Pension commitments within Alecta in Sweden

Charges for the year for pension insurance policies held with Alecta totaled SEK 8 million (7). Alecta's surplus can be allocated to policyholders and/or insured parties. At year-end 2020, Alecta's surplus, as expressed by the collective funding ratio, was a preliminary 148% (148). The collective funding ratio is determined by the fair value of Alecta's assets as a percentage of the pension commitments calculated according to Alecta's actuarial calculation assumptions, which do not comply with IAS 19.

Note 21 Other provisions

Accounting policies

In general, a provision is recognized when there is a commitment resulting from a past event, where it is likely that an outward flow of resources will be required to settle the commitment and a reliable estimation of the amount can be made. Provisions are made at an amount that is the best estimate of that required to settle the existing obligation at the balance sheet date, and the timing of the settlement is uncertain.

Provisions for product guarantees and customer claims represent management's best estimation of future cash flows required to settle the obligations.

Estimates and judgements

Management is required to make significant judgements when establishing the need for, and amount of provisions. Since there is a degree of uncertainty in estimates regarding future events that are outside the Group's control, the actual outcome may differ significantly.

Provisions for product guarantees and customer claims are based on management's best estimation of the future cash flows required to settle obligations, even if the timing of the settlement is uncertain. Nolato does not normally take on full product responsibility, as we are largely a subcontractor of subcomponents for our customers. Nolato has manufacturing responsibility for subcomponents supplied and customer claims may arise over time.

Provisions for:

	2020	2019
Restoration of rental property	17	15
Special employer's contribution acc. to IAS 19 for PRI pension liability	16	16
Special employer's contribution regarding endowment insurance	7	9
Product guarantees and customer claims	52	56
Other	1	3
Amount at year-end	93	99

Note 22 Other current liabilities

	2020	2019
Customer advances, products	1	1
Contract liabilities relating to development work and development of production tools (see also Note 4)	517	239
Other current liabilities	96	76
<i>Accrued expenses and deferred income</i>		
Salary liabilities	190	285
Social security contributions	86	58
Deliveries of goods received, not invoiced	179	31
Energy costs	20	21
Claims	44	67
Maintenance	28	22
Tools	8	4
Machinery and spare parts	16	13
Other items	77	52
Subtotal of accrued expenses and deferred income	648	553
Total	1,262	869

Note 23 Pledged assets and contingent liabilities

Accounting policies

If an obligation fails to meet the criteria for recognition in the balance sheet, it may be treated as a contingent liability to disclose. Such obligations derive from past events and such events will only be confirmed by one or more uncertain future events that are not entirely within the Group's control occurring or not occurring. Contingent liabilities also include existing obligations where an outward flow of resources is unlikely, or where it is not possible to produce a sufficiently reliable estimation of the amount.

Pledged assets

	2020	2019
Property mortgages in Switzerland	75	86
Blocked bank deposits*	—	13
Company mortgage	82	—

* At December 31, 2019, SEK 13 million relates to bank deposits blocked until January 13, 2020.

Contingent liabilities

	2020	2019
Guarantee commitments, FPG/PRI	2	2

Note 24 Related parties

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 27.

There are no other significant known transactions with related parties.

Note 25 Cash flow

The following subcomponents are included in cash and cash equivalents:

	2020	2019
Cash and bank balances	1,010	1,144
Credit balance on Group account in Parent Company	477	218
Total cash and cash equivalents reported in the cash flow statement	1,487	1,362

Unutilized credit

At the balance sheet date, unutilized credit within the Group stood at SEK 1,775 million (621).

Acquisition of businesses, excluding cash and cash equivalents

In 2020, Nolato acquired US-based GW Plastics Inc. The purchase price paid was SEK 1,442 million and cash and cash equivalents acquired totaled SEK 94 million.

Reconciliation of liabilities attributable to financing activities

	2020	2019
Opening balance for non-current and current financial liabilities	974	616
<i>Changes affecting cash flow</i>		
Borrowings	860	89
Repayment of loans	- 227	- 107
<i>Changes not affecting cash flow</i>		
Translation effects	- 48	35
Transition to IFRS 16 Leases, see Note 13	—	340
Other revaluations and additional IFRS 16 lease liabilities for the year, see Note 13	173	—
Financial liabilities on acquisition of GW Plastics Inc.	146	—
Contingent consideration GW Plastics Inc. acquisition	265	—
Derivatives	18	1
Closing balance for non-current and current financial liabilities	2,161	974

Note 26 Events after the end of the financial year

No significant events have occurred since the end of the period, but owing to Covid-19 Nolato is operating in an environment that at the time of this report's publication is affecting the Group in various ways.

Note 27 Remuneration of senior executives

Salaries and other remuneration of Nolato's Board, CEO and Group management

Principles for remuneration and benefits

A director's fee is paid to the Chairman and members of the Board as decided by the Annual General Meeting. No director's fee is paid to employees of the Group or to employee representatives. Remuneration for the President and CEO and other senior executives is made up of a base salary, variable remuneration, other benefits and pension premiums. Senior executives are individuals who, together with the President and CEO, constitute Group management. In 2020, Group management comprised four individuals, in addition to the President and CEO. These are CFO Per-Ola Holmström, President of Medical Solutions Johan Iverberg, President of Integrated Solutions Jörgen Karlsson and President of Industrial Solutions Johan Arvidsson. For further information, see page 46.

Any assignment taken on by individual Board members on behalf of the company in addition to Board work is remunerated at market rates. Assignments should be documented in agreements specifying the type of assignment and agreed remuneration. Remuneration is paid in arrears on completion of the assignment.

Preparatory and decision-making procedure

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

Variable remuneration

Variable remuneration paid to the President and CEO and other senior executives is based on the outcome of profit and return on capital employed. The maximum outcome is 50% of base salary for the CEO and 40% for other senior executives. At the same time, the relevant profit center must report positive earnings. In 2020, the outcome for the President and CEO was 50% of base salary (41) and for senior executives it was 18–40% of base salary (16–32).

Participants in Nolato's incentive programs are offered the opportunity to receive remuneration corresponding to half of the participant's warrant premiums and the income tax charged on such remuneration, provided that the participant's employment at the Group does not cease before three years have elapsed.

Incentive Program 2016/2021

An extraordinary general meeting of December 5, 2016, approved the issue of up to 798,000 share warrants in three different series: Series 2016/2019, Series 2017/2020 and Series 2018/2021, with 266,000 warrants in each series, granting the right to subscribe for as many B shares. Each warrant consequently entitles the holder to subscribe for one (1) new B share. The warrants were transferred to some 20 individuals on Nolato's management team on market terms, at a price established based on estimated market value for the warrants, applying the Black & Scholes valuation model.

Incentive Program 2016/2021 – Series 2016/2019

Total subscribed warrants amounted to 240,600 and all have been exercised to subscribe for shares in 2019.

Incentive Program 2016/2021 – Series 2017/2020

Total subscribed warrants amounted to 196,200 and all have been exercised to subscribe for shares in 2020.

Incentive Program 2016/2021 – Series 2018/2021

Total subscribed warrants amounted to 193,500 and the price per warrant was SEK 17.80. The subscription price for a B share is SEK 502.00. The warrants can be exercised to subscribe for shares as of May 1, 2021, up to and including December 15, 2021.

Incentive Program 2019/2024

The ordinary general meeting of May 8, 2019, approved the issue of up to 798,000 share warrants in three different series: Series 2019/2022, Series 2020/2023 and Series 2021/2024 with 266,000 warrants in each series, granting the right to subscribe for as many B shares. Each warrant consequently entitles the holder to subscribe for one (1) new B share. The warrants are transferred to some 20 individuals on Nolato's management team on market terms, at a price established based on estimated market value for the warrants, applying the Black & Scholes valuation model. The maximum dilution effect of all of the incentive programs' three series is expected to amount to a total of approximately 3% of share capital and 1.6% of votes (calculated based on the number of existing shares), assuming full subscription and full exercise of all warrants.

Incentive Program 2019/2024 – Series 2019/2022

No warrants were subscribed for in this series.

Incentive Program 2019/2024 – Series 2020/2023

Total subscribed warrants amounted to 28,750 and the price per warrant was SEK 71.00. The subscription price for a B share is SEK 928.80. The warrants can be exercised to subscribe for shares as of May 1, 2023, up to and including December 15, 2023.

Pensions

The retirement age for the President and CEO and other senior executives is 65. The President and CEO's pension premium amounted to 30% (25) of pensionable salary, and follows a defined contribution pension scheme. Variable remuneration does not qualify as pensionable income.

