Nolato Medical uses micro injection moulding to manufacture extremely small medical device components measuring less than one millimetre and weighing one thousandth of a gram.

Nolato AB (publ) Annual Report 2013

Nolato in 15 seconds

Nolato is a Swedish publicly listed group with 9,350 employees in Europe, Asia and North America. We develop and manufacture products in polymer materials such as plastic, silicone and TPE for leading customers within medical technology, pharmaceuticals, telecom, automotive and other selected industrial sectors.

Our business model is based on close, long-term and innovative collaboration with our customers. We endeavour to create added value for both customers and shareholders through leading polymer technology, wide-ranging capabilities and highly efficient production.

Contents of Nolato Annual Report 2013

*) The content of pages 44-78 has been audited.

Financial information 2014

- Three-month interim report 2014: 28 April 2014
- Annual General Meeting: 28 April 2014
- Six-month interim report 2014: 21 July 2014
- Nine-month interim report 2014: 28 October 2014

All financial information is posted on www.nolato.com as soon as it is published.

The printed Annual Report is sent by post to those shareholders who have notified the company that they wish to receive a copy. It can also be ordered at www.nolato.com, where a digital version is also available.

The Annual Report is also available in Swedish.

Investor relations contact

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Pharmaceutical packaging undergoes automated in-line quality control at a Nolato Medical Pharma Packaging plant.

2013 in brief

2013 was the best year yet in Nolato's history. Compared with the previous year, sales rose by 17% to SEK 4,522 million, with operating profit (EBITA) up by 41% to SEK 427 million and earnings per share up by 55% to SEK 11.94. The strong earnings performance resulted in robust cash flow and sharply reduced indebtedness.

First quarter

All business areas showed very strong performance and Group sales rose by 50%. There was also a sharp increase in operating profit. The Nolato Telecom business area saw sales increase by a full 118% thanks to excellent consumer demand for a number of new mobile phone models.

Second quarter

The positive performance continued in the second quarter, with strong earnings and a high return on capital. All three of our business areas showed increased earnings and high margins. Work began on expanding Nolato Medical's Chinese production facility by 2,200 m².

Third quarter

The strong performance continued in the third quarter. Sales rose by 12% and operating profit was up by 23%. A decision was taken to expand the Hungarian production unit, which is shared by Nolato Medical and Nolato Industrial, by 3,700 m².

Fourth quarter

Sales for the fourth quarter were virtually unchanged. However, profit and margin both improved and cash flow was strong. At year-end the Group's financial position remained very healthy. Rubber component company Nolato Sunne was divested as part of the Group's focus on plastic, silicone and TPE products.

Financial highlights

SEKm (unless otherwise specified)	2013	2012	2011
Net sales	4,522	3,874	2,977
Operating profit (EBITDA) [1]	568	444	360
Operating profit (EBITA) [2]	427	303	199
EBITA margin, %	9.4	7.8	6.7
Profit after financial income and expense	403	272	183
Profit after tax	314	202	132
Earnings per share, [3] SEK	11.94	7.68	5.02
Adjusted earnings per share, [3, 4] SEK	12.39	8.13	5.28
Cash flow after investments, excluding acquisitions and disposals	362	317	112
Return on capital employed, %	26.7	19.4	13.9
Return on shareholders' equity, %	24.9	17.7	11.6
Equity/assets ratio, %	52	44	52
Net financial assets (+) / net financial liabilities (–)	122	– 113	– 119
Dividend per share (2013 proposal), SEK	8.00	6.00	5.00
Average number of employees	9,357	8,421	5,496

[1] Operating profit (EBITDA): Earnings before interest, taxes, depreciation and amortisation.

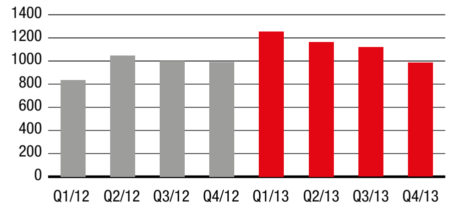
[2] Operating profit (EBITA): Earnings before interest, taxes and amortisation of intangible assets arising from acquisitions.

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

[4] Adjusted earnings per share: Profit after tax, excluding amortisation of intangible assets arising from acquisitions, divided by the average number of shares.

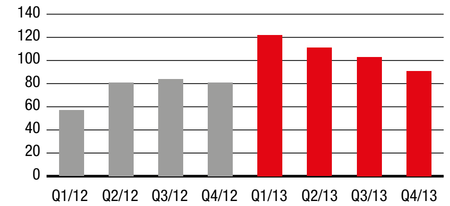
Sales per quarter

2012 – 2013 SEKm



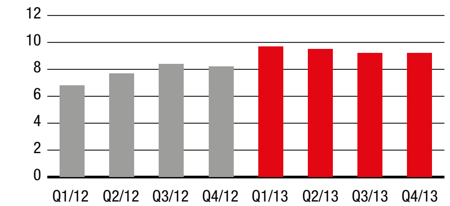
Operating profit (EBITA) per quarter

2012 – 2013 SEKm



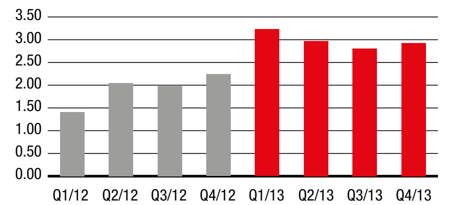
EBITA margin per quarter

2012 – 2013 %



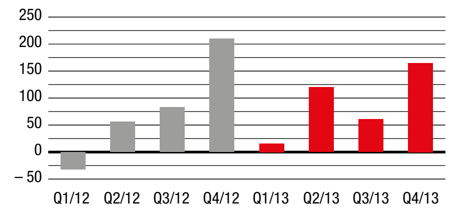
Earnings per share per quarter

2012 – 2013 SEK



Cash flow after investments per quarter

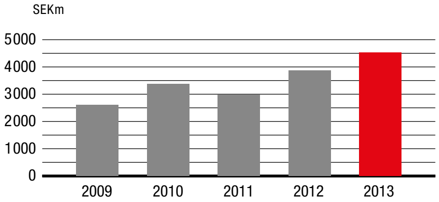
2012 – 2013 SEKm



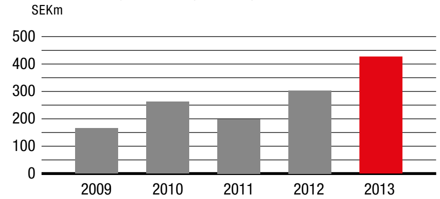
Excluding acquisitions and disposals

The Nolato Group in brief

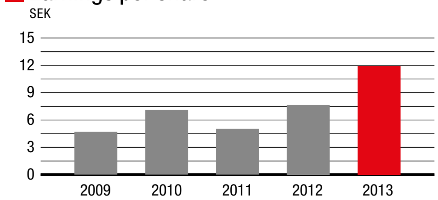
Sales



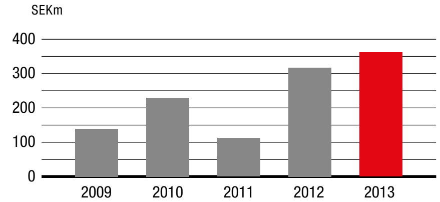
Operating profit (EBITA)



Earnings per share



Cash flow after investments



Excluding acquisitions and disposals

Our operations

Nolato is a Swedish publicly listed group with operations in Europe, Asia and North America. We develop and manufacture products in plastic, silicone and TPE for leading, often global, companies within three areas.

– medical devices (such as inhalers, insulin pens and catheter balloons)

– telecom components (subsystems for mobile phones, often with significant cosmetic content, as well as methods and materials for shielding electronics)

– products for industrial companies (such as packaging, hygiene products and vehicle components).

Our offering

Nolato's customer offering comprises most technologies in the field of polymers and covers the entire value chain through to product delivery.

We endeavour to develop close, long-term and constructive collaboration with customers and we are often chosen for the production of complex products with stringent technical demands.

Our wide-ranging capabilities support our customers' product development. Our involvement in customers' development work at an early stage allows us to optimise product design to help achieve a better end-product.

Our values

Nolato has a long tradition of responsible business, and one of our Basic Principles is that efficient business operations must be combined with ethics, responsibility and environment awareness. These areas are therefore natural and integral aspects of our business activities.

We are signatories to the UN Global Compact and report sustainability work in accordance with GRI.

Our employees

The average number of employees in 2013 was 9,357. Of these, 91% were outside Sweden.

Our shares

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

Our history

Nolato was founded in 1938 as Nordiska Latexfabriken i Torekov AB, with the trademark Nolato, which has been the company name since 1982. Today's global Group is the result of organic growth and acquisitions. The head office is still in Torekov, Sweden, but the majority of operations are now based abroad.


Amanda Martinsson, Nolato MediTech

Nolato Medical

Financial highlights:	2013	2012
Sales SEKm	1,274	1,159
Operating profit EBITA SEKm	165	133
EBITA margin %	13.0	11.5
Average number of employees	988	932

Customer offering:
Development and manufacturing of complex product systems and components within medical technology and advanced packaging solutions for pharmaceuticals and dietary supplements.

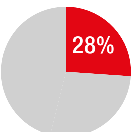
Geographic information:
Development, production and sales in Sweden, the UK, Hungary, the US and China. Sales offices in Germany, France and the Czech Republic.

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

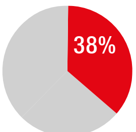
Customers include:
AstraZeneca, Becton Dickinson, Boston Scientific, Coloplast, Gambro, Novo Nordisk, Pfizer, Sanofi, Takeda.

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

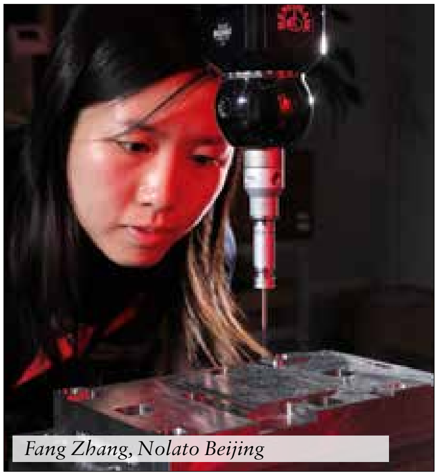
Product life cycle:
Long.



Share of the Group's net sales



Share of the Group's operating profit (EBITA)


Fang Zhang, Nolato Beijing

Nolato Telecom

Financial highlights:	2013	2012
Sales SEKm	2,079	1,548
Operating profit EBITA SEKm	166	96
EBITA margin %	8.0	6.2
Average number of employees	7,611	6,741

Customer offering:
Design, development and manufacturing of advanced components and subsystems for mobile phones. Product and systems for shielding of electronics (EMC).

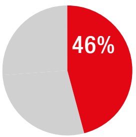
Geographic information:
Development, production and sales in China, Sweden and Malaysia. Sales and technology offices in the US and India.

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

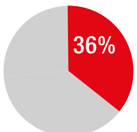
Customers include:
Ericsson, Huawei, Motorola Solutions, Nokia, Nokia Solutions, Sony Mobile, Xioami, ZTE.

Volatility:
High. Project-based operations.

Product life cycle:
Short.



Share of the Group's net sales



Share of the Group's operating profit (EBITA)


Peter Mickelsson, Nolato Plastteknik

Nolato Industrial

Financial highlights:	2013	2012
Sales SEKm	1,170	1,170
Operating profit EBITA SEKm	119	105
EBITA margin %	10.2	9.0
Average number of employees	753	743

Customer offering:
Development and manufacturing of components and product systems in plastic and TPE for customers in the automotive industry, hygiene, packaging, gardening/forestry, domestic appliances and other selected industrial segments.

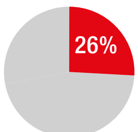
Geographic information:
Development, production and sales in Sweden, Hungary, Romania and China.

Success factors:
Technology, project management and productivity.

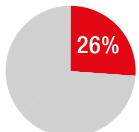
Customers include:
Atlas Copco, Brose, Haldex, Husqvarna, Landrover, MCT Brattberg, Sanitec, Scania, SKF, Volvo, Volvo Cars.

Volatility:
Medium. Follows the Northern European industrial business cycle.

Product life cycle:
Medium/Long.



Share of the Group's net sales



Share of the Group's operating profit (EBITA)

The importance of combining head and heart

Dear shareholders,

2013 was a strong year for Nolato, the best since the company was founded in 1938.

All three business areas substantially exceeded the results for the previous year. Nolato Medical's sales rose by 24%, Nolato Telecom's by 73% and Nolato Industrial's by 13%.

Group sales rose by 17% overall to SEK 4,522 million, with operating income (EBITA) up by 41% to SEK 427 million. And this was despite 2012 also being "the best since the company was founded".

The reason for the excellent results of the past two years is simple: all three of our business areas performed well at the same time. I have often mentioned the business areas' balancing effect on the Group's performance in previous annual reports, whereby a temporary dip in one business area can be offset by better performance in another area. But the strong performance in 2012 and 2013 by all three areas is clearly an added bonus for us.

The only disappointment in 2013 was that we didn't fully achieve our acquisition goals. We are always looking at a number of possibilities, but none of them came to fruition during the year.

We are prepared to give these opportunities the time they require. We are selective and are looking not only for companies that provide us with expansion opportunities in terms of geography and capabilities, but that also have a corporate culture that is a good fit with our own. Acquisition candidates also need to have a strong market position and quickly contribute to continued strong financial performance by the Group.

We are also pleased with the extremely positive development of recent years' acquisitions and their contribution to our success.

The importance of all-round capabilities and giving customers what they want

2013 provided numerous confirmations that our focus on expertise and resources to support customers' product development is bearing fruit. We are becoming increasingly involved at the concept phase of customers' development projects, which provides us with good opportunities to develop a close long-term relationship with customers that is mutually rewarding.

This is important for us as the traditional role of suppliers – being good at producing components that meet customer specifications – is no longer enough. Our large customers want to work with highly skilled suppliers with strong resources that can offer an end-to-end service, from concept discussions to delivery of a final product. Suppliers also need to be able to offer global production with a local presence.

Those companies that fail to keep up will be pushed out of the market or bought up, while large companies with a more global focus, like Nolato, have the opportunity to advance their positions.

A good example of this is the collaboration between Volvo Cars and Nolato on the development of components for their new Drive-E family of engines. The process began four years ago with open discussions about what can and cannot be produced. The emphasis was then placed on design, structure and production in order to create the most effective solutions possible, both financially and in terms of quality. Deliveries to Volvo Cars in Skövde, Sweden began in 2013. Preparations are underway to also produce certain components in China for supply to Volvo Cars' new engine plant there.

The importance of combining head and heart

Our focused, goal-oriented work based on Lean Manufacturing is contributing strongly to our healthy earnings. Nolato is at the cutting edge of efficient production, which is demonstrated not only through companies outsourcing production to us but also in our earnings performance.

Adopting a lean approach involves more than just eliminating unnecessary work. Ensuring that all employees in all parts of the company are working in a well organised way and feel involved is just as important. To do this we adopt an overall approach and ensure these activities become a natural part of day-to-day operations. We do not rest on our laurels but are constantly endeavouring to become even better. Today we also need to be extremely lean-focused in China, as the country's strong growth has led to rising costs and growing competition for capable employees. Our strong focus on efficient production offsets this to some extent, but it remains important to attract, develop and retain committed and skilled staff.

Our Chinese companies, which are by far the Group's largest employers, have consequently introduced an extensive *Employee Care Programme*. This programme is an important tool in our efforts to be the most attractive employer in our sector. It focuses on the specific circumstances in China and aims to create good conditions for all employees, both at work and outside work. The latter is particularly important as many of our employees in Beijing come from other parts of China and spend much of their free time close to their workplace.

It is not just in China that we are endeavouring to create an attractive environment for staff. From an early stage Nolato's organisation was based on the fundamental idea that it is capable individuals, with knowledge and good ideas, working together that create a successful company.

This approach remains important. There are almost no simple jobs left in our industry and the number of employees per unit of production has declined as increasingly efficient processes are introduced. We require our staff to have a thorough basic education, a desire to constantly develop professionally and a willingness to take on responsibility.

I believe that today's increasingly complex duties will result in our employees developing further and enjoying their work. But this isn't enough. To be competitive we also need to give back in the form of a healthy environment, good employment terms and an organisation that employees are proud of and where they can develop professionally. In short, to be a company with both head and heart.

The importance of taking responsibility for all our operations

Taking responsibility is something that permeates Nolato's entire organisation. In particular, responsibility for ensuring that all aspects of our operations are run professionally and sustainably.

I am therefore pleased that we are viewed as a company that cares. For many years now Nolato has been included in the Sustainable Portfolio of Swedish business weekly Veckans Affärer, where we have been awarded the top rating. We have achieved good results in a review by Swedbank Robur according to its ethical investment criteria. And in insurance company Folksam's Corporate Responsibility Index we came 25th out of 250 companies rated on the environment and 40th on human rights.

Our work in this area continues. For the 2014–2016 period we have further tightened up our targets on energy consumption and carbon dioxide emissions. We have also included sustainability issues as a full, integral aspect of the Group's strategic long-term planning. These important future issues are reflected in the strategic work being undertaken throughout our organisation.

In this year's Annual Report we consequently use the term CR, which stands for Corporate Responsibility, to emphasise that, rather than just taking social responsibility, we have an overall responsibility for how our entire organisation impacts the world around us, now and in the future.

The importance of finding the right path in a changing world

So how do we view the future? As in the past, we do not provide detailed earnings forecasts in this year's report. This is because our business is highly dependent on 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 life span, are of great significance to our sales and profit.

This is particularly evident in Nolato Telecom, where consumer interest in each individual mobile phone model that we

work on has a direct impact on the profitability of the business area and, ultimately, all of Nolato.

However, our strategic planning for the next few years outlines our way forward:

– Nolato Medical will continue its significant focus on further growth, both organically and through acquisitions. We are now positioned for major customer projects involving the development of highly complex integrated system products and high-volume production.

– Nolato Telecom will continue to strengthen its niche position as a supplier of technically advanced solutions and products in the mobile phone sector. We will also expand our operations in the high-growth market for electromagnetic compatibility (EMC) shielding. We believe that, in the longer term, this could also lead to more even performance in this business area.