Other senior executives have defined contribution pension schemes. For 2020, the average pension premium was 24% of base salary (22). Variable remuneration does not qualify as pensionable income.

Severance pay

The President and CEO and other senior executives shall provide a notice period of six months. In the event of termination by the company, a notice period of 12–24 months applies. Any other income that is received during the notice period shall be deducted from the salary and other remuneration payable during the notice period. Both the President and CEO and other senior executives collect base salary and other benefits during the notice period. There is no remuneration after the notice period.

Gender distribution of Board members and Group management

	2020		2019	
	Men	Women	Men	Women
Parent Company Board including CEO	7	3	8	3
Group management including CEO	5	—	5	—

Remuneration to the Board, President and CEO and other senior executives in Group management

SEK thousand	Base salary/ Directors' fee ¹⁾	Variable remuneration ²⁾	Other benefits ³⁾	Pension premiums	Other remuneration ^{4) 5)}	Total
Remuneration and other benefits in 2020						
Chairman of the Board, Fredrik Arp ⁵⁾	445	—	—	—	150	595
Board member, Sven Boström-Svensson	215	—	—	—	—	215
Board member, Lovisa Hamrin	215	—	—	—	—	215
Board member, Åsa Hedén	262	—	—	—	—	262
Board member, Erik Lynge-Jorlén	215	—	—	—	—	215
Board member, Lars-Åke Rydh	285	—	—	—	—	285
Board member, Jenny Sjö Dahl	215	—	—	—	—	215
President and CEO, Christer Wahlquist	4,560	2,789	134	1,387	107	8,977
Executive Vice President, Per-Ola Holmström	2,940	1,436	130	1,023	84	5,613
Other senior executives in Group management (three people)	10,648	3,182	176	2,255	194	16,455
Total	20,000	7,407	440	4,665	535	33,047

Remuneration and other benefits in 2019

Chairman of the Board, Fredrik Arp ⁵⁾	445	—	—	—	150	595
Board member, Dag Andersson	215	—	—	—	—	215
Board member, Sven Boström-Svensson	215	—	—	—	—	215
Board member, Lovisa Hamrin	215	—	—	—	—	215
Board member, Åsa Hedén	215	—	—	—	—	215
Board member, Henrik Jorlén	262	—	—	—	—	262
Board member, Lars-Åke Rydh	285	—	—	—	—	285
Board member, Jenny Sjö Dahl	215	—	—	—	—	215
President and CEO, Christer Wahlquist	4,320	2,376	192	1,060	104	8,052
Executive Vice President, Per-Ola Holmström	2,820	1,227	182	816	69	5,114
Other senior executives in Group management (three people)	9,633	2,822	264	1,964	159	14,842
Total	18,840	6,425	638	3,840	482	30,225

¹⁾ Including remuneration for committee work. According to AGM decision regardless of payment period.

²⁾ Variable remuneration pertains to expensed remuneration for the financial year, payable in the following years.

³⁾ Other benefits primarily pertains to company cars.

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

⁵⁾ Fredrik Arp has invoiced SEK 150,000 (150,000) for other agreed services in accordance with a decision by the AGM. Remuneration received has been offset against social security contributions.

Note 28 Information on remuneration of auditors

The company's auditing firm has received remuneration:

SEK thousand	2020	2019
EY		
Auditing	4,564	4,549
Taxation assignments	2,074	314
Other assignments	2,978	227
Total	9,616	5,090

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.

Remuneration of other auditing firms for auditing assignments has amounted to SEK 802,000 (854,000).

Note 29 Average number of employees

	2020		2019	
	Number	Of which men	Number	Of which men
Parent Company in Sweden				
Nolato AB, Torekov	9	67%	10	70%
Subsidiaries in Sweden				
Nolato Cerbo AB, Trollhättan	145	70%	142	70%
Nolato Gota AB, Götene	201	77%	256	67%
Nolato Lövepac AB, Skånes Fagerhult	47	60%	46	59%
Nolato MediTech AB, Hörby	295	66%	293	70%
Nolato MediTor AB, Torekov	104	53%	85	52%
Nolato Plastteknik AB, Gothenburg	123	70%	137	69%
Nolato Polymer AB, Torekov	96	79%	88	81%
Nolato Silikonteknik AB, Hallsberg	76	63%	78	64%
	1,087	68%	1,125	68%
Subsidiaries abroad				
Avenue Mould Solutions Ltd, Ireland	26	77%	—	—
Cerbo France Sarl, France	1	0%	1	0%
GW Plastics (Dongguan) Ltd, China	80	54%	—	—
GW Plastics Mexicana, S. de R.L de C.V., Mexico	36	36%	—	—
GW Plastics San Antonio, Inc., USA	27	70%	—	—
GW Plastics Tucson, Inc., USA	46	57%	—	—
GW Silicones, Inc., USA	12	75%	—	—
Lövepac Converting Ltd, China	62	48%	153	35%
Lövepac Technology (Shenzhen) Co., Ltd, China	81	46%	83	40%
Nolato Contour, Inc., USA	291	58%	281	59%
Nolato EMC Kft, Hungary	25	48%	12	83%
Nolato EMC Production Center SDN BHD, Malaysia	115	52%	136	46%
Nolato GW, Inc., USA	111	61%	—	—
Nolato Hungary Kft, Hungary	724	48%	695	45%
Nolato Jabar LLC, USA	68	66%	—	—
Nolato Jaycare Ltd, UK	145	83%	249	75%
Nolato Medical Device Co. Ltd, China	52	58%	62	56%
Nolato Mobile Comm. Polymers (Beijing) Ltd, China	2,690	49%	2,431	48%
Nolato Romania Srl, Romania	56	41%	56	41%
Nolato Silikonteknik (Beijing) Co., Ltd, China	179	57%	209	50%
Nolato Stargard Sp.zo.o., Poland	127	21%	121	24%
Nolato Technology (Suzhou) Co., Ltd, China	407	46%	89	43%
Nolato Treff AG, Switzerland	264	69%	228	72%
	5,625	51%	4,806	50%
	6,721	54%	5,941	53%

Note 30 Financial risk management

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

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

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

Market risk – foreign exchange risk

The Group is exposed to exchange rate fluctuations in future payment flows attributable to both contracted and anticipated commercial undertakings, as well as loans and investments in foreign currency – transaction exposure. The Group's financial statements are also affected by translation effects when translating the earnings and net assets of foreign subsidiaries into Swedish kronor – translation exposure.

Transaction exposure

Transaction exposure derives from the Group's sales and purchases in various currencies. This foreign exchange risk consists of both the risk of fluctuations in the value of financial instruments, i.e. accounts receivable and accounts payable, and the foreign exchange risk in anticipated and contracted payment flows.

In 2020, Nolato's sales to countries outside Sweden accounted for 90% (85) of total sales. The largest flow currencies for the Swedish units were EUR and USD. The China-based operations had a net exposure largely in CNY/USD.

Nolato carries out short-term currency hedging for part of the Group's net exposure in foreign currencies. The aim of hedging the currency exposure is to even out fluctuations in earnings. According to this policy, Nolato hedges the net flow of the forecast inward and outward flow of currencies over a rolling 12-month period. In the event that the net flow in an individual currency is less than SEK 50 million, there is no hedging requirement. The hedging levels for the flows in each currency should be within the following ranges:

Range	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 counter value exceeding SEK 3 million. The consolidated income statement includes exchange rate differences in a net amount of SEK –29 million (–3) in operating profit.

Foreign exchange risks in financial flows relating to loans and investments in foreign currencies can be avoided by the Group's companies borrowing in local currencies or hedging these flows. According to this policy, any such hedging or risk-taking is decided on a case-by-case basis. Any hedging costs and any differences in interest rate levels between countries are taken into consideration in decisions on any possible risk-taking in relation to financial flows. During the year, there were exchange rate differences of SEK –16 million (–11) in net financial income/expense.

At the end of 2020, the Group had the following currency hedges in relation to anticipated payment flows in CNY, EUR, GBP and USD for 2021. The derivatives used are forwards and currency swaps. The volume and scope of the contracts are stated below in nominal terms.

Currency forward contracts

Currency forward contracts entered into but unutilized are detailed in the table below.

Currency forward contracts

	2020					2019				
	Nominal value	Fair value	Average rate	Recognized in profit/loss	Recognized in other comprehensive income	Nominal value	Fair value	Average rate	Recognized in profit/loss	Recognized in other comprehensive income
SEKm										
Hedging for intra-group loans									2	—
GBP sold for SEK (Q4)	66	66	11.2118	—	—	72	71	12.2861	—	—
USD sold for SEK (Q4)	549	534	8.3752	13	—	262	260	9.2293	–2	—
Total	615	600		13	—	334	331		–2	—
Hedging for anticipated dividends										
CNY sold for SEK (Q2)	—	—	—	—	—	252	251	1.3263	2	—
CNY sold for USD (Q2)	231	213	7.0919	—	–18	—	—	—	—	—
Total	231	213		—	–18	252	251		2	—
Cash flow hedges EUR										
EUR sold for SEK (Q1)	3	3	10.4271	—	—	–22	–22	10.5577	—	—
EUR sold for SEK (Q2)	9	9	10.3774	—	—	–27	–27	10.5577	—	—
EUR purchased with SEK (Q3)	–7	–7	10.2967	—	—	–21	–21	10.5577	—	—
EUR purchased with USD (Q4)	–2	–2	10.3113	—	—	–9	–9	10.5577	—	—
Total	3	3		—	—	–79	–79		—	—
Cash flow hedges USD										
USD sold for SEK (Q1)	46	52	9.3432	—	—	41	41	9.4174	—	—
USD sold for SEK (Q2)	34	37	8.9646	—	—	37	37	9.4679	—	—
USD sold for SEK (Q3)	24	26	8.7038	—	—	26	26	9.5477	—	—
USD sold for SEK (Q4)	11	11	8.4779	—	—	16	16	9.2343	—	—
Total	115	126		4	7	120	120		1	1

Gains and losses in other comprehensive income in relation to currency forward contracts at December 31, 2020, will be transferred to the income statement at various dates within one year of the balance sheet date.

Net exposure of sales and purchasing in foreign currency (cash flow hedges)

SEKm	12-month estimated net flows	Total hedges	Percentage	Average rate
EUR	9	3	33%	10.3513
USD	240	115	48%	9.0151
Total	249	118	47%	

The contracts are included at fair value in the balance sheet, and the change in value is recognized in other comprehensive income. When the contracts are realized, the accumulated change in value is booked to the income statement. In 2020, the effect of the currency derivatives on operating profit was SEK 4 million (1).

Transaction exposure at year-end (cash flow hedges)

SEKm	12-month unhedged estimated net flows	Exchange rate change	Impact on earnings
EUR	6	+/- 5%	+/- 0
USD	125	+/- 5%	+/- 6
Total	131		+/- 6

At the end of the year, the Group had SEK 131 million in unhedged estimated currency flows, including effects from currency hedges. A change in the value of the Swedish krona of +/- 5% would have an impact of SEK +/- 6 million on profit.

Translation exposure

Foreign exchange risks also exist in the translation of foreign subsidiaries' assets, liabilities and profit into the Parent Company's functional currency. This is known as translation exposure. Nolato's policy is that net investments in shareholders' equity in foreign currency are not normally currency-hedged, but may be in some cases following a separate decision. Translation differences reported in other comprehensive income are detailed in Note 18, 'Other reserves'.

Translation exposure in foreign subsidiaries

SEKm	Net assets	5% increase in value of krona
Nolato Romania, RON	9	—
Nolato Holding USA, USD	617	- 31
Nolato Holdings UK, GBP	139	- 7
Nolato Automotive Components (Beijing), CNY	- 3	—
Nolato Medical Device (Beijing), CNY	- 19	1
Nolato Mobile Comm. Polymers (Beijing), CNY	580	- 29
Nolato Technology (Suzhou), CNY	69	- 3
Nolato Silikonteknik (Beijing), CNY	12	- 1
Lövepac Converting, CNY	41	- 2
Lövepac Converting India, INR	- 19	1
Lövepac Technology (Shenzhen), CNY	- 14	1
Nolato EMC Production Center, USD	22	- 1
Nolato Hungary, EUR	474	- 24
Nolato EMC Hungary, EUR	- 1	—
Nolato Stargard, PLN	10	- 1
Cerbo France, EUR	—	—
Total	1,917	- 96

The Group has SEK 1,917 million in foreign net assets, mainly in China, Hungary and the US. A five percentage point appreciation of the Swedish krona would have an impact of SEK -96 million on the net assets in the Group. The Group has no exposure in Nolato Treff AG's net assets, as any translation effects are evened out by a loan in CHF in the Parent Company.

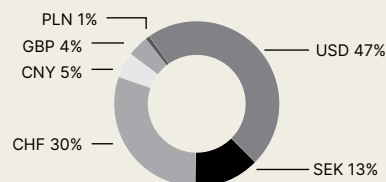
Interest rate risk

Interest rate risk is the risk that the Group's net interest income/expense will be weakened in the event of changes to market interest rates. At year-end, interest-bearing liabilities with credit institutions amounted to SEK 1,785 million (696). The fixed interest term on the Group's loans and investments determines how quickly interest rate changes affect earnings. In order to limit the Nolato Group's interest rate risk, the portion of those interest-bearing liabilities exceeding SEK 400 million must have a fixed interest maturity structure as follows:

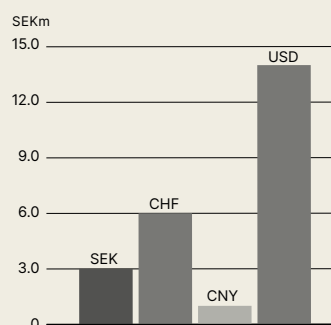
- Up to one year: 35-65%
- More than one year: 35-65%

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

Breakdown of interest-bearing liabilities by currency



Interest rate effect on interest-bearing liabilities at year-end



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 24 million.

Liquidity risk

Liquidity risk, also known as financing risk, relates to the risk of the Group having problems accessing capital. In order to maintain financial flexibility and meet the Group's capital requirements, contractual credit facilities are in place with various contract lengths. This both enables the financing of fluctuations and organic growth, and provides the Group with capacity for large investments and acquisitions.

Total credit lines granted in the Group amount to SEK 3,295 million (1,260). Of this amount, SEK 409 million matures on August 6, 2021, SEK 509 million on September 27, 2021, SEK 600 million on April 24, 2022, SEK 900 million on August 6, 2023, and SEK 614 million on August 6, 2025.

Interest-bearing net financial liabilities at year-end

	Outstanding amount (SEKm)	Future interest during term outstanding	Term out-standing (mths)	Fixed interest period outst. (mths)	Average interest (%)
Interest-bearing liabilities					
Bank loans, USD	-999	51	37	37	1.5
Bank loans, CHF	-521	3	9	9	0.7
Contingent consid. GW Plastics Inc., USD	-265				-
Lease liability, CHF	-6				0.4
Lease liability, CNY	-98				3.6
Lease liability, EUR	-3				2.4
Lease liability, GBP	-87				1.0
Lease liability, PLN	-19				2.7
Lease liability, RON	-1				5.4
Lease liability, SEK	-113				2.2
Lease liability, USD	-31				1.7
Pension liability, SEK	-158				1.2
Pension liability, CHF	-116				0.7
Total	-2,417	54			1.2
Interest-bearing assets					
Cash and cash equivalents	1,487				1.4
Net financial liabilities	-930				

As part of the financing of the Group's subsidiaries, the Parent Company has issued internal loans in GBP to the UK and in USD to the US. The repayment of these loans has been hedged according to the table below. Hedge accounting is not applied for these currency hedge contracts.

Subsidiaries	Currency swaps	Selling price	Maturity date
Nolato Holding USA Inc., US	USD 66 million	8.3752	December 16, 2021
Nolato Holdings UK Ltd, UK	GBP 6 million	11.2118	December 16, 2021

At year-end the Group's financial liabilities stood at SEK 3,365 million (2,059). Non-interest-bearing liabilities are attributable primarily to accounts payable, with the term outstanding shown in the table below.

Maturity	< 1 month	1-3 months	4-12 months	> 1 year	Total
Accounts payable	514	397	18	1	930

Credit risk

Credit risk refers to an exposure to loss in the event that a counterparty to a financial instrument is unable to fulfil its commitments. Nolato is exposed to credit risk through its operational activities and some of its financial activities.

The Group's maximum credit risk exposure is SEK 2,770 million (2,420) at the balance sheet date. The exposure comprises the carrying amount of all financial assets.

Credit risk (SEKm)

	2020	2019
Accounts receivable	1,254	1,051
Contract assets relating to development work and development of production tools (see also Note 4)	69	90
Other receivables	2	2
Derivatives	27	5
Cash and cash equivalents	1,487	1,362
Total	2,770	2,420

Accounts receivable are continually analyzed at operating level within the Group. Accounts receivable are subject to credit checks and approval procedures exist in all Group companies.