– Nolato Industrial will continue to strengthen its competitiveness as a strategic supplier to selected major industrial customers in Scandinavia and Central Europe. We are also open to the possibility of collaborating with customers in their globalisation activities.

Our strength is finding the right path to take when our operating environment changes. Being proactive and taking action when conditions become challenging or when obstacles arise. Being open to new business opportunities at all times. And constantly ensuring that our production culture is so flexible that we can adapt to changes in our operating environment without this resulting in excessive costs.

Nolato is now a much bigger market player than before. We have good resources, a high level of technical capabilities and a strong financial position. We play a completely different role for our customers than we did five years ago, providing solutions that are technically, financially and sustainably optimal.

Because the best way for us to create value is through close long-term relationships with our customers. Today, tomorrow and in the future.

Torekov, March 2014

Hans Porat
President and CEO

Nolato

Our aims

We will achieve our vision and our financial targets
in order to create job security for our employees
and lasting value for our customers and shareholders

How we achieve them

Broad customer offering
Long-term customer relationships
Local yet global presence
Highly skilled
High productivity
Ethical & sustainable

Our strategic core principles

Excellent customer relationships
Advanced, leading technology
Cutting-edge development and design expertise
Effective adaptation to changes in operating environment
Advanced project management
Active sustainability work
Strong financial position

These are our basic principles

We are professional
We are well organised
We are responsible

Our business and business model

Our business

Nolato develops and manufactures products in polymer materials such as plastic, silicone and TPE for customers within medical technology, pharmaceuticals, telecom, automotive and other selected industrial sectors.

We manufacture everything from individual components, which the customer assembles in its own product, to complete products that are ready for delivery to a customer's client.

We also develop and manufacture our own products, such as pharmaceutical packaging.

Our business model

Our business model is based on our objective to achieve our vision and financial targets in order to create job security for our employees and lasting value for our owners.

Based on extensive experience and wide-ranging capabilities we have close, long-term and innovative relationships with our customers. We create added value for our customers and our owners through progressive, leading technology, advanced project management, extensive expertise in development and design and highly efficient production.

Our operations are based on our three Basic Principles of being professional, well organised and responsible.

Achieving our vision

The key factors in achieving our vision are:

High productivity
As a supplier we need to concentrate on activities that create value for our customers and what they consider important in the long term. High productivity and a continual focus on costs are consequently vital aspects of our day-to-day operations. Continual improvements and lean manufacturing lead to better business for both us and our customers through efficient processes, reduced scrap, shorter lead times and new solutions.

Long-term customer relationships
We always endeavour to develop long-term and close relationships with our customers. Because the better we understand their processes and needs, the greater the value we can create for them. We also work internally across our companies and business areas to create a broad customer offering.

Broad customer offering
The general trend is for customers to reduce their number of suppliers and prioritise those providers with the resources and capabilities to support them from concept to delivery. Our customer offering therefore encompasses most technologies in the field of polymers and includes everything from concept development, product design and material optimisation to mass production, post-processing, assembly and logistics.

Local yet global presence
Proximity to the customer is always key, both for us and for customers. We are therefore open to establishing production where the customer is located. We can reduce investment risk and lead times by using existing production units.

Highly skilled
Our customers constantly challenge us with new requests and tougher requirements. We therefore proactively enhance our offering by continually raising the skill levels of our employees and investing in cutting-edge technologies.

Ethical & sustainable
We have strong core values which are based on the view that efficient and profitable business operations must be ethical and sustainable. Issues relating to ethics, social responsibility, environmental issues and working environment are therefore natural and integral features of our business activities.

Our business mission

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

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

Our vision

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

Nolato's Basic Principles

We are professional

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

We are well organised

– We build our operations on a shared foundation
– We take opportunities and solve problems when they arise
– We ensure our operations are well organised

We are responsible

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

Our base technologies

Injection moulding

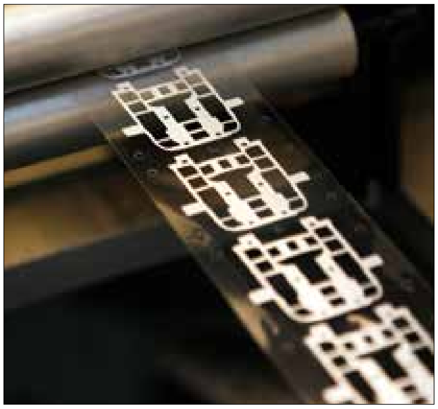
Technology for manufacturing components in plastic, silicone and TPE to highly precise dimensions and stringent quality requirements. Our most common production technology.

Injection blow moulding

Technology combining injection moulding with inflation techniques. We mainly use this method for the manufacture of pharmaceutical packaging.

Dip moulding

A technology for creating a product by dipping formers in liquid latex. This is used to manufacture items such as catheter balloons and breathing bags.



Die-cutting

Die-cutting can produce products from hard or soft material. We use die-cutting for packaging, gaskets and cosmetic details such as loud speaker protection.

Extrusion

Extrusion is a method for the production of tubing. This technique is used to manufacture tubing for products such as heart catheters and EMC shielding gaskets.

Assembly

Not a technology as such, but an important part of our customer offering. Can take place on a fully automated, semi-automated or fully manual basis.

From concept to complete product

1: Concept development

We support customers from the concept stage and are involved in discussions about production possibilities.

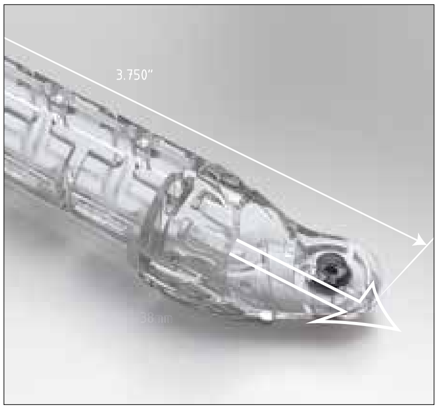
5: Production tools

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

9: Efficient production solutions

We develop fully or partially automated cells by using robots to link numerous processes to create highly efficient production.

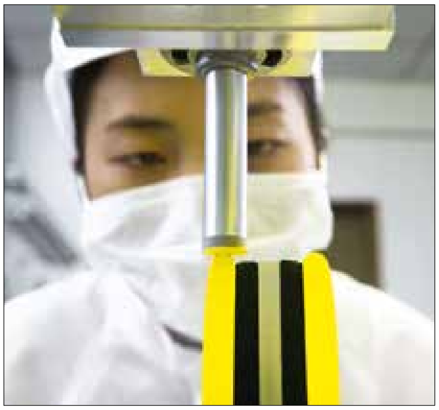
2: Customer-oriented solutions
We create technical solutions that reduce the weight of products, minimise their environmental impact, make them water-resistant or produce a unique surface.



3: Design
We optimise design in order to create the most efficient and effective production solutions, both financially and in terms of quality.

4: Prototypes
We visualise the future product by producing prototypes and materials samples.

6: Injection moulding
We manufacture components using one of our production technologies, such as injection moulding.



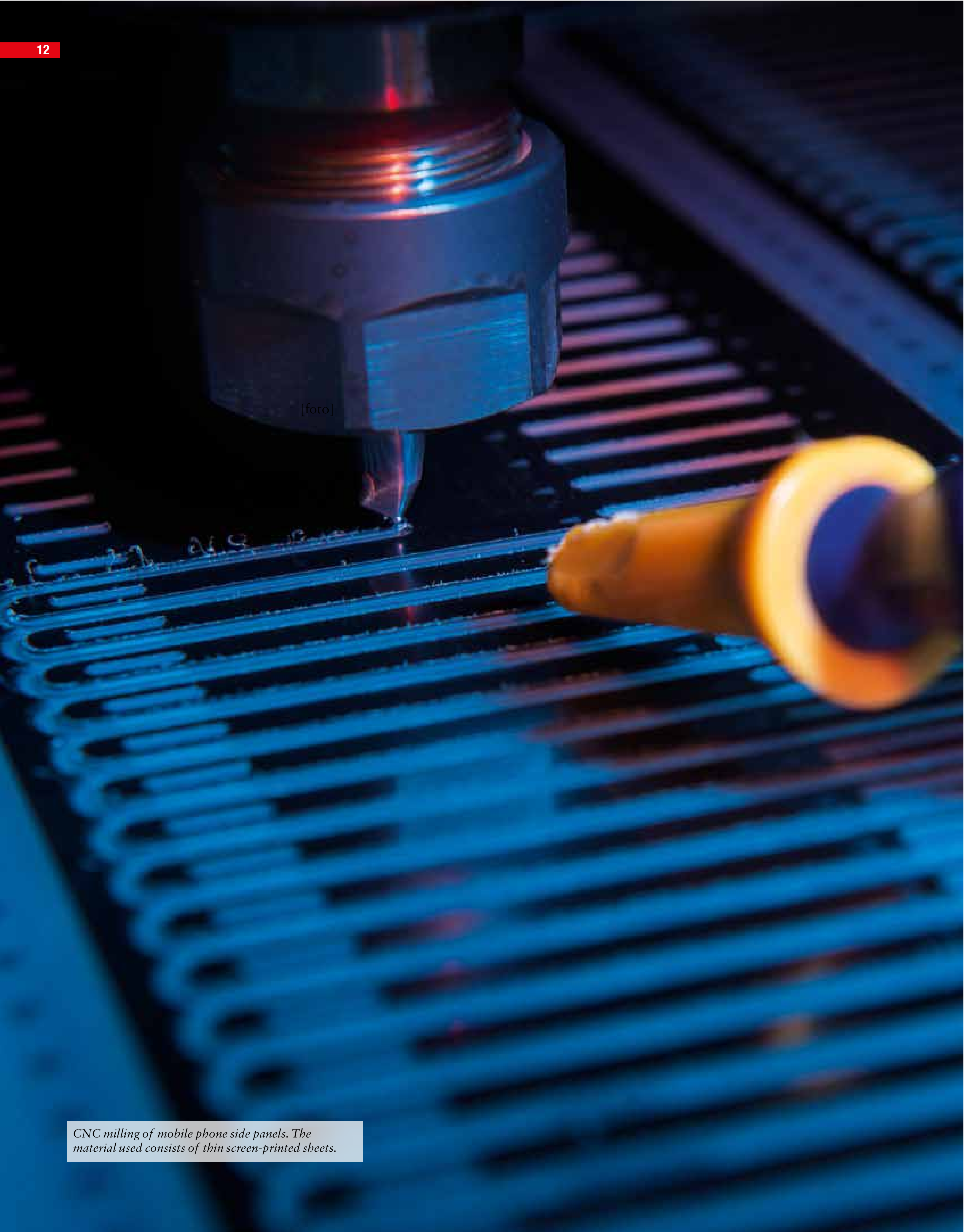
7: Polishing
We polish the surface before painting, for example in the production of mobile phone casings, to produce perfect haptics.

8: Post-processing
We give the products their final finish through painting, printing or metallisation.

10: Assembly
We assemble the components we have manufactured ourselves together with purchased components to create a complete product or subsystem.

11: Quality
We constantly ensure the correct quality through automated vision systems, professional operators and effective systems for continuous improvements.

12: Logistics
We deliver on a bespoke basis to customers' assembly plants, warehouses or directly to their customers around the world.



CNC milling of mobile phone side panels. The material used consists of thin screen-printed sheets.

Our growth strategy

Growth strategy

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

Acquisitions

Acquisitions have played a key role in Nolato's development. Until 1996 most acquisitions were made within the business area now called Nolato Industrial.

1997 was a milestone for Nolato, with its acquisition of Ericsson's plastic manufacturing unit for mobile phones in Kristianstad, Sweden. This resulted in a doubling of sales and Nolato's entry into the mobile phone sector. Over the past 10 years the acquisition strategy has mainly focused on broadening our operations in the Nolato Medical business area.

Acquisitions carried out in recent years account for around 55% of Nolato Medical's sales of almost SEK 1.3 billion. These acquisitions have performed extremely well and we remain interested in acquisitions. Those companies that we may be interested in should essentially have the same corporate culture and approach as Nolato and offer an opportunity to expand either geographically or in terms of capabilities. It is important that the companies are not turnaround companies, but financially healthy businesses.

But acquiring good companies takes time and there are many family-owned companies on our list of acquisition candidates. By building up good relationships with their owners, we endeavour to stand out as the best buyer, if and when they decide to sell.

Growth targets

Nolato aims to achieve growth that is at least in line with growth within each market segment. All business areas met this target in 2013.

Nolato Medical's sales rose by 7% (adjusted for currency and acquisitions). According to estimates, growth in Nolato Medical's market segments is around 5%.

Nolato Telecom's sales increased by 37% (adjusted for currency). According to research company Gartner, the global mobile phone market grew by 3.5% in 2013.

Nolato Industrial's sales rose by 2% (excluding currency effects and disposals), which is considerably better than the performance of Swedish industrial production, which fell by 3.4% according to Statistics Sweden.

Acquisitions 2006 – 2013

2006

Nolato Medical Rubber in Hörby is acquired. The acquisition adds new capabilities within injection moulding of liquid silicone, an area in which Nolato Medical is now a world leader. The operations in Hörby are now part of Nolato MediTech.

2007

Cerbo Group in Trollhättan, Sweden is acquired. The acquisition adds two new areas of expertise in the form of pharmaceutical packaging within Nolato Medical and own products within Nolato Industrial. These operations now come under Nolato Cerbo and Nolato Hertila.

2010

Contour-Plastics in Baldwin, Wisconsin in the US is acquired, providing Nolato Medical with a platform for operations in North America. The company is now called Nolato Contour.

2012

Cope Allman Jaycare, a UK-based pharmaceutical packaging company, is acquired. The company, renamed Nolato Jaycare, provides the Group with new markets, new products and new production technology within pharmaceutical packaging.

Nolato Medical's unit in Hörby, Sweden, is based on the acquisition of Medical Rubber in 2006.

Potential risks in the Group's operations

The aim of Nolato's risk management

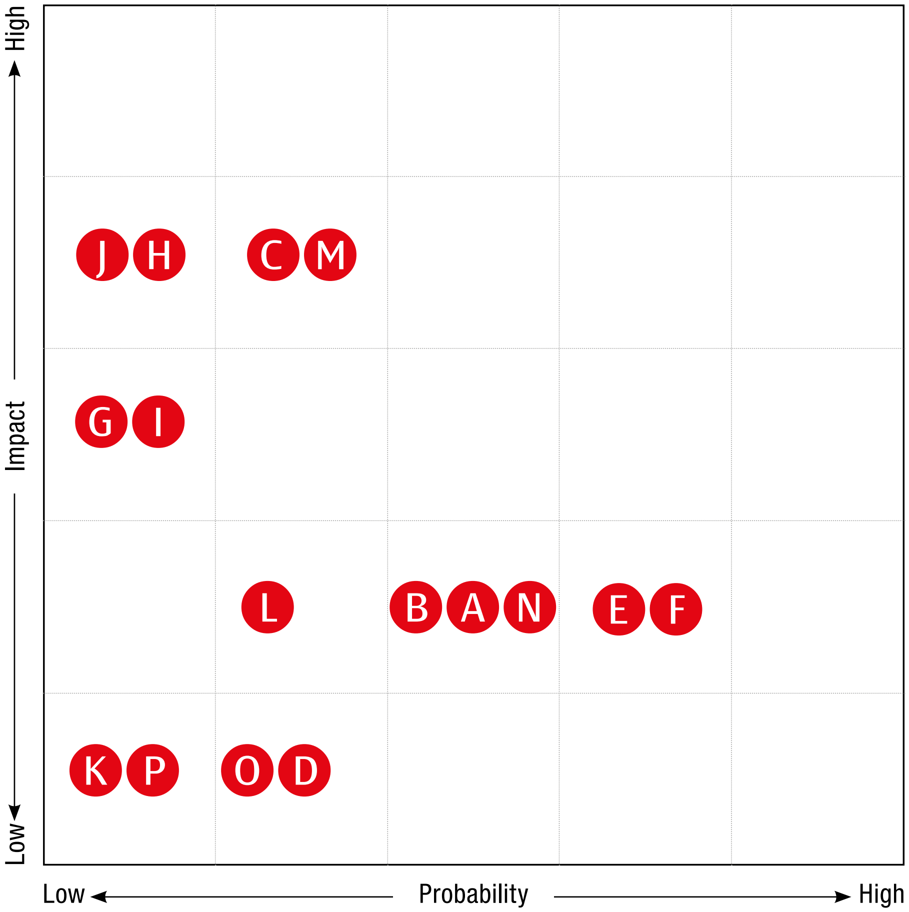
- To reduce the risks in the Group's operations while enabling good business opportunities to be strengthened.
- To create a high level of risk awareness throughout the entire organisation, from operational functions at company level to the Group management and Board.
- To support Nolato's Board and 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 constant improvements at all levels through continual evaluation and monitoring of risks.

An important aspect of Nolato's strategic planning is identifying potential risks in the organisation, assessing their likelihood and any consequences and minimising 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 impact this would have on Nolato's operations and earnings.

The letters marked on the chart refer to the review of risks, risk exposure and risk management set out in the Directors' Report on pages 48 – 49.



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 /disruption
- I Legal risks
- J Product liability risk
- K Environmental risk
- L CR risks

Financial risks

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

▸ A detailed review of the risks in Nolato's operations is provided on pages 48 – 49.

Our financial targets and outcomes

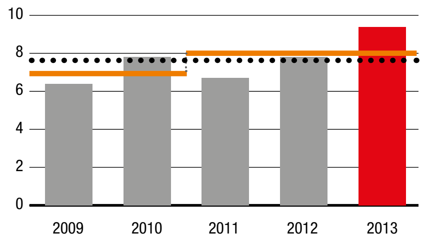
Nolato's Board has established long-term financial targets for margin, return and equity/assets ratio. These targets are to be seen as an average over a business cycle, and were most recently revised 2011, when the margin target was adjusted upwards by one percentage point from 7% to 8%. The change was made due to the growing proportion of medical technology, in which the margin is normally slightly higher than for the Group's other operations.

EBITA margin: Target >8% – Outcome 9.4%

The target for the EBITA margin is for it to exceed 8% over a business cycle.

The outcome for 2013 was a strong 9.4%. Margins have improved in all business areas. A significant focus on profitability through continuous improvement in efficiency and productivity together with high capacity utilisation have resulted in an improvement in the margin.

Over the last five years, the EBITA margin has averaged 7.7%.

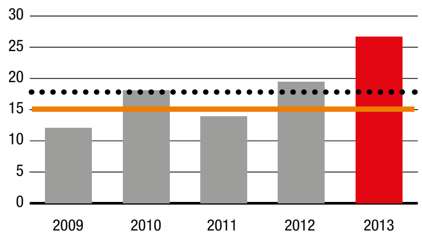


Return on capital employed: Target >15% – Outcome 26.7%

The target for return on capital employed is for it to exceed 15% over a business cycle.

The outcome for 2013 was a high 26.7%. Efficient management of capital resulted in virtually no change in average capital employed in 2013 compared with 2012. Combined with the significant earnings improvement in 2013, return on capital employed also improved.

Over the last five years, return on capital employed has averaged 18.1%.

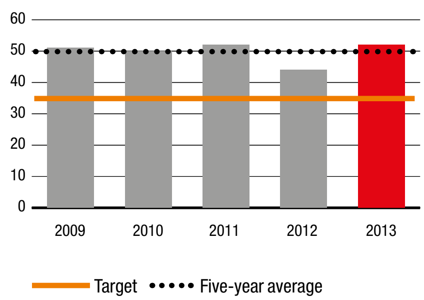


Equity/assets ratio: Target >35% – Outcome 52%

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

The outcome at year-end 2013 was 52%. The improvement in profitability has also had an impact on after-tax profit. This has contributed to a significant increase in equity, despite the higher dividend that was paid out in 2013, which led to a reduction in equity. The equity/assets ratio has increased as a result of total assets remaining at a roughly unchanged level through efficient capital management.

Over the last five years, the equity/assets ratio has averaged 50%.



Nolato over 75 years

1938
Nordiska Latexfabriken is started in Torekov.

1957
First medical component is produced.

1982
The Group changes its name to Nolato, an abbreviation of the previous name. It had been used for years as a trademark and popular name.

1984
The company's shares are listed on the Stockholm Stock Exchange's OTC list.

1994
Sales rise to more than SEK 650 million through organic growth and acquisitions of companies across Sweden including in Lomma, Sunne, Hallsberg, Göteborg and Ängelholm.

1997
Nolato's mobile phone-related operations begin through the acquisition of Ericsson's plastics plant in Kristianstad, Sweden. The acquisition doubles the Group's sales.

1998
The first company is ISO 14001 certified.

2000
Production starts in Hungary through an acquisition.

2001
The transfer of the mobile phone-related business to China begins.

2005
Nolato Medical starts production in Hungary.

2006
Acquisition of Medical Rubber.

2007
Acquisition of Cerbo Group.

2008
Nolato Medical starts production in China.

2010
Nolato Medical starts production in the US through an acquisition.

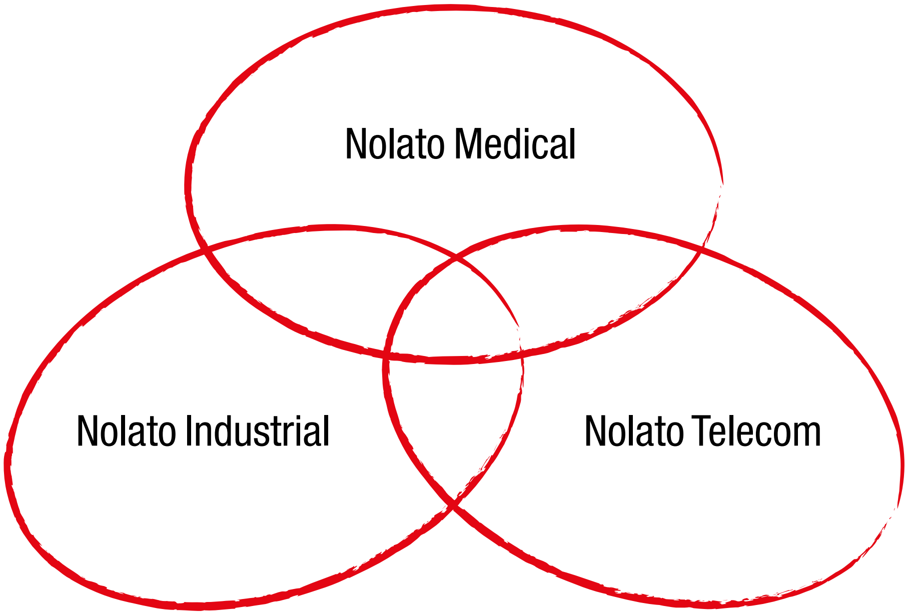
2011
Nolato Industrial starts production in Romania.

2012
Nolato Medical starts production in the UK through an acquisition.

2013
Nolato Sunne is sold.

▶ A more detailed corporate history is available at www.nolato.com

Three business areas that balance our operations



Nolato's operations comprise three customer-focused business areas: Nolato Medical, Nolato Telecom and Nolato Industrial. While all three business areas are based on common values and technologies, they all enjoy good opportunities to create their own optimal conditions to succeed.

The division of operations into business areas also allows for far-reaching decentralisation of our operations. This provides a sound basis for committed and motivated employees while enabling us to make operational decisions in close contact with our customers.

Our three business areas also often collaborate with each other to create additional customer value. This allows both Nolato Medical and Nolato Industrial to offer their customers integration of electronics and advanced decoration solutions, based on the capabilities of Nolato Telecom, through its long-standing work with mobile phone producers.

When Nolato Industrial identifies a need among its customers for production in China, this can be achieved at low risk by establishing operations as part of our existing activities in Beijing. This was how Nolato Medical started its production in China a few years ago without requiring major investments.

We also place a strong emphasis on those factors that bind the Group together, resulting in an organisation that is greater than the sum of its parts: corporate responsibility, wide-ranging technical capabilities and similar production technology.

Injection blow moulding of pharmaceutical packagings at Nolato Jaycare in Portsmouth.

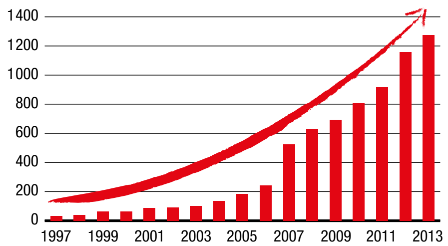
Balance through differences

The fact that all three business areas are affected differently by business cycle fluctuations, events and market patterns means the Group benefits from a healthy balance in its operations.

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

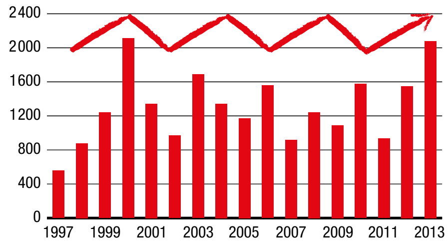
The charts below show the general sales trend for each business area over a period of 17 years, between 1997 and 2013.

Nolato Medical 1997 – 2013
From local to global



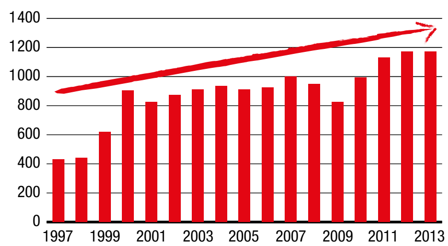
Growth-related

Nolato Telecom 1997 – 2013
Adaptation and flexibility



Project-related

Nolato Industrial 1997 – 2013
Innovative technology and productivity



Business cycle-related

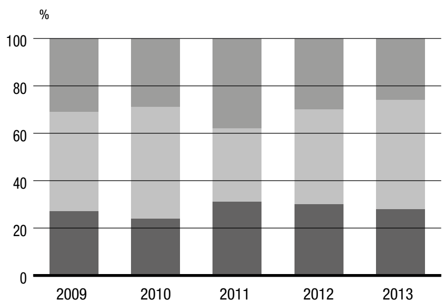
Equal but different

	Nolato Medical	Nolato Telecom	Nolato Industrial
Product	Components Systems Consumables	Components Systems Techniques Niche technologies	Components Systems Standard products
Product life cycle	Long	Short/project	Medium/long
Number of customers	Medium	Few	Many
Success factors	Medical understanding Broad technology offering Global production Robust quality Development expertise	Creative development Cutting edge technology Adv. proj. management Fast production start-ups High productivity	Technology Project management Productivity
Market	Continental/Global	Global	National/Continental
Market growth	↗	↗	→
Driving forces	Quality of life Welfare diseases Increased self-care	Technology development Increased communication	Industrial production Cost-effectiveness Innovation

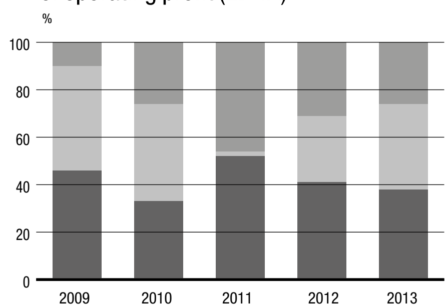
Strategic focus of the business areas

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

The business areas' share of net sales



The business areas' share of operating profit (EBITA)



Nolato Medical Nolato Telecom Nolato Industrial

Nolato Medical
An end-to-end supplier with global resources

Nolato Medical in brief

Business Area President:
Christer Wahlquist
Born 1971
Employed 1996
President since 2005

Financial highlights:	2013	2012
Sales, SEKm	1,274	1,159
Operating profit (EBITA), SEKm	165	133
EBITA margin, %	13.0	11.5
Average number of employees	988	932

Customer offering:
Development and manufacturing of complex product systems and components within medical technology and advanced packaging solutions for pharmaceuticals and dietary supplements.

Geographic information:
Development, production and sales in Sweden, the UK, Hungary, the US and China. Sales offices in Germany, France and the Czech Republic.

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

Customers include:
AstraZeneca, Becton Dickinson, Boston Scientific, Coloplast, Gambro, Novo Nordisk, Pfizer, Sanofi, Takeda.

Competitors include:
Gerresheimer, Bespak/Consort, Carclo, Phillips-Medisize, West Pharmaceuticals, Rexam.

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

Product life cycle:
Long.

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

Market trends:
Increased outsourcing of production. Customers are reducing the number of suppliers. Shorter lead times in the development phase. Increased globalisation of projects.

Nolato Medical is a fast-growing supplier of system solutions for medical technology and pharmaceutical customers.

Operational focus
Nolato Medical's operations are divided into two business units:

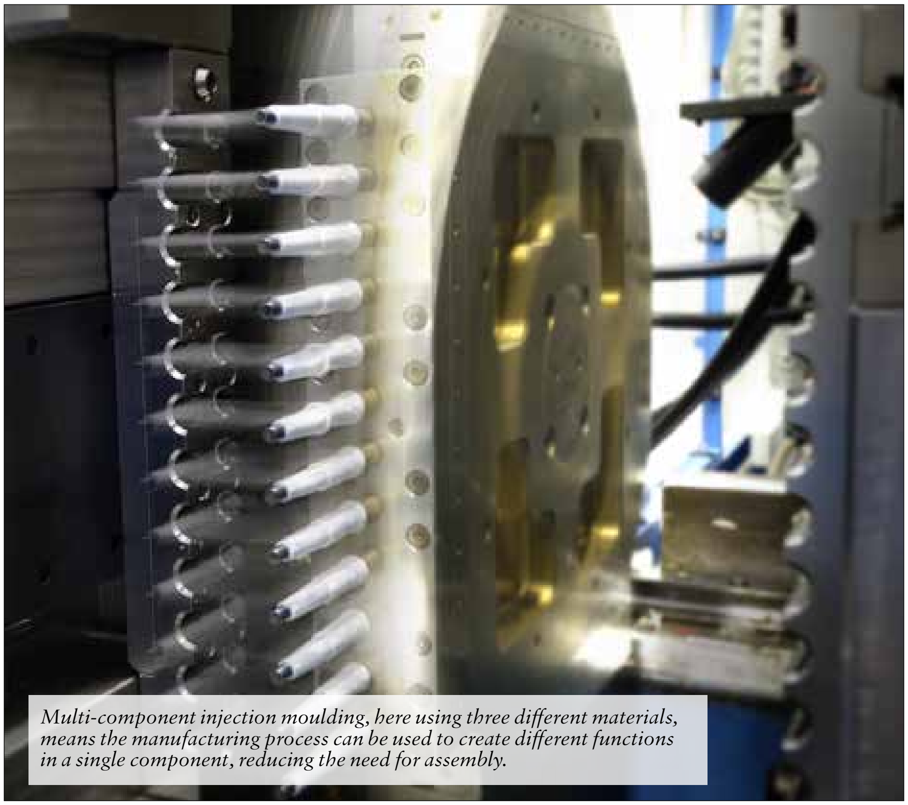
- Medical Devices: Develops and manufactures complex product systems and components based on advanced polymer technology and automation.
- Pharma Packaging: Develops and manufactures advanced packaging solutions for pharmaceuticals and dietary supplements.

Performance in 2013
The business area's sales rose by 10% to SEK 1,274 million (1,159). Adjusted for currency and acquisitions, sales rose by 7%. Operating profit (EBITA) increased to SEK 165 million (133) and the EBITA margin was 13.0% (11.5). The margin was positively affected by high productivity and a favourable product mix.

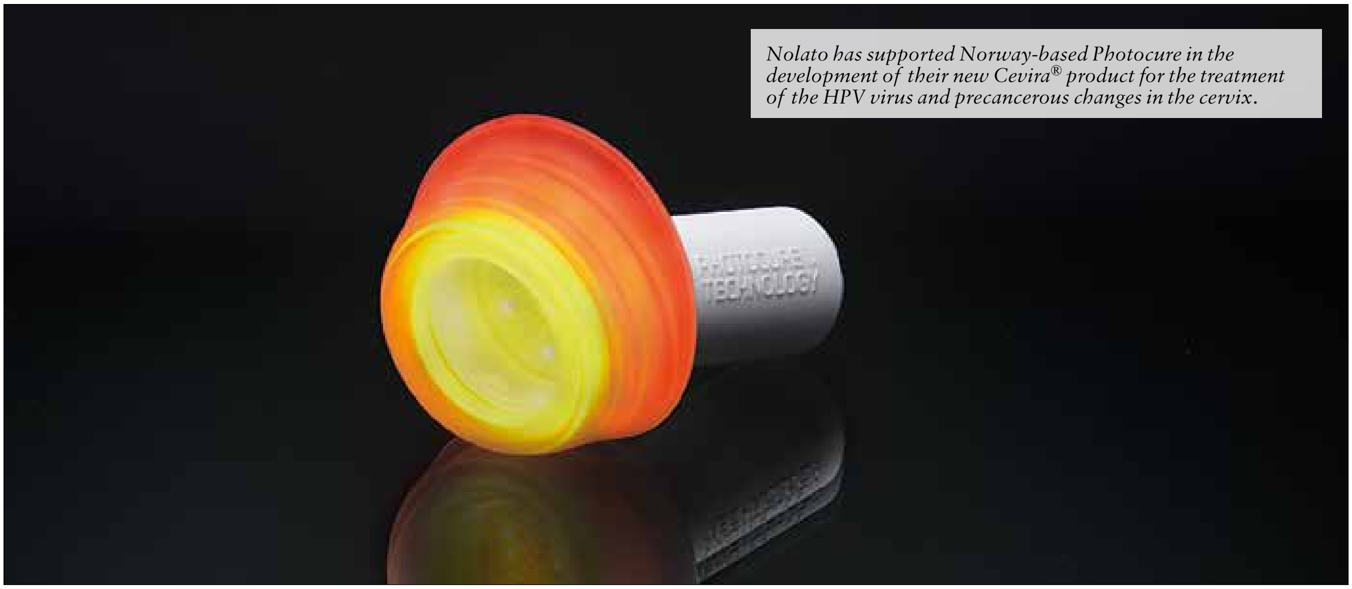
Events during the year
Integration of UK-based company Nolato Jaycare, acquired in 2012, proceeded according to plan.

Expansion of the production unit in Beijing, China, began. This expansion covers an additional 2,200 m², 800 m² of which consists of a class 8 clean room. The purpose of this is to secure resources for future growth in Asia.

Expansion is also underway at the production unit at Mosonmagyaróvár in Hungary, which is shared with Nolato Industrial. This expansion project, which covers 3,700 m², aims to meet customer production resource requirements.



Multi-component injection moulding, here using three different materials, means the manufacturing process can be used to create different functions in a single component, reducing the need for assembly.



Nolato has supported Norway-based Photocure in the development of their new Cevira® product for the treatment of the HPV virus and precancerous changes in the cervix.

Integration of electronics in medical devices

Adapting the design of products for Design For Manufacturing (DFM) and Design For Assembly (DFA) are two of Nolato Medical's core capabilities.

We work together with customers to reduce production costs, cut quality risks and simplify assembly of the final product.

A good example of this is the development of a new product for Norway-based Photocure ASA. We were able to reduce the complexity of production and assembly by more than 50%. Nolato first produces the casing in silicone using injection moulding and then assembles the complete product, including the electronics.

This new product is currently undergoing clinical trials.

Nolato Medical's market

The medical devices market is growing at a rate of around 5% a year. This growth stems from the increasing global population, which is living longer as a result of wider access to medication and advanced healthcare. Combined with hard-pressed government budgets, this is leading to cost pressure in the sector. This pressure is resulting in customers overhauling their product portfolios, changes being made in the supply chain and consolidation of the supplier base.

The market is displaying three particular new trends that are important for us:

- Pharmaceutical and medical technology companies are focusing more on their core capabilities, which is leading to increased outsourcing of both development and production.
- A focus on suppliers that can offer end-to-end service from product development to global supply, which is leading to a reduction in the number of suppliers.
- Shorter lead times in the development phase are necessary to cope with the transition to new, cost-effective products.