In accordance with the Group's financial policy on credit risk for financial activities, the Group only deals with well-established financial institutions. Transactions are undertaken within set limits and credit exposure per counterparty is continually analyzed.

The Nolato Group has entered into ISDA contracts (International Swaps and Derivatives Association, Inc.) with essentially all of these financial institutions. An ISDA contract is classified as an enforceable netting arrangement. One function of an ISDA contract is that it allows the Nolato Group to calculate credit exposure on a net basis, i.e. the difference between the Group's claims and liabilities per counterparty. The agreement between the Group and the counterparty enables net payment of derivatives when both parties choose this method. In the event of failure to pay by either party, the counterparty is able to choose to pay net. Transactions are undertaken within set limits and credit exposure per counterparty is continually analyzed. At the balance sheet date, the Group had derivative assets of SEK 27 million (5) and derivative liabilities of SEK 18 million (1) included in enforceable netting arrangements.

Hedge accounting

The Group applies hedging to reduce risks attributable to volatility in balance sheet items and future cash flows, which would otherwise affect profit or loss. A distinction is made between cash flow hedging, fair value hedging and hedging of net investments in foreign operations, based on the nature of the hedged item.

Derivatives that constitute effective financial hedges, but that either do not qualify for hedge accounting according to IFRS 9 or that the Group chooses not to apply hedge accounting for, are recognized in the same way as instruments held for trading. In such cases, changes to the fair value of financial hedges are recognized immediately in profit or loss as financial income or expense, or in operating profit depending on the nature of the hedged item.

Cash flow hedging

Hedge accounting has been applied to derivative instruments that effectively counteract variations in the cash flow from forecast sales. Changes in the fair value of such derivative instruments identified as hedging instruments and that satisfy the criteria for hedging of future cash flows are recognized in hedging reserves in shareholders' equity via other comprehensive income.

Hedging of net investments

Hedge accounting has been applied to financial instruments that effectively counteract the Group's exposure to effects arising on conversion of Nolato Treff AG's net assets into the Parent Company's functional currency. Gains and losses in hedging instruments that satisfy the requirements for hedging of net investments are recognized in the translation reserve in shareholders' equity via other comprehensive income.

At the balance sheet date, the Group hedged a nominal amount of CHF 55 million (55) of net investment in foreign operations against changes to the CHF/SEK exchange rate. A CHF loan in the amount of CHF 55 million (55) was used as a hedging instrument.

The result of the hedge amounted to SEK 18 million (-26) before tax for 2020 and was recognized directly in the translation reserve via other comprehensive income. During the year, no gains/losses from hedging reserves were reclassified via other comprehensive income to profit or loss to match the reclassification of the accumulated currency translation difference in the hedged subsidiary's equity.

Note 31 Acquisitions**Acquisition of GW Plastics****Description of GW Plastics Inc.**

Nolato has acquired GW Plastics Inc. The company has annual sales equivalent to approximately SEK 1.8 billion, with an estimated EBITA margin of around 7%. The acquisition provides significant volumes and a strong position in North America, offering additional opportunities for growth and underpinning existing core customer relationships. The acquisition means Nolato has a solid global position on the three continents of Europe, North America and Asia. The company has operations in the US, Mexico, China and Ireland.

GW Plastics was founded in 1955 and has established a position as an industry leader specializing in complex injection-molded thermoplastic and silicone solutions with a significant degree of innovation and a high-tech standardized global manufacturing platform. The company's products are mainly used in medical devices and, to a lesser extent, in vehicle systems.

Just over four-fifths of GW Plastics' business is reported under the Medical Solutions business area, with the remainder reported under Industrial Solutions.

Description of the acquisition

Nolato has acquired 100 percent of the shares in GW Plastics Inc., and obtained controlling influence. The company was acquired on September 1 and was consolidated by Nolato as of the same date. The acquisition was reported using the acquisition method, with the total purchase price being allocated among the assets acquired and liabilities assumed based on their fair values. Fair value was determined using generally accepted principles and methods. The acquisition price for the company, which is debt-free, amounts to approximately SEK 2 billion, including a contingent consideration estimated by Nolato at SEK 0.3 billion. The contingent consideration may amount to a maximum of roughly SEK 0.4 billion. The contingent consideration is based on earnings for the period 2020–2022. The purchase price is financed via cash payment and the arrangement of a new credit agreement. The acquisition contributed SEK 521 million to the Nolato Group's revenue in 2020 and had a marginal negative effect on the Group's earnings per share (SEK -0.20). The pandemic has led to lower demand in the surgery segment as operations are being postponed, which affected the US business. Differing principles for monitoring of performance in a number of countries compared with Nolato's principles in several areas means that submitting disclosures about the acquired company's earnings for the current reporting period would involve a considerable amount of work, as opposed to if the acquisition had taken place at the beginning of the financial year. Such disclosures are therefore omitted. The acquisition analysis of the company has been established and is thus definitive.

Acquisition value, goodwill and cash flow effects**Acquisition value**

Acquisition value	1,721
Less fair value of acquired net assets (according to spec. below)	- 631
Goodwill	1,090

Goodwill arising in connection with the transaction consists of synergies that are expected to be achieved primarily as a result of increased sales volumes for the Nolato Group to customers, primarily in the US within the Medical Solutions business area. But also partly by means of lower costs through better purchasing terms from external suppliers, and other involvement at different levels in the Medical Solutions business area and, to some extent, in the Industrial Solutions business area. The goodwill is not tax-deductible according to US tax rules.

Net assets

	Balance sheet at time of acquisition	Adjustment to fair value	Fair value
Non-current intangible assets	—	276	276
Property, plant and equipment	508	—	508
Rights of use	61	—	61
Deferred tax assets	29	—	29
Current assets	753	—	753
Cash and cash equivalents	94	—	94
Provisions	- 1	—	- 1
Other non-current financial liabilities	- 522	—	- 522
Deferred tax liabilities	- 35	- 64	- 99
Other current financial liabilities	- 16	—	- 16
Other current liabilities	- 452	—	- 452
Net assets acquired	419	212	631

Non-current intangible assets in the form of customer relationships are estimated to amount to SEK 276 million and will be amortized for accounting purposes over a period of 10 years. Gross value, fair value and the value expected to be settled for the balance sheet item 'Accounts receivable' are all SEK 248 million. Acquisition expenses of SEK 27 million were expensed as other operating expenses.

Cash flow effects

Cash paid, acquisition value	1,442
Less acquired cash and cash equivalents	- 94
Net cash flow from acquisition	1,348

Five-year review, key performance indicators

	2020	2019	2018	2017	2016
Performance indicators according to IFRS¹⁾					
Operating profit (EBIT) (SEK million)	1,048	887	941	749	443
Diluted earnings per share after tax (SEK)*	30.24	26.60	27.37	21.74	12.77
Performance indicators (alternative performance measures)¹⁾					
Reversal of amortization of intangible assets arising in connection with acquisitions	18	8	8	14	14
Operating profit (EBITA) (SEK million)	1,066	895	949	763	457
Performance indicators per share (alternative performance measures)¹⁾					
Profit/loss after tax for the year (SEKm)	806	703	722	572	336
Reversal of amortization of intangible assets arising in connection with acquisitions	18	8	8	14	14
Tax on reversal of amortization of intangible assets arising in connection with acquisitions	-4	-2	-2	-3	-3
Adjusted profit/loss after tax (SEKm)	820	709	728	583	347
Average number of shares after dilution*	26,656,096	26,432,001	26,384,021	26,315,844	26,307,408
Adjusted diluted earnings per share after tax (SEK)*	30.76	26.82	27.59	22.15	13.19
Sales and profit (alternative performance measures)¹⁾					
Net sales (SEK million)	9,359	7,919	8,102	6,720	4,447
Sales growth (%)	18	-2	21	51	-6
Profit after financial income and expenses (SEK million)	1,014	857	921	731	438
Profit for the year (SEK million)	806	703	722	572	336
Cash flow (alternative performance measures)¹⁾					
Cash flow from operations (SEK million)	1,164	1,160	1,045	773	466
Investing activities (SEK million)	-1,695	-453	-398	-277	-619
Cash flow after investing activities (SEK million)	-531	707	647	496	-153
Cash flow from operating activities per share, before dilution (SEK)*	43.72	43.81	39.72	29.38	17.71
Cash flow after investing activities excluding acquisitions and disposals per share, before dilution, (SEK)*	34.00	30.19	22.54	18.85	9.31
Cash conversion (%)	87	88	60	66	55
Financial position (alternative performance measures)¹⁾					
Total assets (SEK million)	8,684	6,134	5,156	4,752	3,924
Shareholders' equity (SEK million)	3,699	2,966	2,592	2,159	1,850
Interest-bearing liabilities and provisions (SEK million)	-2,417	-1,219	-794	-822	-819
Financial net debt (-)/net assets (+), excluding pension and lease liabilities (SEK million)	-298	666	341	31	-206
KPIs (alternative performance measures)¹⁾					
Return on total capital before tax (%)	14.1	15.6	18.4	17.1	13.7
Return on capital employed before tax (%)	20.7	23.1	29.7	26.6	20.6
Return on operating capital before tax (%)	29.2	31.0	40.0	32.1	24.4
Return on net shareholders' equity (%)	23.9	25.5	30.4	29.4	19.0
EBITA margin (%)	11.4	11.3	11.7	11.4	10.3
Profit margin (%)	10.8	10.8	11.4	10.9	9.8
Equity/assets ratio (%)	43	48	50	45	47
Debt/equity ratio (times)	0.7	0.4	0.3	0.4	0.4
Interest coverage ratio (times)	28	25	40	56	67
Average number of employees	6,721	5,941	6,449	7,249	6,418