These changes are leading to smaller suppliers with a limited offering and a narrow geographic presence being forced out of the market or bought up. Meanwhile, larger companies with a more global focus, like Nolato, have the opportunity to advance their positions.

In addition, the medical device market is starting to move towards a platform-based approach similar to the one that dominates in sectors such as the automotive industry. Suppliers are tasked with developing and manufacturing an entire system, in turn using additional subcontractors for parts of the production process. This trend makes it even more difficult for smaller suppliers to collaborate directly with the end-customer.

Overall, developments in the medical market indicate that our strategy of focussing on growth and geographical expansion has been the right path for Nolato Medical to take.

Medical device projects usually have relatively long lead times. Although all parties endeavour to cut the time it takes to get a product to market, it usually takes several years before the product is ready for mass production.

Examples of products

Medical devices

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

Pharmaceutical packaging

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

Strategic objectives

– 2013

☑ Build a broad technology platform

☑ Establish Nolato within medical
- ✓ "Non-league → Champions League"
- ✓ Global customers
- ✓ Certification

☑ Geographic expansion
- ✓ Hungary
- ✓ North America
- ✓ China

2014 –

☐ Continued growth

☐ Secure Nolato Medical's place in the "Champions League"

☐ Increase the proportion of system projects

☐ Continued geographic expansion
- – North America (acquisitions)
- – Asia/China (organic)
- – Western Europe (acquisitions)

Nolato Medical's units

Medical Devices:

Nolato Beijing Medical
Beijing, China
MD Jörgen Karlsson

Nolato Contour
Baldwin, Wisconsin, US
MD Russell Steele

Nolato Hungary
Mosonmagyaróvár, Hungary
MD Johan Arvidsson

Nolato MediTech
Hörby & Lomma, Sweden
MD Johan Iveberg

Nolato MediTor
Torekov, Sweden
MD Anders Ekberg (until 3 March 2014)
Christer Wahlquist (from 3 March 2014)

Pharma Packaging:

Nolato Cerbo
Trollhättan, Sweden
MD Glenn Svedberg

Nolato Jaycare
Portsmouth & Newcastle, UK
MD Glenn Svedberg

Nolato Medical's production mainly takes place in clean rooms, with stringent requirements on quality, safety and traceability. The photo shows a class 8 clean room at our Hungarian unit.

The long time to market is mainly due to circumstances that are specific to the medical field:

- The medical sector is heavily regulated, with extensive regulatory requirements for approval and registration.
- Stringent requirements on product function and safety.
- Requirements on extensive documentation and validation of every stage of development and production processes.

Once a product has received regulatory approval it usually has a long product life.

Nolato Medical's market position

Within Medical Devices, Nolato has adopted a focused strategy over the past six to seven years of making a transition from being a good but rather local manufacturer of components, to being an end-to-end supplier with global resources to support customers from the concept stage to supply of the final product. Expressed in sporting terms, this mightbe compared to Nolato Medical going from playing non-league football to the Champions League.

This advancement has required both technological and geographic expansion. When we embarked on this process our offering involved supplying products based on customers' technical drawings. Nolato Medical now offers customers advanced support throughout the development process, an extremely broad technological base and a network of nine wholly owned production units in Europe, Asia and North America.

Nolato has a leading position in Pharma Packaging on the Scandinavian and UK markets. Nolato Medical is one of only a few suppliers that are wholly focussed on packaging for pharmaceuticals and dietary supplements, which creates a better understanding of customer needs.

Nolato Medical key features

Nolato Medical's operations are based on the same core elements as the rest of the Group: corporate responsibility, wide-ranging technical capabilities and advanced production technology. What distinguishes Nolato Medical is its in-depth knowledge of the specific conditions governing customer

needs in the medical sector. Expert understanding of complicated medical applications, extensive documentation requirements and risk analysis are crucial to success in this market.

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

Nolato Medical's continued development

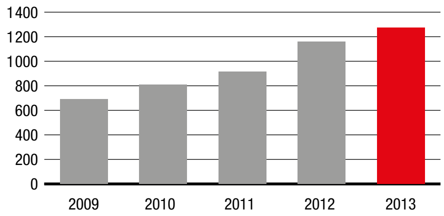
Our sights are now set on bolstering our market position through a continued focus on large customer projects involving the development of complex, integrated system products for high-volume production.

The aim is to continue to expand our geographic presence, primarily via acquisitions in Western Europe and North America and through expansion in countries where customers wish Nolato Medical to have a presence.

Nolato Medical: five-year review

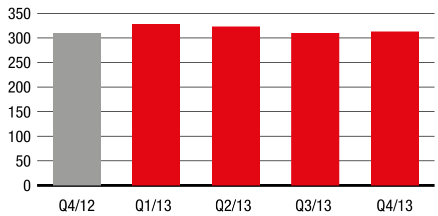
Net sales full year

SEKm



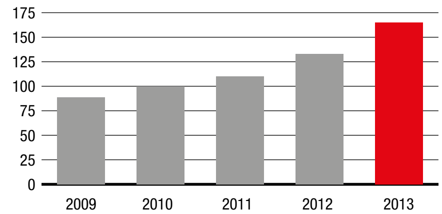
Net sales quarter

SEKm



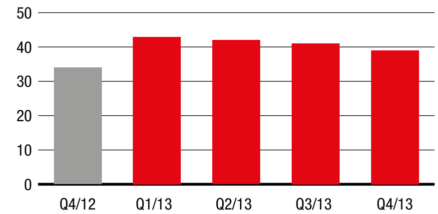
Operating profit (EBITA) full year

SEKm



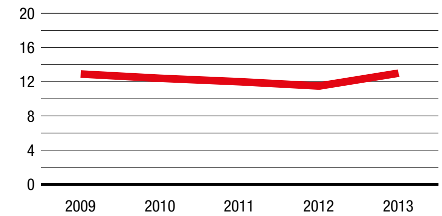
Operating profit (EBITA) quarter

SEKm



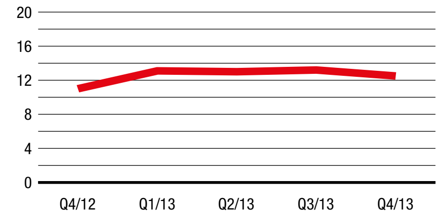
EBITA margin full year

%



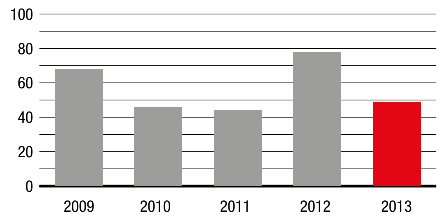
EBITA margin quarter

%



Investments

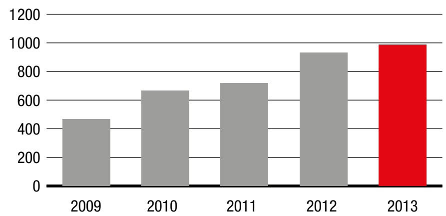
SEKm



Affecting cash flow, excluding acquisitions and disposals.

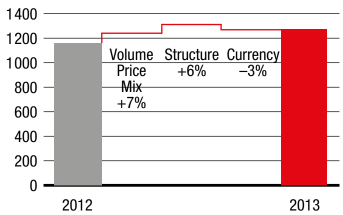
Average number of employees

No.



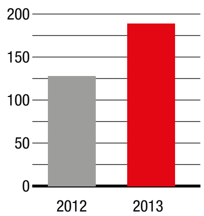
Change in sales

SEKm



Cash flow

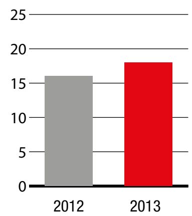
SEKm



Operational cash flow after investments excl. acq. and disp.

Return

%



Return on operational capital.

Nolato Telecom
High volumes during the year

Nolato Telecom in brief

Business Area President:
Jörgen Karlsson
Born 1965
Employed 1995
President since 2009

Financial highlights:	2013	2012
Sales, SEKm	2,079	1,548
Operating profit (EBITA), SEKm	166	96
EBITA margin, %	8.0	6.2
Average number of employees	7,611	6,741

Customer offering:
Design, development and manufacturing of advanced components and subsystems for mobile phones. Product and systems for shielding of electronics (EMC).

Geographic information:
Development, production and sales in China, Sweden and Malaysia. Sales and technology offices in the US and India.

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

Customers include:
Ericsson, Huawei, Motorola Solutions, Nokia, Nokia Solutions, Sony Mobile, Xioami, ZTE.

Competitors include:
Chiyoda, Chomerics, Jabil Green Point, Laird, Lite-On Mobile, Toyoda Gossei, Worldmark.

Volatility:
High. Project-based operations.

Product life cycle:
Short.

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

Market trends:
Constant new demands for new, cost-effective solutions. Continued high importance of cosmetic effects and unique design solutions, as well as speciality functions such as water resistance. The physical size of mobile phones is growing. Greater need for shielding of electronics (EMC) .

Nolato Telecom is a supplier of technically advanced solutions and products in the telecom sector.

Operational focus

Nolato Telecom's operations are divided into two business units:

- Mobile Phones: Develops and manufactures mechanical subsystems and components for mobile phones and tablet devices. These products have high cosmetic and haptic content, often with requirements regarding special functions such as water resistance and heat dissipation.
- EMC: Develops techniques and materials for shielding of electronics to achieve electromagnetic compatibility.

Performance in 2013

Sales for the business area rose by 34% to SEK 2,079 million (1,548). Adjusted for currencies, sales increased by 37%. Volumes have been very high, particularly in the first half of the year, driven by very strong demand for a number of mobile phone models on the consumer market.

Operating profit (EBITA) increased to SEK 166 million (96), and the EBITA margin rose to 8.0% (6.2). The margin was positively affected by high capacity utilisation.

Events during the year

A Thermal Management Centre has been developed at Lövepac Converting in Beijing to create solutions for efficient dissipation of heat from electronic components.

Resources have been expanded at Nolato Beijing to manage larger products such as tablet devices.

Nolato Beijing has introduced an extensive Employee Care Programme to ensure good conditions for employees both at work and in their free time.

In Beijing, China, Nolato's products include subsystems for mobile phones. Here Qiaomei Yang and Qian Gao inspect a component.


Lövepac Converting's R&D centre creates virtual thermal models to develop the optimal solution for each individual customer project.

Thermal management is hot topic for Lövepac Converting

An increasing problem for all electronic equipment producers is heat. As electronics become increasingly powerful, components are also being squeezed into the smallest possible space, which impedes heat dissipation. In Beijing, Lövepac Converting has established an R&D centre where the company simulates and analyses different types of heat dissipation solutions before they are actually produced. The aim is to be a leading player in Thermal Management.

Nolato Telecom's market

Mobile phone manufacturing is probably one of the most extreme market sectors in the world in terms of speed of development, high volumes, short product life cycles and continual requirements for new technologies for producing cosmetic effects. This requires close collaboration between mobile phone producers and their suppliers, which often leads to long-standing relationships.

This rapid technological development leads to constant new demands on suppliers to come up with effective solutions that meet mobile phone producers' functionality and quality needs.

Recent years have seen substantial consolidation of the supplier chain, with large suppliers becoming even bigger by buying up smaller competitors. The 10 largest Electronics Manufacturing Services (EMS) companies, which manage the entire production of a mobile phone, now control around 65 percent of all mobile phone sector volumes.

Within Mobile Phones, Nolato Telecom operates in the upper segment of the mobile phone market. Traditional mobile phone companies still retain their positions in this segment, but they are being threatened by local Chinese companies, which are taking market share in their domestic market.

Within the EMC sector, the Internet of Things (also known as M2M or Machine to Machine) is leading to a strong market trend. This new technology also means that electromagnetic compatibility requirements are increasing beyond the telecom sector, for instance in the medical technology and automotive industries.

Nolato Telecom's market position

Nolato Telecom is a niche player in Mobile Phones, offering strong in-house expertise in design, development and production. The market is project-related, which means that Nolato Telecom's volumes and results are not especially dependent on overall market development as such, but more on the consumer sales performance of individual mobile phone projects in which we are involved.

Customers mainly consist of a number of selected Original Equipment Manufacturers (OEMs) that develop and produce their own end-product, in contrast to those mobile phone companies, which use large contract manufacturers to produce the entire mobile phone.

Nolato Telecom supplies mechanical plastic or metal components to these OEM companies or their subcontractors. These

Examples of products

Components and subsystems for mobile phones

Injection-moulded, painted and decorated components for mobile phones, in certain cases integrated into "mechanical modules", sometimes water-resistant. Creative material and surface design with significant cosmetic and haptic content.

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

EMC

Process and material solutions for shielding electronics (EMC).

Strategic objectives

– 2013

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

2014 –

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

Nolato Telecom's units

Mobile Phones:

Nolato Beijing
Beijing, China
MD Jörgen Karlsson

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

EMC:

Nolato Silikonteknik
Hallsberg, Sweden
Beijing, China
Penang, Malaysia
MD Anders Ericsson

components consist of both external visible parts, with high cosmetic and haptic demands, and internal components for mobile phones. These business operations comprise development, production and cosmetic processing of these different components and extensive assembly of these components together with purchased parts.

In comparison with the major EMS companies, Nolato Telecom is a niche supplier with a market share of just a few percent. We have a strong position with our large customers and are viewed as a highly skilled partner with strong technical capabilities. This results in us often sharing projects with advanced technical challenges and stringent requirements regarding cosmetic and haptic content.

Within EMC, Nolato Telecom has a strong position as a supplier of solutions for equipment such as mobile network base stations. Expansion has begun into related sectors, such as automotive and medical device electronics, in which there is strong growth in shielding requirements as a result of increasingly complex electronic solutions and online connection.

Nolato Telecom key features

Nolato Telecom's operations are based on the same core elements as the rest of the Group: corporate responsibility, wide-ranging technical capabilities and advanced production technology.

The main distinguishing factor is the technological content. Nolato Telecom has developed its own portfolio of unique technical solutions in order to offer exceptional detailed finishing. This business areas also offers particular expertise in handling rapid start-ups of new products and production with major fluctuations in volume.

In addition, unlike the rest of the Nolato Group, the bulk of Nolato Telecom's revenues come from technologies other than injection moulding such as tool production, assembly and various methods of painting and decoration.

Nolato Telecom aims to cut its already fast lead times even further by reducing the time taken to produce a moulding tool by around 30%.

Nolato Telecom's continued development

Within Mobile Phones, Nolato Telecom will continue to develop strong competitiveness by enhancing technology and processes, automation and rationalisation of production. For example, we aim to cut our already fast lead times even further by reducing the time taken to produce an injection mould by around 30%.

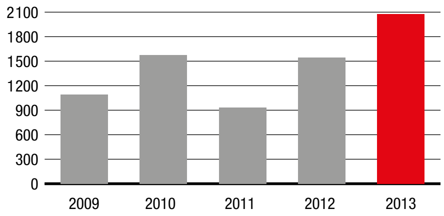
We are also working on further developing functional solutions such as water resistance, heat dissipation and creative integration of antennas.

Within EMC we are continuing to enhance our product offering within existing market and technical areas. Activities have also been initiated in order to reach customers on what are new markets for us, such as the automotive and medical technology industries, and through heat-dissipating material for electronics.

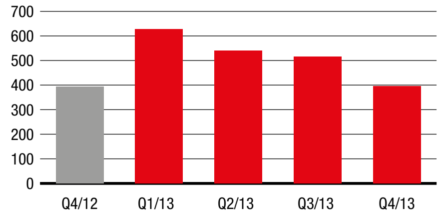
We also intend to further expand our EMC operations through acquisitions.

Nolato Telecom: five-year review

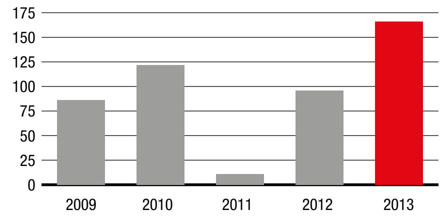
Net sales full year
SEKm



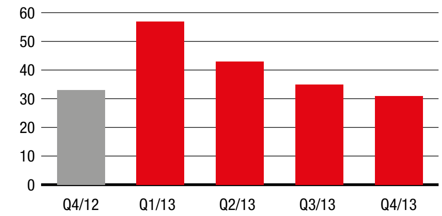
Net sales quarter
SEKm



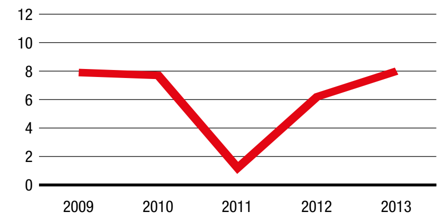
Operating profit (EBITA) full year
SEKm



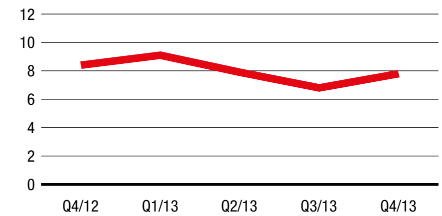
Operating profit (EBITA) quarter
SEKm



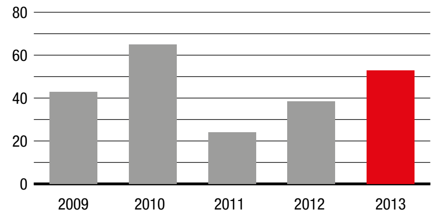
EBITA margin full year
%



EBITA margin quarter
%

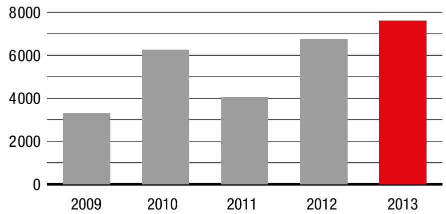


Investments
SEKm

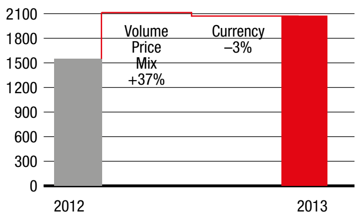


Affecting cash flow, excluding acquisitions and disposals.

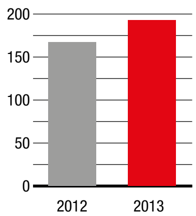
Average number of employees
No.



Change in sales
SEKm

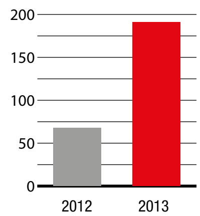


Cash flow
SEKm



Operational cash flow after investments excl. acq. and disp.

Return
%



Return on operational capital.

Nolato Industrial
Strategic supplier to selected industry customers

Nolato Industrial in brief

Business Area President:
Johan Arvidsson
Born 1969
Employed 1994
President since 2012

Financial highlights:	2013	2012
Sales, SEKm	1,170	1,170
Operating profit (EBITA), SEKm	119	105
EBITA margin, %	10.2	9.0
Average number of employees	753	743

Customer offering:
Development and manufacturing of components and product systems in plastic and TPE for customers in automotive, hygiene, packaging, gardening/forestry, domestic appliances and other selected industrial segments.

Geographic information:
Development, production and sales in Sweden, Hungary, Romania and China.

Success factors:
Technology, project management and productivity.

Customers include:
Atlas Copco, Brose, Ericsson, Husqvarna, Landrover, MCT Brattberg, Sanitec, Scania, SKF, Volvo and Volvo Cars.

Competitors include:
AQ Group, Euroform, KB Components, Mann+Hummel, Promens, Rosti.

Volatility:
Medium. Follows the Northern European industrial business cycle.

Product life cycle:
Medium/long.

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

Market trends:
Plastic is replacing heavier metal components. Customers want more extensive support earlier on in the development phase. Suppliers with limited customer offering are being forced out of the market.

Nolato Industrial consists of seven strong specialist companies that create business opportunities both individually and in cooperation with one another.

Operational focus
Nolato Industrial's operations mainly focus on three customer sectors:

■ For the automotive sector, Nolato Industrial supplies components for vehicle interiors and advanced technical details for engines and engine bays.

■ Within hygiene, packaging, gardening/forestry and appliances, Nolato Industrial supplies customers with continual and extensive purchasing operations, high volumes and long product runs.

■ Other industry mainly includes customers in the companies' related sectors.

Performance in 2013
Sales for this business area were unchanged and amounted to SEK 1,170 million (1,170). Adjusted for currencies and the disposal of the rubber component operation, sales rose by 2%. Volumes in the automotive segment

Injection moulding of components with stringent surface quality requirements at Nolato Plastteknik in Gothenburg, Sweden.

Nolato has been involved since 2009 in developing the inlet manifold for Volvo Cars' new Drive-E series of petrol and diesel engines.

Supporting customers from concept to high-volume supply

Nolato has been involved in the work to develop Volvo Cars' new four-cylinder Drive-E series of engines and is now producing components for these engines.

The largest and most complex part that we are involved in is the new inlet manifold. Nolato technicians have been supporting Volvo's engine technicians in this development work since 2009.

The work initially involved discussing purely conceptual solutions and production possibilities.

Later stages of the project have mainly concerned design optimisation in order to create the most effective and efficient production solution.

Serial production of the inlet manifold began in 2013 and this is now being supplied as a final, assembled product to Volvo Cars' engine plant in Skövde, Sweden.

were lower, especially in the first half of the year, while certain other segments such as hygiene made a positive contribution.

Operating profit (EBITA) increased to SEK 119 million (105) and the EBITA margin was 10.2% (9.0). A strong focus on continuous improvement and profitability, and a favourable product mix had a positive effect on the margin.

The decision was taken to extend the production unit at Mosonmagyaróvár in Hungary, which is shared with Nolato Medical, by 3,700 m². This expansion project aims to meet future customer production resource requirements.

Nolato Lövepac established production in China to supply Volvo Cars' new engine plant.

Nolato Sunne AB, which was the only unit in the Group focussed solely on producing rubber products, was divested on 1 November 2013.

Nolato Industrial's market

The European market for the manufacture of polymer products is fragmented, consisting of almost 50,000 companies with combined sales of over SEK 500 billion.

The typical company is family-owned, turns over SEK 20–35 million annually and operates in its local market. Business is done locally due to the fact that the products in this market are usually fairly bulky, making them expensive to transport.

Fragmentation in the Nordic region is just as strong as elsewhere in Europe. There are over 700 manufacturers of polymer products in Sweden, of which just under two-thirds have fewer than five employees. Only around 30 have sales exceeding SEK 50 million.

This market is characterised by two important trends for Nolato Industrial:

- Plastic is replacing heavier metal components. This is particularly evident in the automotive industry, where lower vehicle weight and hence reduced fuel consumption is a key competitive advantage.
- Customers want more extensive support earlier on in the development phase, which is resulting in those companies with only a production-oriented customer offering being forced out of the market or being offered limited business.

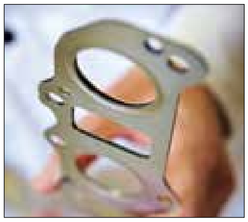
Nolato Industrial's market position

Nolato Industrial is a market leader in Scandinavia, with around one-fifth of the busi-

Examples of products

Automotive industry

Gaskets for engines and exhaust systems, interior fittings, motor components, battery boxes, etc.



Hygiene, packaging, gardening/forestry and domestic appliances

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

Other industries

Ball retainers and storage seals for ball bearings, office chair components, conveyor belts, insert blocks to seal cables and pipe transits.

Strategic objectives

– 2013
☑ Market share
☑ Productivity
☑ Cash flow

2014 –
☐ Market share
☐ Productivity
☐ Cash flow
☐ Selective geographic expansion
- alongside customers
- through selective acquisitions that bring new customers or technologies

Nolato Industrial's units

Nolato Gota
Götene, Sweden
MD Peter Holterberg

Nolato Hertila
Åstorp, Sweden
MD Håkan Hillqvist

Nolato Hungary
Mosonmagyaróvár, Hungary
MD Johan Arvidsson

Nolato Lövepac
Skånes Fagerhult, Sweden
Beijing, China
MD Henrik Enoksson

Nolato Plastteknik
Göteborg, Sweden
MD Magnus Hettne

Nolato Polymer
Torekov & Ängelholm, Sweden
MD Anders Willman

Nolato Romania
Negoiesti, Romania
MD Johan Arvidsson

ness done by suppliers with sales of over SEK 40 million. The companies in Nolato Industrial are all among the largest operators in the market and Nolato Industrial is the largest overall player in its sector.

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

Nolato Industrial key features

Nolato Industrial's operations are based on the same core elements as the rest of the Group: corporate responsibility, wide-ranging technical capabilities and advanced production technology.

The main distinguishing factors are the importance of high productivity and a constant focus on costs. Continuous improvement and lean manufacturing are important features throughout the Group's operations, but for Nolato Industrial they are essential.

Nolato Industrial's continued development

Nolato Industrial will continue to concentrate on the Nordic and Central European markets, but it will also be able to offer cus-

Highly automated production cells are an important aspect of Nolato Industrial's success.

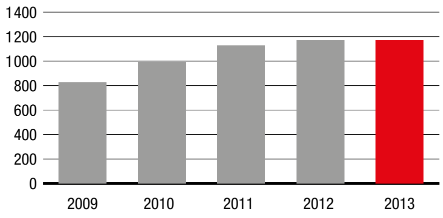
tomers a certain amount of production in China in 2014.

There will be a focus on continuing to develop professionalism, project management, productivity and customer-oriented technology.

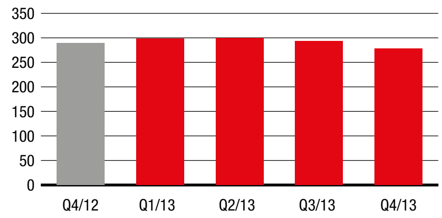
The business area's growth will mainly take place organically, but the acquisition of companies with unique technological expertise or with a strong position in a particular customer segment may also be of interest.

Nolato Industrial: five-year review

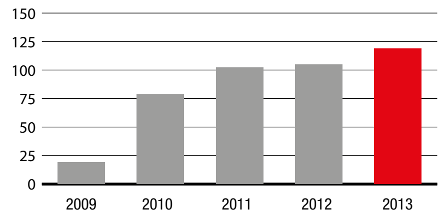
Net sales full year
SEKm



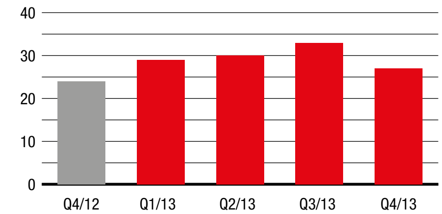
Net sales quarter
SEKm



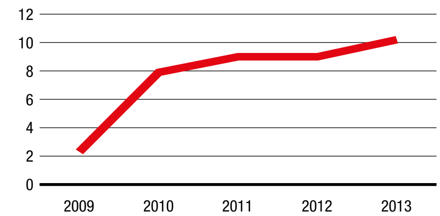
Operating profit (EBITA) full year
SEKm



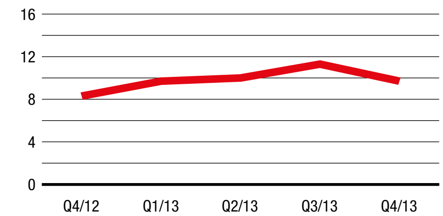
Operating profit (EBITA) quarter
SEKm



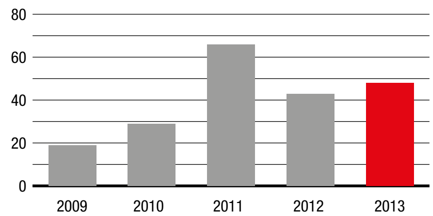
EBITA margin full year
%



EBITA margin quarter
%

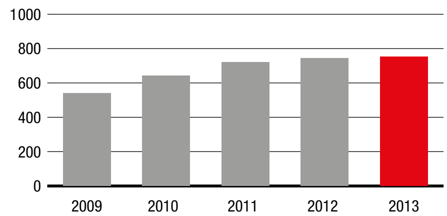


Investments
SEKm

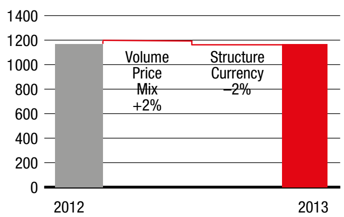


Affecting cash flow, excluding acquisitions and disposals.

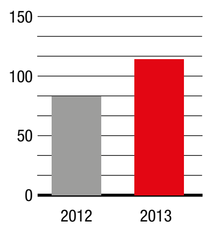
Average number of employees
No.



Change in sales
SEKm

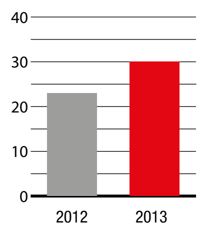


Cash flow
SEKm

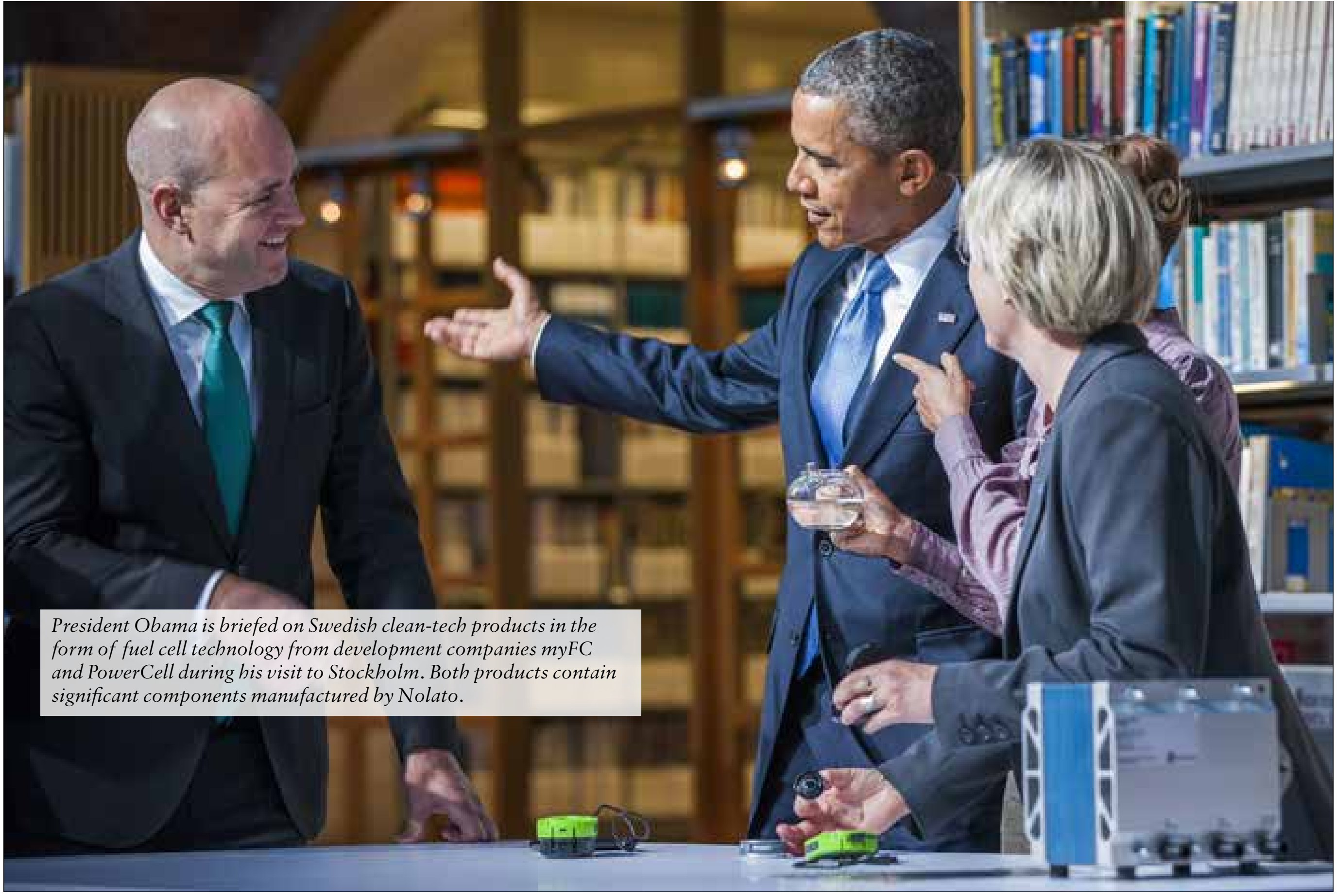


Operational cash flow after investments excl. acq. and disp.

Return
%



Return on operational capital.



President Obama is briefed on Swedish clean-tech products in the form of fuel cell technology from development companies myFC and PowerCell during his visit to Stockholm. Both products contain significant components manufactured by Nolato.

Clear responsibility for our operations

Significant events in 2013

- Nolato Jaycare's units in Portsmouth and Newcastle, which were acquired in 2012, achieved ISO 14001 certification.

- Lövepac Converting's units in China achieved OHSAS 18001 certification. Nolato Beijing is already certified to this standard for its work environment.

- During the year Nolato Beijing received The Best Practice Activity Safety Award 2013 from Beijing Development Area's work environment department.

- For the fourth year running, Nolato was awarded the highest rating in Swedish business weekly Veckans Affärer's Sustainable Portfolio.

- In insurance company Folksam's Corporate Responsibility Index Nolato came 25th out of 250 listed companies rated on the environment and 40th on human rights.

- Nolato's whistleblowing system was introduced in all Group companies.

- Our work on ensuring good conditions for the Group's employees in China continued through an active Employee Care Programme.

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

Nolato has a long tradition of responsible business, and one of our Basic Principles is that efficient and profitable business operations must be combined with ethics, responsibility and environmental awareness. It goes without saying that the company should be a good neighbour and a good global citizen, and that we should take responsibility for what we do and always apply sound business ethics.

Over time, the original innate approaches within Nolato – of basing our operations on professionalism, good organisation and responsibility – have been developed into a carefully thought-out strategy for sustainability. This strategy is based on conviction that a future-oriented, responsible approach is not only necessary from a responsibility perspective, but also creates opportunities and business benefits.

- We manage sustainability issues in a methodical way and have integrated them into both long-term strategic planning and our day-to-day operations.
- We have set Group sustainable development targets.
- We have clear guidelines in the form of Nolato's Basic Principles, Code of Conduct and Environmental Policy.
- All production units are certified to ISO 14001 standard.
- We have been signatories to the UN Global Compact since 2008 and we report sustainability work in accordance with the Global Reporting Initiative (GRI). The Group is currently adapting to GRI's new G4 guidelines.
- ISO 26000 standard for social responsibility provides a guideline for our sustainability work.

Our work continues

Requirements have changed and, although our sustainability work began many years ago, we constantly face new challenges.

We want to make further progress on energy consumption, climate impact, resource efficiency, processes and products. We also plan to integrate sustainability issues even further into our strategic work and enhance management systems within social responsibility, the environment and working environment.

Recent years have seen both large and small steps in this field, in particular by structuring and formalising our sustainability work. Our overall targets for sustainable development have been a key driver in this work. The views and expectations of society, employees and external stakeholders have also encouraged development.

Furthermore, we are seeing increased interest from customers, particularly in regard to switching to materials with reduced environmental impact.

Governance of sustainability work

The overall focus of our sustainability work is set out in Nolato's Basic Principles, Code of Conduct and policies. Operational responsibility for business activities is delegated to the Managing Director of each company. Group Management regularly follows up on the development of sustainability work. One representative on Nolato's Board has special responsibility for monitoring issues relating to sustainable development.

These activities are followed through dialogue with the companies' management and through internal and external audits. Along with the annual sustainability report we also carry out an in-depth analysis of compliance with legislation, achievement of targets and the development of performance and key performance indicators during the year.

Responsibility for the environment

The most significant environment-related aspects in the Group are issues concerning resources such as energy and material consumption, and waste.

Direct emissions from our production to air and water are limited. However, indirect emissions of carbon dioxide are a significant aspect of our environmental work. One of our environmental targets is therefore to reduce energy consumption by 10% over the next three years compared with the average for 2011–2012.