¹⁾ Nolato presents certain financial measures in this report that are not defined according to IFRS. Nolato considers that these measures provide valuable supplementary information for investors and company management, as they enable an assessment of trends and the company's performance. Since not all companies calculate financial measures in the same way, these are not always comparable to measures used by other companies. These financial measures should not therefore be regarded as substitutes for measures defined according to IFRS. For definitions of financial measures, see page 89.

* The Group has two incentive programs: Incentive Program 2016/2021 and Incentive Program 2019/2024. For further information, see Note 27.

Alternative performance measures

SEKm unless otherwise specified	2020	2019
Operating profit (EBITDA)	1,456	1,263
Non-recurring items	31	4
Adjusted operating profit (EBITDA)	1,487	1,267
Operating profit (EBIT)	1,048	887
Reversal of amortization of intangible assets arising in connection with acquisitions	18	8
Operating profit (EBITA)	1,066	895
Non-recurring items	31	22
Adjusted operating profit (EBITA)	1,097	917
EBITA margin (%)	11.4	11.3
Adjusted EBITA margin (%)	11.7	11.6
Profit after financial income and expenses	1,014	857
Non-recurring items	31	22
Adjusted profit after financial income and expenses	1,045	879
Profit margin (%)	10.8	10.8
Adjusted profit margin (%)	11.2	11.1
Profit after tax	806	703
Non-recurring items	31	22
Tax on non-recurring items	-6	-6
Adjusted profit/loss after tax	831	719
Cash flow after investments, excl. acquisitions and disposals	905	800
Non-recurring items (affecting cash flow)	36	—
Adjusted cash flow after investments, excluding acquisitions and disposals	941	800
Operating profit (EBIT)	1,048	887
Non-recurring items	31	22
Adjusted operating profit (EBIT)	1,079	909
Cash conversion (%)	87	88

Including a non-recurring item in operating profit of SEK -31 million for the full year 2020, and tax effects of SEK +6 million, which have affected profit after tax in the amount of SEK -25 million. This non-recurring item has been recognized at Group level and has consequently not affected the profit of the business areas.

Including a non-recurring item in operating profit of SEK -22 million in Q4 2019 and for the full year 2019, and tax effects of SEK +6 million, which have affected profit after tax in the amount of SEK -16 million. This non-recurring item has been recognized at Group level and has consequently not affected the profit of the business areas.

SEKm unless otherwise specified	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Profit after financial income and expenses, rolling 12 mths	1,015	980	945	912	856				
Financial expenses, rolling 12 mths	38	38	35	36	36				
Adjusted profit after financial exp., rolling 12 mths	1,053	1,018	980	948	892				
Total capital at end of period	8,684	9,113	6,638	6,630	6,134	6,051	5,593	5,733	5,156
Average total capital, past five quarters	7,440	6,913	6,209	6,028	5,733				
Return on total capital (%)	14.1	14.7	15.8	15.7	15.6				
Adjusted profit after financial exp., rolling 12 mths	1,053	1,018	980	948	892				
Capital employed at end of period	6,116	6,167	4,514	4,480	4,184	4,022	3,771	3,982	3,387
Average capital employed, past five quarters	5,092	4,673	4,194	4,088	3,869				
Return on capital employed (%)	20.7	21.8	23.4	23.2	23.1				
Operating profit (EBIT), rolling 12 mths	1,048	1,019	974	939	887				
Capital employed at end of period	6,116	6,167	4,514	4,480	4,184	4,022	3,771	3,982	3,387
Cash and bank balances at end of period	-1,487	-1,438	-1,906	-1,333	-1,362	-851	-828	-1,034	-953
Operating capital at end of period	4,629	4,729	2,608	3,147	2,822	3,171	2,943	2,948	2,434
Average operating capital, past five quarters	3,587	3,295	2,938	3,006	2,864				
Return on operating capital (%)	29.2	30.9	33.1	31.2	31.0				
Profit after tax, rolling 12 mths	806	801	776	749	703				
Shareholders' equity at end of period	3,699	3,653	3,353	3,220	2,966	2,833	2,604	2,783	2,592
Average shareholders' equity, past five quarters	3,378	3,205	2,995	2,881	2,756				
Return on shareholders' equity (%)	23.9	25.0	25.9	26.0	25.5				

Definitions – IFRS measures

> Earnings per share

Earnings for the period that are attributable to the Parent Company's owners divided by the average number of shares outstanding.

> Operating profit (EBIT)

Earnings before interest and taxes.

Definitions – Alternative performance measures

Nolato presents certain financial measures in this report that are not defined according to IFRS. Nolato considers that these measures provide valuable supplementary information for investors and company management, as they enable an assessment of trends and the company's performance. Since not all companies calculate financial measures in the same way, these are not always comparable to measures used by other companies. These financial measures should not therefore be regarded as substitutes for measures defined according to IFRS.

> Return on total capital

Profit after financial income and expenses, plus financial expenses, as a percentage of average total capital according to the balance sheet.

> Return on capital employed

Profit after financial income and expenses, plus financial expenses, as a percentage of average capital employed. Capital employed consists of total capital less non-interest-bearing liabilities and provisions.

> Return on operating capital

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

> Return on shareholders' equity

Profit after tax in relation to average shareholders' equity.

> EBITA margin

Operating profit (EBITA) as a percentage of net sales.

> Net financial liabilities/net financial assets

Interest-bearing assets less interest-bearing liabilities and provisions.

> Average number of shares

The average basic number of shares comprises the Parent Company's weighted average number of shares outstanding during the period. After dilution, a weighted average of the shares that may be issued under the ongoing share warrant program is added if they are in the money, but only insofar as the average listed share price for the period exceeds the subscription price of the warrants.

> Adjusted earnings per share

Profit after tax, excluding amortization of intangible assets arising from acquisitions, divided by the average number of shares.

> Cash flow from operating activities per share

Cash flow from operating activities in relation to the average number of shares.

> Cash flow per share

Cash flow before financing activities in relation to the average number of shares.

> Cash conversion

Cash flow after investments, excluding acquisitions and disposals, divided by operating profit (EBIT). Cash flow and operating profit have been adjusted to take account of any non-recurring items.

> Interest coverage ratio

Profit after financial income and expenses, plus financial expenses, divided by financial expenses.

> Operating profit (EBITDA)

Earnings before interest, taxes, depreciation and amortization.

> Operating profit (EBITA)

Earnings before interest, taxes and amortization of intangible assets arising from acquisitions.

> Debt/equity ratio

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

> Equity/assets ratio

Shareholders' equity as a percentage of total capital according to the balance sheet.

> Profit margin

Profit after financial income and expenses as a percentage of net sales.

Some of the items reported relate to future events and actual outcomes may differ materially. In addition to those factors explicitly commented on, other factors may also materially affect the actual outcome, such as economic conditions, exchange rates and interest rate levels, political risks, competition and pricing, product development, commercialization and technical difficulties, supply problems and customer credit losses.

A few specialist terms used within the Nolato Group

> Polymer materials

Materials such as plastic, silicone, rubber and thermoplastic elastomers (TPEs).

> Injection molding

A method for the production of polymer components. The material is injected under high pressure into a mold in which the component is made.

> Injection blow molding

Production technique whereby a container is first injection-molded and then inflated so that a receptacle is formed. Injection blow molding is used by Nolato in the production of pharmaceutical packaging.

> Extrusion

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

> Dip molding

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

> Haptic technology/haptics

Designing a surface so that a function or cosmetic effect can be felt.