Individual production plants may have particular circumstances that result in a specific environmental issue being significant. One example of this is the plant in Beijing, where the city's poor air quality has received negative publicity. The traffic and coal-fired power stations contribute to these problems, but the authorities are also tightening up on requirements for reduced emissions from industrial plants. We are currently working on further reducing emissions of solvents from our paint line. We already use water-based paints to some extent, but the most important measure will be in 2014 when we will replace old cleaning equipment with new, more efficient equipment.

Responsibility for good business ethics

Nolato is a global company and we often encounter views on business ethics and business methods that differ from what is stated in Nolato's Code of Conduct. Regardless of cultural differences and expectations, we take a zero-tolerance approach to bribery, corruption and cartel formation.

We manage and follow up on the way Group units operate by informing them of our values and discussing these. We pay particular attention to ethical issues in our relationships with our partners. Standard business practice must be observed in each individual country, but if business methods do not comply with Nolato's Code of Conduct, we should refrain from doing business or take alternative relevant actions.

We carry out annual evaluations within this area using UN Global Compact checklists. No code of conduct breaches were identified in 2013.

To further strengthen our ability to quickly obtain information about breaches of the Group's Code of Conduct and other serious irregularities, we introduced a whistleblowing system in all units in 2013. The system enables members of staff to report any irregularities without risk of reprisal or pressure. No information about significant irregularities was received in 2013.

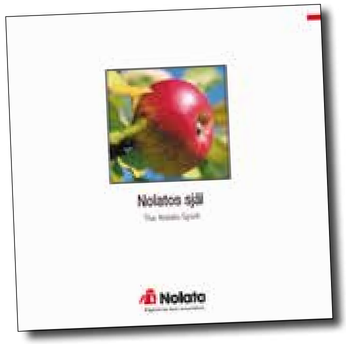
Responsibility for collaboration partners

When working with suppliers and other external parties we require them to comply with Nolato's Code of Conduct and Environmental Policy. Around one hundred of Nolato's most important suppliers were reviewed during the year in terms of environmental awareness, working environment and social responsibility.

Responsibility to customers

In collaboration with our customers, we take our responsibility for sustainability measures by proposing materials and processes to customers that have a lower environmental impact.

Customers also require us to comply with their own sustainability rules. In 2013 around two-thirds of Nolato's production units were reviewed by our customers and achieved good results. During the year our units in China were reviewed under the Sony Green Partner environmental requirements and achieved the approved standard.



Key guidelines

The Nolato Spirit

The booklet The Nolato Spirit sets out the fundamental value and policy documents that convey the values, principles and attitudes that make up Nolato's core values.

The Global Compact

Nolato is a signatory to the UN Global Compact which comprises 10 principles on the environment, human rights, labour conditions and the combatting of corruption.

GRI

We report Nolato's sustainability work in accordance with Global Reporting Initiative (GRI) guidelines. This reporting includes indicators on environmental responsibility, social responsibility, ethics and financial responsibility.

ISO 14001

All Group units are to be certified in accordance with ISO 14001. This is an international standard for environmental management, which includes regular environmental audits and a commitment to continuous improvement.

OHSAS 18001

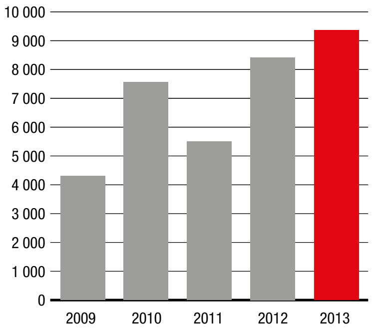
OHSAS 18001 is an international standard for working environment and safety management systems. It applies the same basic principles as ISO 14001 but focuses on risks in the work environment. Nolato's Chinese units are certified to this standard.

ISO 26000

The international standard on social responsibility, ISO 26000, provides a guideline for our sustainability work.

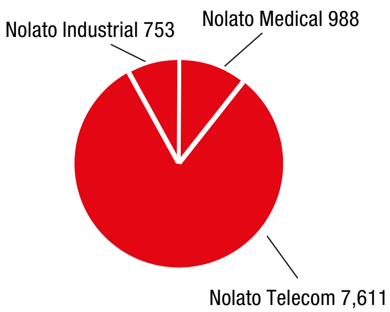
➔ The Nolato Spirit booklet can be downloaded at www.nolato.com/sustainability

■ Average number of employees



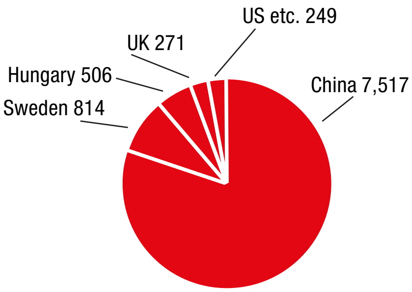
■ Employees by business area

Average



■ Employees by country

Average



Responsibility for openness and dialogue

Openness and dialogue with stakeholders are an important element in our sustainable development strategy. The Group's sustainability report therefore details our strategy, dialogue with stakeholders and a number of key performance indicators in accordance with GRI. The sustainability report is available on our website at www.nolato.com/sustainability.

Responsibility for employees

Attracting committed and skilled employees is an important factor in Nolato's ability to develop and remain a successful company. We work on management issues, employee training, diversity and on issues relating to health and safety.

The average number of employees at Nolato in 2013 was 9,357 (8,421). The increase in the number of employees is mainly as a result of Nolato Telecom's operations in China and is due to higher volumes.

All units are wholly owned by Nolato and comply fully with the guidelines in Nolato's Basic Principles, Code of Conduct and Environmental Policy. The practical work relating to personnel issues in the Group is decentralised. This means each individual Group company is responsible for managing personnel issues in a way that complies with both Group guidelines and legislation and the culture of the country in question.

Pursuant to Nolato's Code of Conduct, all employees have the right to be represented by trade unions, and to collective agreements. In Sweden and China, the majority of employees are covered by collective agreements. At the units in other countries, there are no unions or collective agreements, and this reflects a normal situation in these countries.

A large proportion of Nolato's employees in Beijing are temporarily employed through staffing agencies, because of short product cycles and significant fluctuations in production volumes. These employees are managed in accordance with the same principles that apply to permanent employees.

Special measures to attract, retain and develop both permanent and temporary employees in Beijing have been in place for about a year. These activities come under the term Employee Care Programme and include:

- A focus on health and safety through training, information and competitions.
- An exercise break twice every shift.
- Opportunity to undertake training in English and Japanese.
- Newsletters and improved internal information.
- Employee questionnaires and a forum in which employees can discuss issues with the company's managing director. The views expressed through these channels have resulted in specific measures such as a new canteen, a wide range of meal options and two free meals a day.
- Activities for more stimulating leisure time.

Responsibility for society

Our operations involve extensive contact with various stakeholders in the countries in which we operate. We believe it is important to have a close link with local communities and we have frequent contact with universities and schools. It is also common for our local units to support activities within areas such as sport and culture.

In Hungary the employment of staff with different types of disability was received very positively by both the local community and authorities. Employment has provided people with visual or hearing impairments with a better quality of life, and they are making an excellent contribution to the company's work.

In China, management and staff have been involved in a long-term project to provide financial and practical support to a school in a deprived rural area outside Beijing.

Target-based management

Nolato has had Group-wide long-term sustainability development targets in place since 2010. The following page provides details on some of these targets and the results achieved. Further information about these targets is available in our separate sustainability report.

Continued work

We understand that the journey towards completely sustainable development will be a long and time-consuming one, and that there are also a number of circumstances over which we have no control. However, within those areas that we can influence, our sustainability work will continue unabated in accordance with the Group's overall strategy. In 2014, we will work with measures including the following:

■ Energy efficiency and reduced climate impact.

■ Improved resource efficiency, including through reduced waste.

■ Making products more environmentally friendly through the use of new materials and production processes.

■ Activities in relation to sustainable development in the Group's supplier chains.

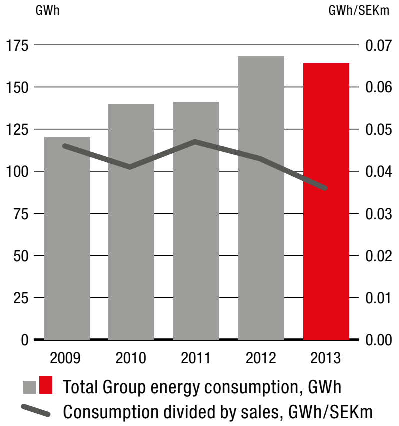
■ Continuing to train our employees on issues relating to people, the environment and ethics.

Key Group sustainability targets and outcomes, 2010 – 2013

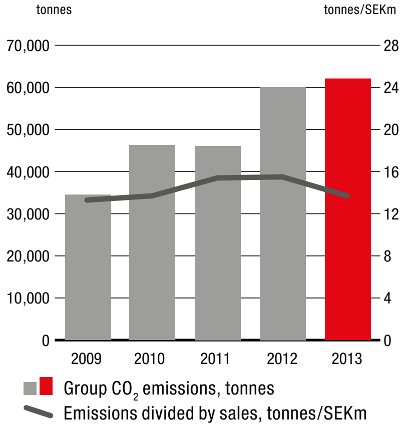
Environmental responsibility	2010	2011	2012	2013	How we performed
Reduced energy consumption in relation to sales. For the period 2014 – 2016 the target is a 10% reduction compared with the average for 2011 – 2012, measured as GWh/net sales.	See chart below.				▶ Production units have implemented numerous energy-saving measures and energy consumption decreased in 2013 both overall and measured in GWh/net sales.
Reduced greenhouse gas emissions in relation to Group sales. For the period 2014 – 2016 the target is a 10% reduction compared with the average for 2011 – 2012.	See chart below.				▶ Energy efficiency measures are cutting emissions at many plants. Increased production, and consequently higher purchases of electricity generated from fossil fuels in China and Hungary, has resulted in higher indirect emissions overall, although these have fallen measured in tons/net sales.
Reduced weight of waste in relation to net sales.	See chart below.				▶ Implemented measures have reduced the weight of waste and increased recycling. Overall, the weight of waste has risen over a five-year period owing to increased production.
All plants are to be certified according to ISO 14001. (% of total number of certified plants)	89	85	86	100	▲ Nolato Jaycare, which was acquired in 2012, was certified in 2013, which means that all units are now certified.
Social responsibility					
No infringements of human rights, discrimination or forced labour. (Number of reported cases)	0	0	0	0	▲ Information and training in connection with the Nolato Spirit have been provided at most units. New employees are the main target group.
Minimise occupational accidents and work-related illnesses. Introduce systems for the reporting of incidents. (Number of cases of >1 day absence and cases per employee)	44 0.006	28 0.005	64 0.007	34 0.004	▶ The number of cases per employee has fallen, but efforts to reduce the total number of accidents is continuing. Systems for the reporting of incidents are now in place at all units.
Business partners and other stakeholders					
There shall be no cases of bribery, corruption or cartel formation. Active information shall continue to be provided to employees. (Number of reported cases)	0	0	0	0	▲ A whistleblowing system was introduced in all units in 2013. Employees are informed of Nolato's regulations when first employed and when provided with various forms of personnel information.
Improved evaluation of suppliers' sustainability work. (% of number of plants providing information about Nolato's values, setting requirements and carrying out evaluations of suppliers' environmental/social responsibility)	84	90	90	>90	▶ In China and the UK, around 30 employees have been trained in auditing methods. Over 100 suppliers were evaluated with regard to the environment, work environment and social responsibility.

▲ Goal achieved. ▶ Positive trend, but work is still required to achieve target. ▼ Negative trend.

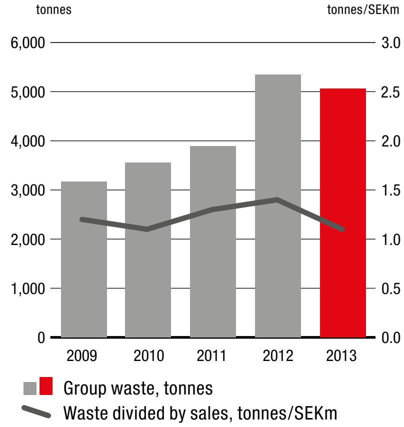
Energy consumption



CO_2 emissions

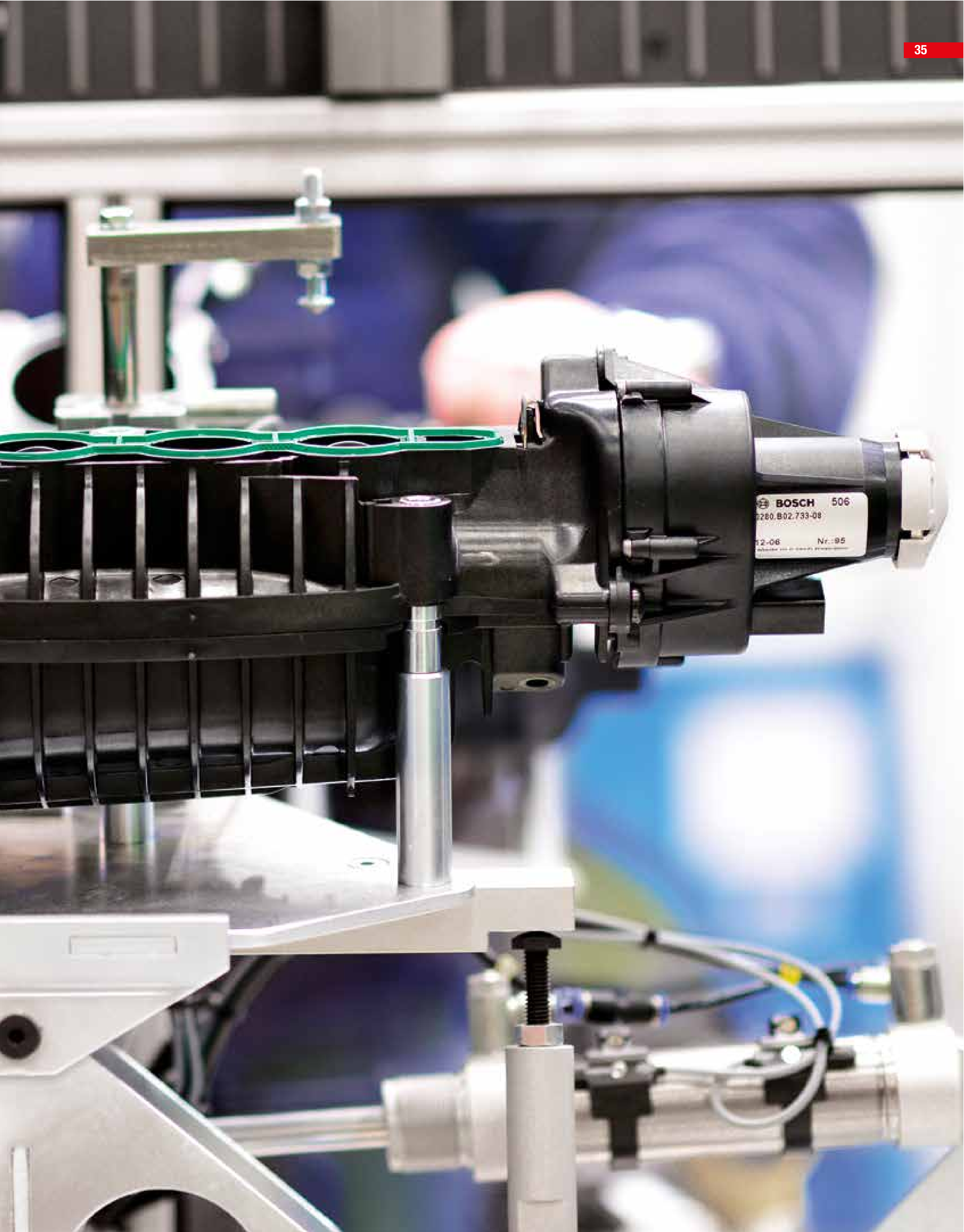


Waste



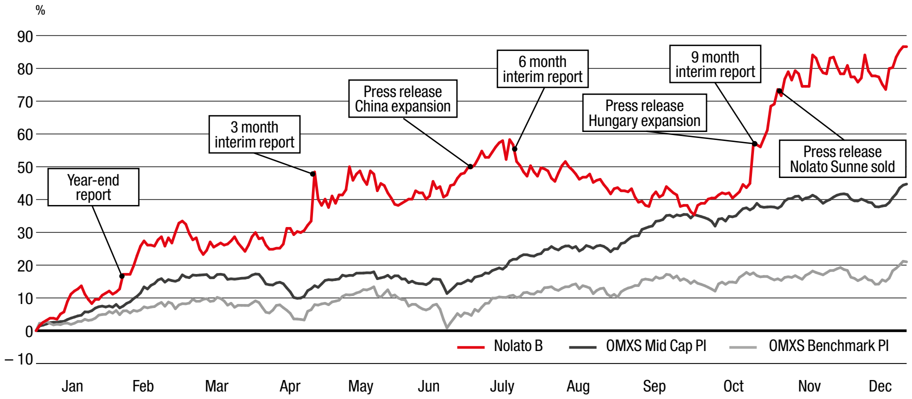
→ All Group targets are reported on in our detailed sustainability report (see www.nolato.com/sustainability).

Assembly of inlet manifold for Volvo Cars' new Drive-E series of engines at Nolato Gota in Götene, Sweden.