> Clean room

A room with extremely strict requirements in terms of the absence of dust particles, in some cases even minimization of bacteria, etc. Used by Nolato when producing medical technology components and mobile phone components.

> Shielding (EMC)

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. EMC stands for Electro Magnetic Compatibility, which is the purpose of the shielding.

Parent Company income statement

SEKm	Note	2020	2019
Net sales	2	69	60
Selling expenses	6, 12	- 6	- 7
Administrative expenses	3, 6, 12	- 57	- 48
Other operating income	4	14	3
Other operating expenses	5	- 40	- 48
	12	- 89	- 100
Operating profit		- 20	- 40
Revenue from investments in Group companies	7	516	468
Financial income	8	32	10
Financial expenses	9	- 20	- 42
		528	436
Profit after financial income and expenses		508	396
Appropriations	10	180	210
Tax	11	- 53	- 43
Profit for the year		635	563

Parent Company comprehensive income

SEKm	2020	2019
Profit for the year	635	563
<i>Items transferred or that could be transferred to profit for the period</i>		
Exchange rate difference on monetary item regarding overseas net investment	—	- 1
Comprehensive income for the year	635	562

Parent Company balance sheet

SEKm	Note	2020	2019
Assets			
Non-current assets			
Non-current intangible assets		—	1
Property, plant and equipment		1	1
Total non-current assets		1	2
Financial assets			
Investments in Group companies	13	1,982	1,411
Receivables from Group companies	16	1,549	441
Other non-current receivables		2	2
Total non-current financial assets		3,533	1,854
Total non-current assets		3,534	1,856
Current assets			
Receivables from Group companies		706	908
Other receivables		2	40
Prepaid expenses and accrued income		13	6
Total current assets		721	954
Cash and bank balances		477	218
Total assets		4,732	3,028
Shareholders' equity and liabilities			
Shareholders' equity			
<i>Restricted equity</i>			
Share capital (26,744,208 shares)	14	134	133
Statutory reserve		392	298
Total restricted equity		526	431
<i>Unrestricted equity</i>			
Translation reserve		- 4	- 4
Retained earnings		1,415	852
Profit for the year		635	563
Total unrestricted equity		2,046	1,411
Total shareholders' equity		2,572	1,842
Untaxed reserves	19	269	229
Provisions			
Deferred tax liabilities	11	9	5
Other provisions	17	7	11
Total provisions		16	16
Non-current liabilities			
Liabilities to credit institutions	15	614	615
Liabilities to Group companies	16	55	55
Total non-current liabilities		669	670
Current liabilities			
Accounts payable		9	5
Liabilities to credit institutions	15	832	—
Liabilities to Group companies		327	235
Other liabilities		16	12
Accrued expenses and deferred income	18	22	19
Total current liabilities		1,206	271
Total liabilities and shareholders' equity		4,732	3,028

Parent Company changes in shareholders' equity

SEKm	Restricted equity		Unrestricted equity		Total shareholders' equity
	Share capital	Statutory reserve	Translation reserve	Retained earnings	
Opening balance, Jan. 1, 2019	132	228	-3	1,220	1,577
Profit for the year			—	563	563
Other comprehensive income for the year			-1	—	-1
Comprehensive income for the year	—	—	-1	563	562
Warrants exercised in incentive program	1	70	—	—	71
Dividend for 2018			—	-368	-368
Closing balance, Dec. 31, 2019	133	298	-4	1,415	1,842
Opening balance, Jan. 1, 2020	133	298	-4	1,415	1,842
Profit for the year			—	635	635
Other comprehensive income for the year			—	—	—
Comprehensive income for the year	—	—	—	635	635
Warrants exercised in incentive program	1	94	—	—	95
Closing balance, Dec. 31, 2020	134	392	-4	2,050	2,572

Parent Company cash flow statement

SEKm	Note	2020	2019
Operating activities			
Operating profit		-20	-40
Adjustments for items not included in cash flow		37	-1
Dividends from subsidiaries		200	182
Interest received		32	10
Interest paid		-12	-6
Realized exchange rate differences		18	-23
Income tax paid		-9	-52
Cash flow from operating activities before changes in working capital		246	70
Changes in working capital			
Changes in operating receivables and operating liabilities		591	220
Cash flow from operating activities		837	290
Investing activities			
Acquisition of non-current financial assets		—	-26
Shareholders' contribution		-571	-160
Cash flow from investing activities		-571	-186
Cash flow before financing activities		266	104
Financing activities			
Borrowings	15	860	88
Change in long-term intra-Group transactions		-1,202	13
Dividend paid		—	-368
Group contribution received		240	257
Group contribution paid		—	-6
Warrants exercised in incentive program		95	71
Cash flow from financing activities		-7	55
Cash flow for the year		259	159
Cash and cash equivalents, opening balance		218	59
Cash and cash equivalents, closing balance*		477	218

* Credit balance on Group account in Parent Company.

Notes to the Parent Company financial statements

Note 1 Accounting and valuation policies

The Parent Company's annual accounts have 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 accounts for the legal entity, applying all IFRS standards and statements adopted by the EU as far as possible within the framework of the Swedish Annual Accounts Act and the Swedish Law on Safeguarding Pension Obligations, and in view of the relationship between accounting and taxation. The recommendation details which exceptions from and additions to IFRS shall apply.

The accounting policies of the Parent Company otherwise comply with the accounting policies of the Group, with the following exceptions:

Investments in Group companies

Investments in subsidiaries are recognized in the Parent Company in accordance with the cost method. Transaction charges attributable to the acquisition of shares in subsidiaries are included in the acquisition cost of investments in Group companies in the balance sheet. Impairment testing occurs annually by comparing the Parent Company's recorded acquisition costs with the subsidiaries' net worth, including their long-term earning capacity.

Classification and formats

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

IFRS 16 Leases

IFRS 16 rules are not applied for legal entities, which are instead subject to the rules in RFR 2 p. 2–5. The Parent Company recognizes lease payments as costs on a straight-line basis over the term of the lease. Expensed lease payments during the year amounted to SEK 770,000 (754,000). Over the next three years, lease payments will amount to a total of approximately SEK 1,172,000.

Sales

Assigning joint Group expenses

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

Dividend income

Dividend income is recognized when the right to receive the dividend is established. Any anticipated dividend is recognized as receivables from Group companies and as revenue from investments in Group companies (see Note 7).

Financial instruments

The Parent Company applies the section on IFRS 9 Financial Instruments in RFR 2 according to point 2. Outstanding derivative instruments at December 31, 2020, are described in Note 30 of the consolidated statements.

Employee benefits

Defined benefit schemes

Defined benefit pension schemes are insured through a policy held with Alecta. According to RFR 2, the defined benefit pension schemes are classified and recognized as defined contribution schemes, which means that premiums paid are charged to the income statement. Charges for the year to Alecta totaled SEK 395,000 (352,000). Within the Parent Company, a different basis than that set out in IAS 19 is applied when calculating and valuing the defined benefit schemes. The Parent Company follows the provisions of the Swedish Law on Safeguarding Pension Obligations and the regulations of the Swedish Financial Supervisory Authority, since this is a requirement for tax deduction rights. The main differences compared with the rules of IAS 19 are the manner in which the discount rate is established, the fact that the defined benefit obligations are calculated based on current salary levels without taking assumptions regarding future salary increases into consideration, and the fact that all actuarial gains and losses are recognized in the income statement when they arise.

Recognition of income taxes

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

Group contributions for legal entities

Group contributions paid and received in the Parent Company are recognized as appropriations according to the alternative rule.

Note 2 Purchasing and sales between Parent Company and subsidiaries

	2020	2019
Sales of services to subsidiaries	69	60
Purchase of services from subsidiaries	24	24

Note 3 Information on remuneration of auditors

The company's auditing firm has received remuneration:

SEK thousand	2020	2019
EY		
Auditing	677	565
Taxation assignments	2,074	110
Other assignments	2,975	84
Total	5,726	759

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 4 Other operating income

	2020	2019
Effect of exchange rate on operating receivables/liabilities	14	3

Note 5 Other operating expenses

	2020	2019
Effect of exchange rate on operating receivables/liabilities	5	12
Costs for personnel who are not employed by the Parent Company and their overheads	35	36
Total	40	48

Note 6 Personnel

Average number of employees

	2020		2019	
	Number	Of which men	Number	Of which men
Nolato AB, Torekov, Sweden	9	67%	10	70%

Employee benefits expense

	2020	2019
Salaries and remuneration	26	25
Pension expenses, defined contribution schemes	5	4
Social security contributions	9	9
Total	40	38

There are 5 (5) senior executives at the Parent Company. Expensed remuneration and benefits for senior executives at the Parent Company during the year totaled SEK 31 million (28), of which SEK 7 million (6) relates to bonuses. Of the Parent Company's pension expenses, SEK 1 million (1) 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).

Gender distribution of senior executives

	2020		2019	
	Men	Women	Men	Women
Board members	6	3	7	3
President and CEO	1	—	1	—
Other senior executives	4	—	4	—

Note 7 Revenue from investments in Group companies

	2020	2019
Dividend received from Group companies	200	182
Anticipated dividend from Group companies	316	293
Impairment of investments in Group companies	—	-7
Total	516	468

Note 8 Financial income

	2020	2019
Interest income, Group companies	32	10

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

Note 9 Financial expenses

	2020	2019
Interest expenses, credit institutions	10	5
Other financial expenses	3	1
Exchange rate differences	7	36
Total	20	42

All interest expenses are attributable to financial liabilities, which are measured at accumulated acquisition value.

Note 10 Appropriations

	2020	2019
Group contributions received	220	240
Provision for tax allocation reserve	-40	-30
Total	180	210

Note 11 Tax**Recognized in the income statement**

	2020	2019
Current tax expense (-)/income (+)		
Tax expenses for the period	-49	-43
	-49	-43
Deferred tax expense (-)/income (+)		
Deferred tax in relation to temporary differences	-4	—
Total recognized tax expense	-53	-43

Reconciliation of effective tax

The tax rate applicable for income tax is 21.4% (21.4%).

	2020	2019
Profit before tax	688	606
Tax according to applicable Parent Company tax rate	-147	-130
Coupon tax on anticipated dividends	-16	-15
Non-deductible expenses	-3	-1
Non-taxable income	113	103
Recognized effective tax	-53	-43
Deferred tax recognized in the balance sheet		
Other provisions	1	2
Other	-10	-7
Total	-9	-5

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

	Balance at Jan. 1, 2019	Recognized in profit for the year	Recognized in shareholders' equity	Balance at Dec. 31, 2019
Other provisions	2	—	—	2
Other	-8	1	—	-7
Total	-6	1	—	-5

	Balance at Jan. 1, 2020	Recognized in profit for the year	Recognized in shareholders' equity	Balance at Dec. 31, 2020
Other provisions	2	-1	—	1
Other	-7	-3	—	-10
Total	-5	-4	—	-9

Note 12 Expenses allocated by type of cost

	2020	2019
Employee benefits expense	-40	-38
Consulting expenses	-10	-5
Travel expenses	-1	-3
Advertising and PR	-5	-4
Effect of exchange rate on operating receivables/liabilities, net	9	-9
Costs for personnel who are not employed by the Parent Company and their overheads (charged on)	-35	-36
Other costs	-7	-5
Total	-89	-100

Note 13 Investments in Group companies

	2020	2019
Opening acquisition cost	1,778	1,591
Newly formed subsidiary	—	27
Shareholders' contribution	571	160
Closing accumulated acquisition cost	2,349	1,778
Opening accumulated impairment losses	- 367	- 360
Impairment losses for the year	—	- 7
Closing accumulated impairment losses	- 367	- 367
Carrying amount	1,982	1,411

	Participating interest		Carrying amount	
	2020	2019	2020	2019
AB Cerbo Group, Trollhättan, Sweden	100%	100%	268	268
Nolato Cerbo AB, Trollhättan, Sweden	100%	100%		
Cerbo France Sarl, France	100%	100%		
Lövepac Converting Ltd, China	100%	100%	9	9
Lövepac Converting Private Ltd, India	100%	100%	—	—
Lövepac Technology (Shenzhen) Co., Ltd, China	100%	100%	—	—
Nolato Alpha AB, Kristianstad, Sweden	100%	100%	12	12
Nolato Automotive Components (Beijing) Co. Ltd, China	100%	100%	1	1
Nolato EMC Kft, Hungary	100%	100%	9	9
Nolato EMC Production Center Sdn Bhd, Malaysia	100%	100%	1	1
Nolato Holding USA Inc., USA	100%	100%	571	—
Nolato Contour Inc., USA	100%	100%		
Nolato GW Inc., USA	100%	—		
GW Plastics Mexicana, S. de R.L. de C.V., Mexico	100%	—		
GW Plastics Services, S. de R.L. de C.V., Mexico	100%	—		
GW Silicones Inc., USA	100%	—		
GW Plastics San Antonio Inc., USA	100%	—		
GW Plastics Tucson Inc., USA	100%	—		
GW Plastics HoldCo Ltd, Ireland	100%	—		
Avenue Mould Solutions Ltd, Ireland	100%	—		
GW Plastics Hong Kong Ltd, China	100%	—		
GW Plastics (Dongguan) Ltd, China	100%	—		
Nolato Jabar LLC, USA	100%	100%		
Nolato Gota AB, Götene, Sweden	100%	100%	129	129
Nolato Holdings UK Ltd, UK	100%	100%	70	70
C A Portsmouth Ltd, UK	100%	100%		
Nolato Jaycare Ltd, UK	100%	100%		
Nolato Hungary Kft, Hungary	100%	100%	46	46
Nolato Incentive AB, Torekov, Sweden	100%	100%	—	—
Nolato Lövepac AB, Skånes Fagerhult, Sweden	100%	100%	10	10
Nolato Medical Device (Beijing) Co. Ltd, China	100%	100%	—	—
Nolato MediTech AB, Hörby, Sweden	100%	100%	116	116
Nolato MediTor AB, Torekov, Sweden	100%	100%	9	9
Nolato Mobile Comm. Polymers (Beijing) Ltd, China	100%	100%	91	91
Nolato Plastteknik AB, Gothenburg, Sweden	100%	100%	42	42
Nolato Polymer AB, Torekov, Sweden	100%	100%	5	5
Nolato Produktions AB, Götene, Sweden	100%	100%	—	—
Nolato Romania S.R.L., Romania	100%	100%	—	—
Nolato Silikonteknik AB, Hallsberg, Sweden	100%	100%	18	18
Nolato Silikonteknik (Beijing) Co. Ltd, China	100%	100%	20	20
Nolato Stargard Sp.zo.o., Poland	100%	100%	9	9
Nolato Technology (Suzhou) Co. Ltd, China	100%	100%	46	46
Nolato Torekov AB, Torekov, Sweden	100%	100%	12	12
Nolato Treff AG, Switzerland	100%	100%	488	488
Carrying amount			1,982	1,411

Note 14 Share capital

The share capital of Nolato AB totals SEK 134 million, divided among 26,744,208 shares. Of these, 2,759,400 are A shares and 23,984,808 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, Dec. 31, 2019	26,548,008	SEK 5	SEK 132,740 k
Share capital, Dec. 31 2020	26,744,208	SEK 5	SEK 133,721 k

Note 15 Borrowings

	Maturity date	2020	2019
Short-term bank loan in CHF (fixed rate)	2021	509	527
Short-term bank loan in USD (variable rate)	2021	78	88
Short-term bank loan in USD (fixed rate)	2021	245	—
Long-term bank loan in USD (fixed rate)	2025	614	—
Total		1,446	615

Reconciliation of liabilities attributable to financing activities

	2020	2019
Opening balance for non-current and current financial liabilities	615	501
<i>Changes affecting cash flow</i>		
Borrowings	860	88
Repayment of loans	—	—
<i>Changes not affecting cash flow</i>		
Translation effects	- 29	26
Closing balance for non-current and current financial liabilities	1,446	615

Note 16 Receivables and liabilities, Group companies

Receivables from Group companies

At January 1, 2019	442
Change	- 1
At January 1, 2020	441
Change	1,108
At December 31, 2020	1,549

Liabilities to Group companies

At January 1, 2019	55
Change	—
At January 1, 2020	55
Change	—
At December 31, 2020	55

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

Note 17 Other provisions

	2020	2019
Amount at start of year	11	12
Provisions for the year	—	—
Amounts claimed	- 4	- 1
Amount at year-end	7	11

Relates to future salary tax for endowment insurance.

Note 18 Accrued expenses and deferred income

	2020	2019
Salary liabilities	11	10
Social security contributions	8	7
Other items	3	2
Total	22	19

Note 19 Untaxed reserves

	2020	2019
Provision for tax allocation reserve (taxation year 2016)	69	69
Provision for tax allocation reserve (taxation year 2017)	84	84
Provision for tax allocation reserve (taxation year 2018)	46	46
Provision for tax allocation reserve (taxation year 2019)	30	30
Provision for tax allocation reserve (taxation year 2020)	40	—
Total	269	229

Note 20 Contingent liabilities

	2020	2019
Guarantees on behalf of subsidiaries	304	252

Note 21 Related parties

The Parent Company has controlling influence over the subsidiaries, in accordance with the structure described in Note 13.