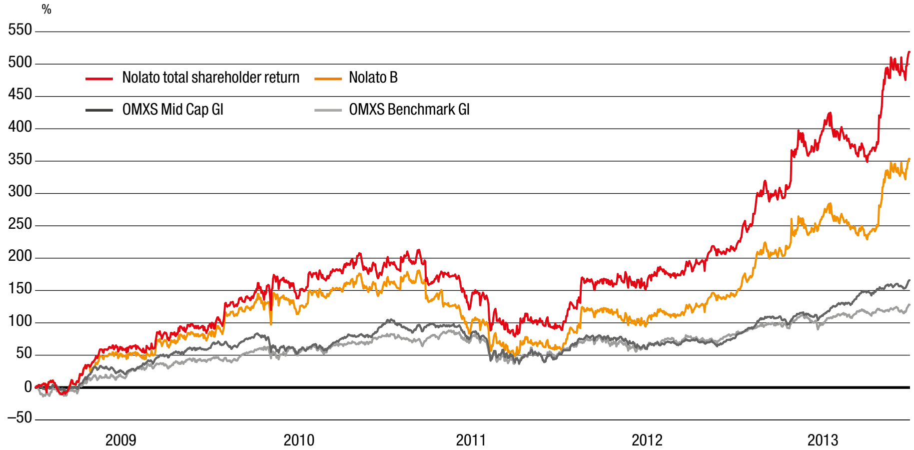

BOSCH

Shareholder information

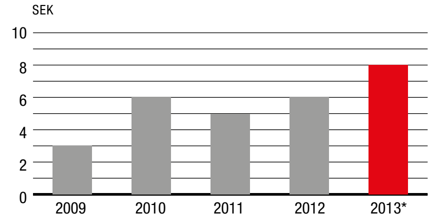
Share price performance 2013



Total shareholder return and share price performance 2009 – 2013

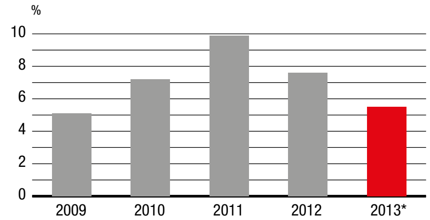


Dividend 2009 – 2013



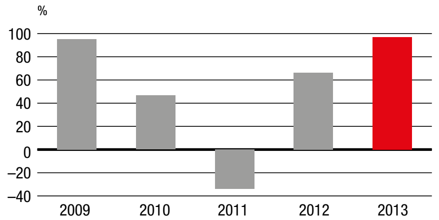
* 2013 proposal

Dividend yield 2009 – 2013



* 2013 proposal

Annual total shareholder return 2009 – 2013



Total shareholder return:
5 years 524.7% (yearly average 44.3%)
3 years 116.3% (yearly average 29.3%)
2 years 227.3% (yearly average 80.9%)

Listing

Nolato AB was listed on the Stockholm Stock Exchange in 1984, and its B shares are now listed on NASDAQ OMX Stockholm. Nolato is a Mid Cap company in the Industrials sector.

Shares were also traded on the Burgundy and Chi-X BXTR exchanges in 2013.

The share symbol is STO:NOLA B and the ISIN code is SE0000109811.

Share price performance

Nolato's B shares rose over the course of the year by 87% (55), outperforming the Stockholm Stock Exchange (OMXS) average by 63 percentage points. The shares were listed at the end of 2013 at SEK 146.50 (78.50).

The highest closing price on the NASDAQ OMX Stockholm during 2013 was SEK 146.50 (30 December) and the lowest closing price was SEK 78.50 (2 January). The highest price paid during the year was SEK 148.00 (30 December), and the lowest was SEK 78.50 (2 January).

The market value of the shares at 31 December 2013 was SEK 3,854 million (2,065).

In 2013 14.5 million (4.5) Nolato shares were traded, of which 13.9 million on the NASDAQ OMX Stockholm Exchange, 0.1 million (0.1) on Burgundy and 0.5 (0.0) on Chi-X BXTR. The turnover rate, i.e. the degree of liquidity, was 62% (19).

The number of shareholders increased by 12% during the year, totalling 8,373 (7,445) at 31 December.

Share capital

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

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

Incentive programmes

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

Dividend policy and dividend

The Board's dividend proposal shall take into consideration Nolato's long-term development potential, financial position and investment needs. The intention is to propose a dividend each year which corresponds on average to at least 35 percent of profit after tax.

The Board of Directors proposes an ordinary dividend for 2013 of SEK 4.00 (3.50) per share, together with an extra dividend of SEK 4.00 (2.50), totalling SEK 8.00 per share (6.00), corresponding to SEK 210 million (158). The pay-out ratio for the ordinary dividend, i.e. the dividend in relation to net income, is 34% (46) and 67% (78) in total.

The dividend yield is 5.5% in relation to the share price on 31 December 2013. Over the last five years, the average yield from Nolato's shares has been 7.1%.

Transferability

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

Analysts

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

- ABG Sundal Collier – Per Lindberg +44 207 905 5658
- Carnegie – Mikael Laséen +46 85886 8721
- Redeye – Greger Johansson +46 8545 013 30
- Remium – Claes Vikbladh +46 8454 32 94

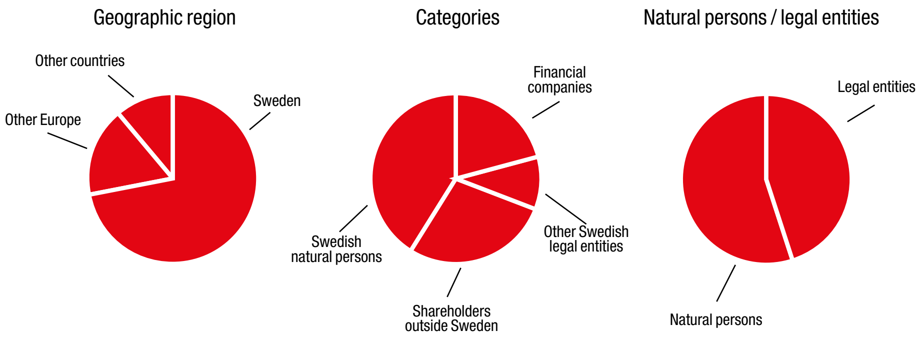
Financial information

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.

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

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

Breakdown of shareholders at 31 December 2013



Breakdown of shareholders at 31 December 2013

Shareholder	% of capital	Change*	% of votes	Change*
Jorlén family	9.73	– 0.3 ↓	24.45	– 0.2 ↓
Boström family	9.45	0.0 →	19.56	0.0 →
Svolder	4.68	– 1.0 ↓	2.41	– 0.5 ↓
Odin fonder	4.40	1.8 ↑	2.26	0.9 ↑
Skandia fonder	4.21	– 0.1 →	2.16	– 0.1 →
JPM Chase	3.50	— ↑	1.83	— ↑
Paulsson family	3.15	– 9.0 ↓	16.04	– 4.6 ↓
DnB - Carlson fonder	2.64	– 0.1 →	1.36	– 0.0 →
MPCS EQ SEC Client Seg	2.50	2.5 ↑	1.29	1.3 ↑
Handelsbanken fonder	2.28	– 0.2 ↓	1.17	– 0.1 →
State Street Bank & Trust	2.27	2.3 ↑	1.17	1.2 ↑
Avanza pension	1.76	0.3 ↑	0.91	0.2 ↑
Swedbank Robur fonder	1.54	1.2 ↑	0.79	0.6 ↑
SEB Investment Management	1.05	1.1 ↑	0.54	0.5 ↑
Lannebo fonder	0.99	– 9.7 ↓	0.51	– 5.0 ↓
Total for 15 largest shareholders	**54.15**		**76.45**	
Other shareholders	45.85		23.55	

* Change (percentage points) in shareholdings compared with 31 December 2012

Per share data

	2013	2012	2011	2010	2009
Net earnings per share, SEK [1]	11.94	7.68	5.02	7.11	4.68
Shareholders' equity per share, SEK [2]	51	44	44	45	41
Cash flow per share, SEK, excl. acquisitions and disposals	13.76	12.05	4.26	8.74	5.28
Share price at 31 December, SEK	146.50	78.50	50.75	83.00	59.00
Price/earnings ratio, times [3]	12	10	10	12	13
Turnover rate, %	62	19	34	47	34
Dividend (2013 proposal), SEK	8.00	6.00	5.00	6.00	3.00
Yield (2013 proposal), % [4]	5.5	7.6	9.9	7.2	5.1
Dividend as percentage of earnings per share (2013 prop.)	67	78	100	84	64
Average number of shares, thousand	26,307	26,307	26,307	26,307	26,307
Price/equity ratio per share, times	2.9	1.7	1.2	1.8	1.4
Market capitalisation 31 December, SEK million	3,854	2,065	1,335	2,183	1,552

Definitions

[1] Profit after tax divided by the average number of shares.
[2] Shareholders' equity divided by the number of shares.
[3] Quoted share price on 31 December divided by net earnings per share.
[4] Dividend for the year divided by the market price quoted on 31 December.

Corporate governance

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 common values for all Group operations.

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

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

Environmental Policy
This governs the Group's environmental activities.

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

IT Policy
This governs the Group's IT security structure.

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

Insider Policy
Supplements insider trading legislation rules with directives on notification obligations and trading in Nolato's shares.

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

Nolato is a Swedish limited company. Its corporate governance is based on Swedish legislation, primarily the Swedish Companies Act, the regulations set out by NASDAQ OMX Nordic, the Swedish Code of Corporate Governance and the rules and recommendations issued by relevant organisations.

Corporate governance report

Nolato's formal corporate governance report is available to read on our website at www.nolato.com/corpgov.

Shareholder governance

Shareholders exercise their power of ownership at General Meetings. Nolato's A shares entitle holders to 10 votes, and the B shares to 1 vote. Resolutions at 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 meeting of the company at which the Board presents the annual accounts and the audit report is called the Annual General Meeting (AGM) and is normally held by Nolato at the end of April. At the AGM, matters are dealt with relating to subjects such as dividends, discharging the members of the Board and the President and CEO from liability, and electing the Board members, the Chairman of the Board 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.

The company's application of the Code

The Swedish Code of Corporate Governance is based on the principle of *comply or explain*. This means that companies which apply the Code may deviate from specific rules, but must then provide explanations and reasons for each individual deviation.

Nolato deviates from points 2.4 and 7.3 of the Code.

Point 2.4 states that the majority of the Nomination Committee should consist of non-Board members, that no more than one of these Board members may be dependent in relation to the company's major shareholders, and that the Chairman of the Nomination Committee should not be the Chairman of the Board or another Board member. Nolato's largest shareholders are of the opinion that the company's ownership structure, with three families which hold around 60 percent of the votes, is best represented within the Nomination Committee by these shareholders together with other major shareholders. Since the representatives of these families have such a large shareholding, they have deemed it to be both natural and necessary that they should also be involved and exercise their shareholders' interests through representation on both the company's Nomination Committee and the Board.

Point 7.3 states that the Audit Committee should consist of at least three Board members. The Board has decided that, in view of the composition and size of Nolato's Board, the Audit Committee would be best represented by two members.

Auditor

At the 2013 AGM, authorised public accountant Alf Svensson, KPMG, was elected as auditor of Nolato and authorised public accountant Camilla Alm Andersson, KPMG, was elected as deputy auditor, both for the period until the next AGM.

Auditor: Alf Svensson, born 1949. Authorised public accountant, KPMG. Auditor of Nolato since 2008. Elected auditor of companies including Bioinvent International, Diaverum, Lindéngruppen, Midsona, Nibe and Peab.

Deputy auditor:
Camilla Alm Andersson, born 1965. Authorised public accountant, KPMG. Deputy auditor of Nolato since 2008. Other major clients: Wilh. Becker, Höganäs, Pergo and Strålfors.

Schematic description of the Nolato Group's corporate governance

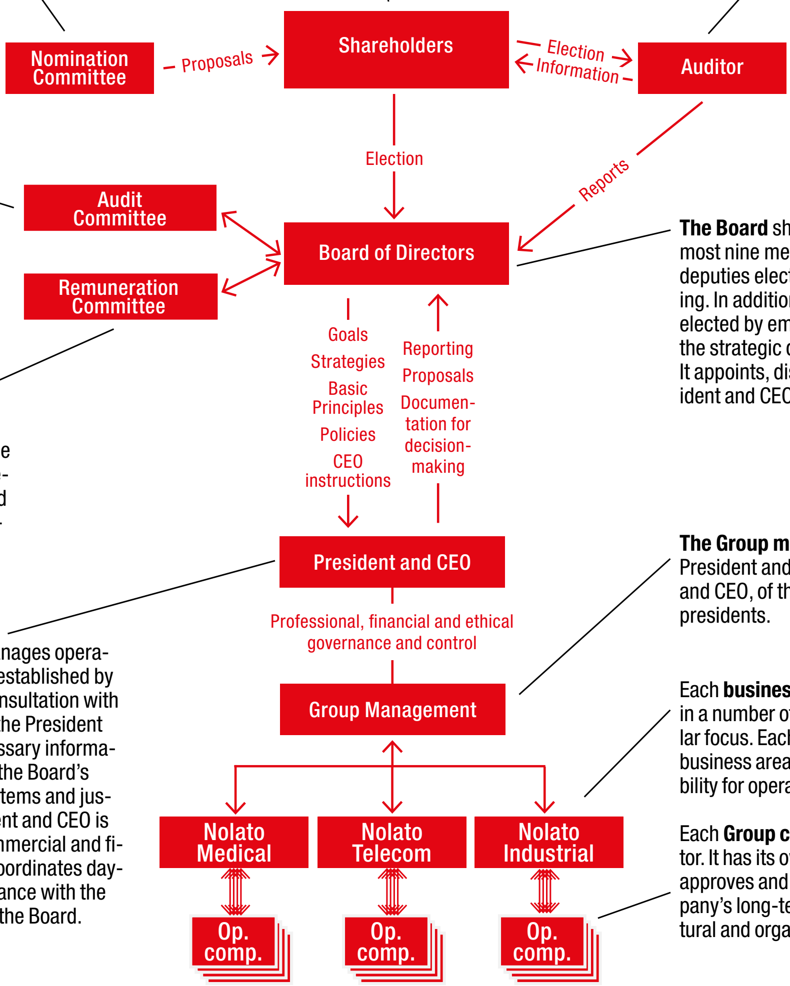
The Nomination Committee is responsible for submitting proposals to the Annual General Meeting on the Chairman of the Board, Board members (number, individuals, chairman), directors' fees, remuneration for committee work, how the Nomination Committee should be appointed for the coming year and submitting proposals regarding auditors and auditors' fees.

The shareholders' right to make decisions on matters relating to Nolato is exercised at the Annual General Meeting, which is normally held at the end of April. The AGM elects the Board, make decisions about dividend and fees and adopts the annual report. 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 Annual General Meeting to audit the company's annual report and accounts, and the Board's and President and CEO's management of Nolato. The auditor also reviews the remuneration of senior executives and the corporate governance report.

Reporting occurs to the Board and the Audit Committee. At the Annual General Meeting, 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 auditing.



The Board shall consist of at least five and at most nine members, and a maximum of three deputies elected by the Annual General Meeting. In addition, it includes three 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 Remuneration Committee is responsible for proposing to the Board all remuneration and benefits for the President and CEO and principles for variable remuneration for senior executives.

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

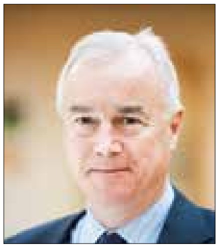
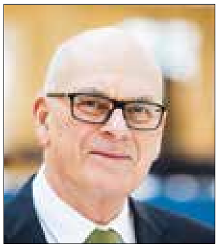
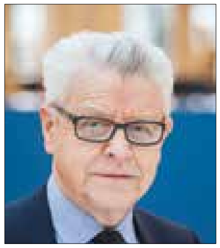
The President and CEO manages operations within the framework established by the Board of Directors. In consultation with the Chairman of the Board, the President and CEO draws up the necessary information and documentation for the Board's decision-making, presents items and justifies proposals. The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

Each **business area** coordinates 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.

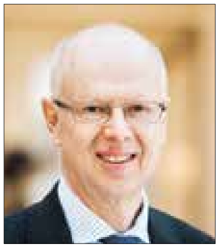
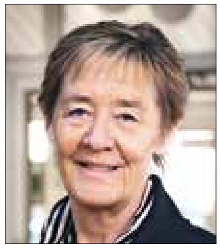
Each **Group company** has a managing director. It has its own board of directors, which approves and makes decisions on the company's long-term strategies and overall structural and organisational changes.

Reporting and control occurs by means of the Board and the Audit Committee analysing 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 agreeing on requirements for the content of the reports on financial conditions given to the Board on an ongoing basis. The Board reads monthly reports and forecasts and approves interim reports and the Annual Report.

Nolato's Board

					
Name	Fredrik Arp	Sven Boström-Svensson	Henrik Jorlén	Anna Malm Bernsten	Erik Paulsson
Year elected	2009 (member also 1998 – 1999)	2013	1974	2010	2003
Position	Chairman of the Board and Chairman of the Remuneration Committee.	Board member	Board member and member of the Remuneration and Audit Committees.	Board member	Board member
Born	1953	1983	1948	1961	1942
Education	Bachelor of Science (econ) and Ec. Doctor h.c.	Bachelor in Chemistry.	Commercial school	Master of Engineering	Elementary school
Other assignments	Chairman of the Board of Hilding Anders, Mediplast and Parques Reunidas. Board member of Technogym.	—	—	Board member of Birdstep, Cellavision, Fagerhult, Matrisen, Medivir, Neurovive and Oatly.	Chairman of the Board of Backahill, Brinova Fastigheter, Fabege, SkiStar and Wihlborgs Fastigheter. Board member of Catena.
Background	CEO of Volvo Cars, Trelleborg, PLM.	—	Management positions within the Nolato Group.	Management positions within sales and marketing at international companies, including Assa Abloy, GE Healthcare Life Science and Pharmacia & Upjohn.	Manager and entrepreneur within the construction and property industry since 1959. One of the founders of Peab and SkiStar, and active owner of a number of listed property companies.
Attendance	5 of 5 meetings	3 of 3 meetings (elected at the AGM)	5 of 5 meetings	5 of 5 meetings	2 of 5 meetings
Remuneration[1] (SEK)	405,000	155,000	190,000	155,000	155,000
Shareholding[2]	3,000 B (3,000 B)	255,870 B (255,870 B)	294,000 A + 47,950 B (294,000 A + 47,950 B)	1,000 B (1,000 B)	609,200 A + 10,050 B (609,200 A + 2,372,575 B)
Dependence	Independent of the company and major shareholders.	Independent of the company, but not of major shareholders.	Independent of the company, but not of major shareholders.	Independent of the company and major shareholders.	Independent of the company, but not of major shareholders.

[1] For more information about remuneration, see note 10 on page 64.
[2] Shareholding in Nolato at 31 December 2013 (31 December 2012) incl. family and companies, according to Euroclear Sweden. For current information see www.nolato.com.