When delivering goods and services between Group companies, business terms and conditions and market pricing are applied. The scope of internal invoicing for joint Group services amounts to SEK 69 million (60), as detailed in Note 2, and relates primarily to assigning costs for joint Group services and overheads. The Parent Company is an internal bank for the Group companies, whereby intra-group interest income of SEK 32 million (10) and interest expenses of SEK 0 million (0) have arisen in the Parent Company to the extent reported in Notes 8 and 9. Interest on loans receivable and liabilities is calculated on an ongoing basis in line with the market rate. There are no contractually regulated durations. Intra-group receivables at the Parent Company amount to SEK 1,549 million (441) and liabilities to Group companies amount to SEK 55 million (55).

During the year, the Parent Company received dividends from subsidiaries in the amount of SEK 516 million (475), of which SEK 316 million (293) refers to anticipated dividend.

Note 22 Appropriation of profit

Proposed allocation of earnings

	2020	2019
The Board proposes that unappropriated funds:		
Retained earnings	1,411	848
Profit for the year	635	563
	2,046	1,411
be allocated as follows:		
Dividend to the shareholders*	428	—
To be carried forward	1,618	1,411
	2,046	1,411

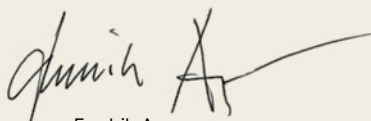
* At the 2020 AGM, the Board resolved not to pay a dividend for the 2019 financial year. The decision was motivated by uncertainty surrounding the pandemic. At the time of publishing the 2019 Annual Report there was a proposal of a dividend of SEK 385 million, which was later amended by the AGM decision.

Attestation and signatures of the Board

These annual accounts have been prepared in accordance with IFRS international accounting standards as adopted by the EU and provide a true and fair presentation of the operations, financial position and earnings of the Group and the Parent Company, and describe the significant risks and uncertainties faced by the Parent Company and the companies included in the Group.

As indicated below, the annual accounts were approved for issue by the Board on March 17, 2021. The consolidated income statement and balance sheet and the Parent Company's income statement and balance sheet will be proposed for adoption at the annual general meeting on May 4, 2021.

Torekov, Sweden, March 17, 2021



Fredrik Arp
Chairman of the Board



Sven Boström-Svensson
Board member




Lovisa Hamrin
Board member



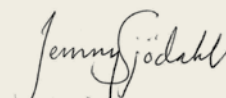
Åsa Hedin
Board member



Erik Lyngé-Jorlén
Board member



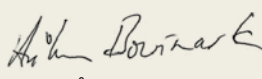
Lars-Åke Rydh
Board member



Jenny Sjö Dahl
Board member



Christer Wahlquist
President and CEO

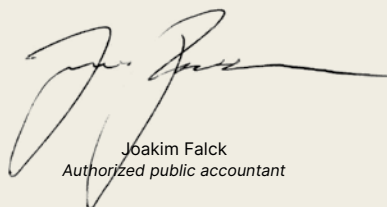


Håkan Bovimark
Employee representative



Björn Jacobsson
Employee representative

Our auditor's report was submitted on March 24, 2021
Ernst & Young AB



Joakim Falck
Authorized public accountant

Auditor's report

To the general meeting of the shareholders of Nolato AB (publ), corporate identity number 556080-4592

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Nolato AB (publ) except for the statutory sustainability report on page 49 for the financial year 2020. The annual accounts and consolidated accounts of the company are included on pages 47–96 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2020 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2020 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the statutory sustainability report on page 49. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Valuation of goodwill and investments in group companies

Description

Goodwill is recognised at SEK 1,778 million and investments in Group companies are recognised at SEK 1,982 million at 31 December 2020. Nolato conducts an annual review and in the event of an indication of impairment, to assure that the carrying amounts do not exceed the estimated recoverable amounts for these assets. Recoverable amounts are determined via a present value computation of future cash flows for each cash generating unit and are based on the anticipated outcome of several factors based on management's business plans and forecasts.

The impairment test for 2020 did not result in any impairment adjustments. As a result of the assessments and key assumptions required when calculating value in use, we have treated valuation of goodwill and investments in Group companies as an area of key audit matters in the audit. A description of the impairment test is detailed under Note 11.

How our audit addressed this key audit matter

In our audit, we have evaluated and audited management's process to establish the impairment test, including by evaluating past accuracy of forecasts and assumptions. With the support of our valuation specialists we have audited the company's model and method for preparing the impairment test. We have evaluated the company's sensitivity analysis and also carried out our own sensitivity analysis of key assumptions and possible influencing factors. With the support of our valuation specialists we have also audited the reasonableness of assumptions regarding discount rates and long-term growth. We have also assessed whether the information disclosed in the financial statements is appropriate.

PPA GW Plastics

Description

The Group has during 2020 acquired GW Plastics Inc. where the acquisition price for all shares has been calculated to SEK 1,721 million, of which goodwill is SEK 1,090 million. The company's disclosures about the acquisition are stated in Note 31 "Acquisitions" and Note 2 "Accounting and valuation policies" section "Consolidation Principles". Accounting for the acquisition of GW Plastics Inc. has required estimates from the company. The most significant estimate refers to the assessment of fair values of separately identifiable assets when allocating the purchase price. When preparing the purchase price analysis, the company has chosen the discounted cash flow as model for valuation. We have therefore assessed the reporting of this acquisition to be a key audit matter in the audit.

How our audit addressed this key audit matter

In our audit, we have evaluated the company's process for preparing the purchase price analysis, including evaluating the reasonableness of future cash flows and growth assumptions. We have also evaluated the assessment of assessed values performed by external advisors. Together with our valuation specialists, we have examined the company's models and methods for preparing the purchase price analysis and the reasonableness of the choice of valuation model, assumptions including discount rate and future cash flows to determine the fair values of acquired assets and liabilities and useful lives for the assets. We have also reviewed the disclosures in the financial statements.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-46. The remuneration report for the financial year 2020 also constitutes other information. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

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

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence ob-

tained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or related safeguards applied.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Nolato AB (publ) for the financial year 2020 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated (loss be dealt with) in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

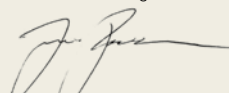
The auditor's opinion regarding the statutory sustainability report

The Board of Directors is responsible for the statutory sustainability report on page 49, and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion. A statutory sustainability report has been prepared.

Ernst & Young AB, Box 7850 103 99 Stockholm, was appointed auditor of Nolato AB by the general meeting of the shareholders on the 4 May 2020 and has been the company's auditor since the 29 April 2015.

Torekov, Sweden, March 24, 2021
Ernst & Young AB



Joakim Falck
Authorized public accountant

Nolato's history

1938

Nordiska Latexfabriken i Torekov is founded.

1957

First medical device component is manufactured.

1982

The Group changes its name to Nolato, a contraction of the original name.

1984

Nolato shares are listed on the Stockholm Stock Exchange OTC list.

1994

The Group achieves sales of SEK 650 million. Acquisition of companies in Lomma, Sunne, Hallsberg, Gothenburg and Ängelholm in Sweden.

1997

Nolato doubles its sales through the acquisition of Ericsson's plastics factory in Kristianstad, Sweden (mobile phone division).

1998

The first Group company achieves certification under the ISO 14001 environmental management system.

2000

Production starts in Hungary through an acquisition.

2001

Relocation of the mobile phone division to China begins.

2005

Medical Solutions starts production in Hungary.

2006

Sweden-based Medical Rubber is acquired.

2007

Sweden-based Cerbo Group is acquired.

2008

Medical Solutions starts production in China.

2010

Medical Solutions starts production in the US through the acquisition of Contour Plastics.

2011

Industrial Solutions starts production in Romania.

2012

Medical Solutions starts production in the UK through the acquisition of Cope Allman Jaycare.

2013

Sweden-based Nolato Sunne is sold.

2014

Integrated Solutions establishes own production in Malaysia.

2016

Treff AG in Switzerland and Grizzly Medical in Poland are acquired.

2018

Sweden-based Hertila is sold.

2019

Integrated Solutions acquires US-based Ja-Bar Silicone Corporation.

2020

Nolato acquires US-based GW Plastics.

The Nolato Annual Report was produced by Bysted AB.

Photography: Jüri Soomägi, Anders Eliasson, Anders Ebefeldt and others.

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