					
Name	Hans Porat	Lars-Åke Rydh	Ingegerd Andersson	Björn Jacobsson	Eva Norrman
Year elected	2008	2005	2013 Deputy 2004 – 2013	2000	2006 Deputy 1997–2006
Position	Board member President and CEO of Nolato AB.	Board member and Chairman of the Audit Committee.	Employee representative, LO.	Employee representative, LO.	Employee representative, PTK.
Born	1955	1953	1951	1971	1951
Education	Master of Science (metallurgy)	Master of Engineering	Upper secondary school	Upper secondary school	Nurse
Other assignments	—	Chairman of OEM International, Nefab, Plastprint, SanSac and Schuchardt Maskin. Board member of HL Display and Olja ek.för.	—	—	—
Background	Management positions at ABB, Vice President of Trelleborg, President of Gadelius Japan.	President and CEO of Nefab.	Employed at Nolato Plastteknik.	Employed at Nolato Gota.	Employed at Nolato Plastteknik.
Attendance	5 of 5 meetings	5 of 5 meetings	4 of 5 meetings [3)]	5 of 5 meetings	2 of 5 meetings [3)]
Remuneration [1] (SEK)	0	210,000	0	0	0
Shareholding [2]	20,000 B (33,898 B)	2,000 B (2,000 B)	0 (0)	0 (0)	0 (0)
Dependence	Not independent of the company but independent of major shareholders.	Independent of the company and major shareholders.	—	—	—

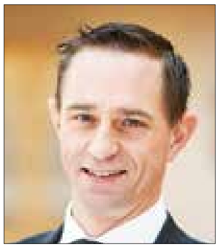
Deputy employee representatives are Arif Mislimi (LO) and Håkan Svensson (PTK).

[1] For more information about remuneration, see note 10 on page 64.

[2] Shareholding in Nolato at 31 December 2013 (31 December 2012) incl. family and companies, according to Euroclear Sweden. For current information see www.nolato.com.

[3] In the absence of the ordinary employee member the deputy member participated.

Group management

					
Name	Hans Porat	Per-Ola Holmström	Christer Wahlquist	Jörgen Karlsson	Johan Arvidsson
Employed	2008	1995	1996	1995	1994
Position	President and CEO since 2008	Executive Vice President and CFO since 1995	President of Nolato Medical since 2005	President of Nolato Telecom since 2009 and MD of Nolato Beijing since 2007	President of Nolato Industrial since 2012 and MD of Nolato Hungary since 2008
Born	1955	1964	1971	1965	1969
Education	Master of Science (metallurgy)	Bachelor of Science (econ)	Master of Science MBA	Polymer engineering	Master of Science
Background	Management positions at ABB, Vice President of Trelleborg, President of Gadelius Japan.	Authorised public accountant	Marketing manager MD in Group companies	Marketing manager MD in Group companies	MD in Group companies
Share-holding [1]	20,000 B (33,898 B)	20,154 B (20,154 B)	15,712 B (20,712 B)	0 (0)	5,000 B (5,000 B)

[1] Shareholding in Nolato at 31 December 2013 (31 December 2012) incl. family and companies, according to Euroclear Sweden. For current information see www.nolato.com.

Directors' report and financial statements

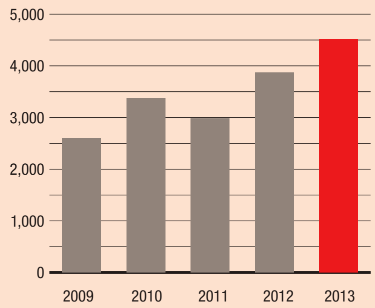
Contents

* The content of pages 44 – 78 has been audited.

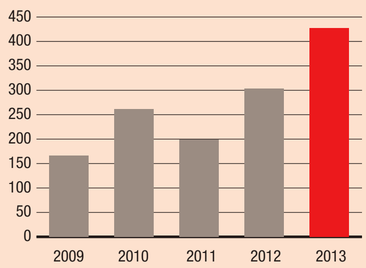
This document is a translation from Swedish. In the event of any differences between this version and the Swedish original, the Swedish original shall govern.

Directors' report

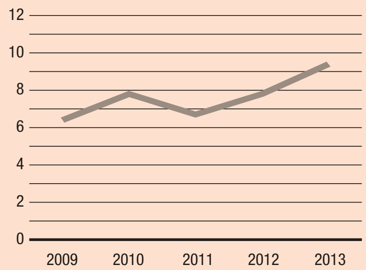
Sales
SEKm



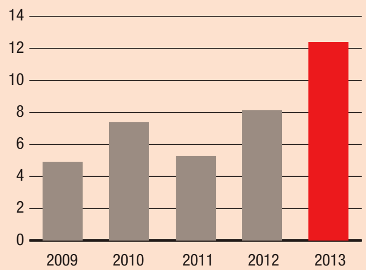
Operating profit (EBITA)
SEKm



EBITA margin
%



Adjusted earnings per share
SEK



Operations in 2013

The Board of Directors and the President and CEO hereby publish the Annual Report and consolidated accounts for Nolato AB (publ), company number 556080-4592, for the 2013 financial year.

Nolato is a Swedish publicly listed group with about 9,350 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, telecom, automotive and other selected industrial sectors.

The business model is based on close, long-term and innovative collaboration with customers. Nolato endeavours 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 the NASDAQ OMX Nordic Exchange in the Stockholm Mid 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:

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

- Nolato Telecom develops and manufactures components and subsystems for mobile phones, and products to achieve electromagnetic compatibility (EMC).

- Nolato Industrial develops and manufactures polymer products for customers in the automotive industry, hygiene, packaging, gardening/forestry, domestic appliances and other selected industrial segments.

The activities of these three business areas are based on the same core elements of corporate responsibility, 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 specialisation 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. Nolato Medical operates on a market with long product life cycles and low business cycle dependency, while Nolato Telecom is the opposite, with short product life spans and high project volatility. And between these two we find Nolato Industrial.

The operations of these business areas are presented in more detail on pages 16–29.

Financial summary

The 2013 financial year resulted in the highest sales and best operating profit since Nolato was founded in 1938.

- Group sales amounted to SEK 4,522 million (3,874), an increase of 17%. Adjusted for currency, acquisitions and disposals, sales rose by 17%.

Consolidated operating profit (EBITA) amounted to SEK 427 million (303), giving an EBITA margin of 9.4% (7.8).

Sales, operating profit (EBITA) and EBITA margin by business area 2011 – 2013

	Sales			Operating profit (EBITA)			EBITA margin (%)		
	2013	2012	2011	2013	2012	2011	2013	2012	2011
Nolato Medical	1,274	1,159	917	165	133	110	13.0	11.5	12.0
Nolato Telecom	2,079	1,548	935	166	96	11	8.0	6.2	1.2
Nolato Industrial	1,170	1,170	1,129	119	105	102	10.2	9.0	9.0
Intra-Group adj., Parent Co.	– 1	– 3	– 4	– 23	– 31	– 24	—	—	—
Group total	**4,522**	**3,874**	**2,977**	**427**	**303**	**199**	**9.4**	**7.8**	**6.7**

Consolidated profit after tax rose to SEK 314 million (202). Earnings per share, basic and diluted, were SEK 11.94 (7.68).

■ Nolato Medical saw sales rise by 10% to SEK 1,274 million (1,159). Adjusted for currency and acquisitions, sales rose by 7%.

Operating profit (EBITA) rose to SEK 165 million (133) and the EBITA margin was 13.0% (11.5). The margin was positively affected by high productivity and a favourable product mix. The extension of the Chinese and Hungarian factories is proceeding according to plan.

■ Nolato Telecom's sales rose by 34% to SEK 2,079 million (1,548). Adjusted for currency, sales increased by 37%. Volumes were very high, particularly in the first half of the year, driven by very strong demand for a number of mobile phone models on the consumer market.

Operating profit (EBITA) increased to SEK 166 million (96), and the EBITA margin rose to 8.0% (6.2). The margin was positively affected by high capacity utilisation.

■ Nolato Industrial's sales were unchanged at SEK 1,170 million (1,170). Adjusted for currency and disposals, sales rose by 2%. Volumes in the automotive segment were lower, especially in the first half of the year, while certain other segments such as hygiene made a positive contribution.

Operating profit (EBITA) rose to SEK 119 million (105) and the EBITA margin improved to 10.2% (9.0). A strong focus on continuous improvement and profitability, and a favourable product mix, had a positive effect on the margin.

Expansion in China and Hungary

In July the decision was taken to expand Nolato Medical's production plant in Beijing, China, by an additional 2,200 m², of which 800 m² will consist of the highest standard of clean room, meeting ISO 14644-1:1999 class 8 requirements. The expansion is being undertaken to enable Nolato Medical to secure resources for future growth in China.

It was decided in October to extend Nolato's Hungarian production unit by a further 3,700 m². This work is being carried out to create room for expansion and provide even better conditions for efficient production. The unit undertakes production for both Nolato Medical and Nolato Industrial customers. The extended area is expected to be brought into use in the latter part of 2014.

Acquisitions

No acquisitions were made by the Group in 2013. The acquisition focus remains unchanged, however, and the Group's strategic planning includes acquisitions primarily within medical technology in Western Europe and North America. Acquisitions are also planned within the field of EMC.

Disposal of Group companies

Group company Nolato Sunne was divested on 1 November 2013. The operations of this company are wholly focused on rubber products and was the only company in the Group with this particular focus. The disposal was part of Nolato's focus on developing and manufacturing products in plastic, silicone and TPE.

Nolato Sunne had 95 employees in Sunne, Sweden with sales of around SEK 130 million. The sale price was SEK 22.5 million and the transaction resulted in a minor capital loss in the fourth quarter. Further information can be found in Note 30 on page 72.

■ Corporate responsibility – CR

Nolato has a long tradition of responsible business, and one of our Basic Principles is that efficient and profitable business operations must be combined with ethics, responsibility and environmental awareness. It goes without saying that the company should be a good neighbour and a good global citizen, and that we should take responsibility for what we do and always apply sound business ethics.

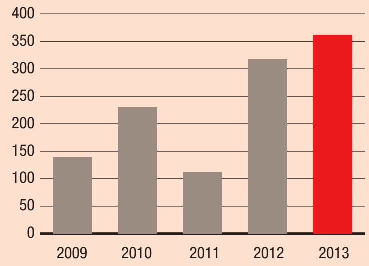
Over time, the original innate approaches within Nolato – of basing our operations on professionalism, good organisation and responsibility – have been developed into a carefully thought-out strategy for sustainability. This strategy is based on the conviction that a future-oriented, responsible approach is not only necessary from a responsibility perspective, but also creates opportunities and business benefits.

■ We manage sustainability issues in a methodical way and have integrated them into both long-term strategic planning and our day-to-day operations.

■ We have set Group sustainable development targets. (See page 33.)

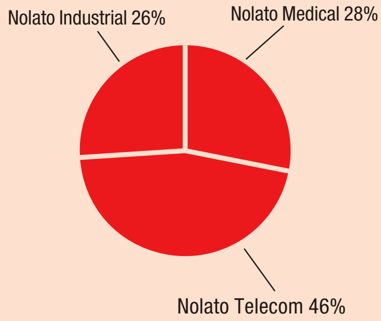
■ We have clear guidelines in the form of

■ Cash flow after investments
SEKm

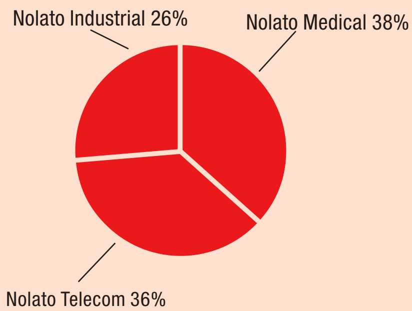


Excluding acquisitions and disposals

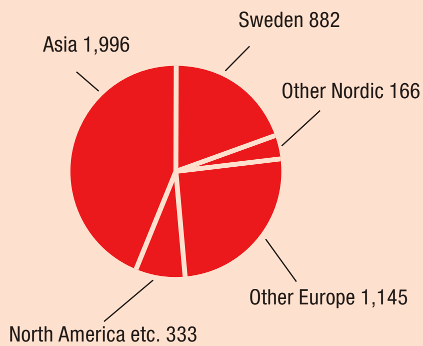
■ Share of sales



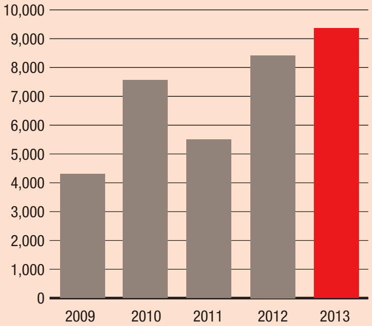
■ Share of operating profit (EBITA)



■ Sales by geographic markets
SEKm

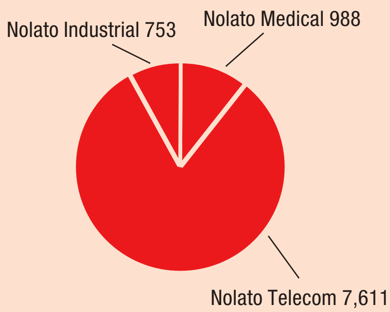


Average no. employees



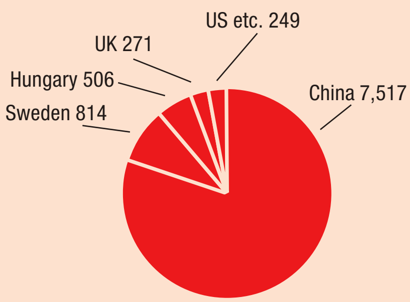
Employees by business area

Average



Employees by country

Average



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

- All production units are certified to ISO 14001 standard.
- We have been signatories to the UN Global Compact since 2008 and we report sustainability work in accordance with the Global Reporting Initiative (GRI). The Group is currently adapting to GRI's new G4 guidelines.
- ISO 26000 standard for social responsibility provides a guideline for our sustainability work.

Employees

The average number of employees at Nolato in 2013 was 9,357 (8,421). The increase in the number of employees is mainly attributable to Nolato Telecom's operations in China and is due to higher volumes.

57 percent (62) of the Group's total employees were women.

All units are wholly owned by Nolato and comply fully with the guidelines in Nolato's Basic Principles and Code of Conduct. The practical work relating to personnel issues in the Group is decentralised. This means each individual Group company is responsible for managing personnel issues in a way that complies with both Group guidelines and legislation and the 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 concentration of employees with around 7,500 staff, an Employee Care Programme has been introduced. The aim of this is to ensure good conditions for employees both at work and in their free time.

To further strengthen our ability to quickly obtain information about breaches of the Group's Code of Conduct and other serious irregularities, we introduced a whistleblowing system in all units in 2013. This enables members of staff to alert the company to any irregularities without risk of reprisal or pressure. No significant cases were reported in 2013.

The total figure for the average number of employees includes approximately 6,000 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 work force for mobile phone projects and consequently avoid creating its own large recruitment organisation. In accordance with the Group's policy, these employees are managed 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 must be observed in each individual country, but if business practice does not comply with our ethical rules we must refrain from doing business or take alternative actions.

We carry out annual evaluations within this area using UN Global Compact checklists. No code of conduct breaches were identified in 2013.

The guidelines in Nolato's Code of Conduct also apply to suppliers and other Nolato business partners. Fulfilment of these guidelines is checked by means of periodic assessments.

Environmental issues

The Group's operations involve the use of energy, raw materials and chemicals, emissions to air and water, and waste. All units are certified in accordance with the environmental management system ISO 14001.

Systematic environmental work is carried out in the Group to reduce environmental impact and improve resource efficiency. This work is described on pages 30–33 and is reported in the separate sustainability report at www.nolato.com/sustainability.

All production units in Sweden are obliged to provide notifications pursuant to the Swedish Environmental Code. 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 all of the Group sales.

No renewal of environmental permits or update of notification cases are planned for 2014.

In most cases, regular reports are submitted to the environmental authorities, and the supervisory authorities carry out inspections. No breaches of environmental legislation were registered in 2013.

Operational risks

An important aspect of Nolato's strategic planning is identifying potential operational risks, assessing their likelihood and any consequences and minimising 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 48–49. Further information on Nolato's assessment of risks is provided on page 14.

Management systems

Nolato's production units are all certified in accordance with the ISO 9001 quality management system and the ISO 14001 environmental management system.

A number of units are also certified in accordance with ISO standards for the automotive industry (ISO 16949), medical technology (ISO 13585) or pharmaceutical packaging (ISO 15378).

A number of units have integrated the various management systems in order to cover a broader operational area.

An occupational environmental management system (OHSAS 18001) is in place at Nolato's Chinese units.

Social responsibility standard (ISO 26000) provides a guideline for Nolato's corporate responsibility.

Nolato's shares

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

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

At the end of 2013, Nolato had 8,373 (7,445) shareholders. The five largest shareholders are the Jorlén family with 9.7%, the Boström family with 9.4%, Svolder with 4.7%, Odin funds with 4.4% and Skandia funds with 4.2% of the capital.

Only one individual shareholder, Backahill AB, with 11.9% of the votes, represents at least one-tenth of the number of votes for all shares in the company.

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.

Further information about Nolato's shares can be found on pages 36–37. 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 38–42. 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 detailed in Note 10 on page 64. This note also explains what happens if these executives resign or are dismissed by the company. These guidelines are also essentially the same as the Board's proposals for guidelines for the remuneration of senior executives proposed to the 2014 Annual General Meeting.

Parent Company

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

Sales totalled SEK 23 million (19). Profit after financial income and expense was SEK 85 million (7). The rise in profit is mainly due to higher dividends from subsidiaries.

Proposed appropriation of profits

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

Retained profit	SEK 381 million
Profit for the year	SEK 194 million
Total	**SEK 575 million**

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

Div. to shareh. of SEK 8.00 per share	SEK 210 million
To be carried forward	SEK 365 million
Total	**SEK 575 million**

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

Events after the end of the financial year

No significant events have occurred since the balance sheet date.

Future performance

Nolato's financial position remains very strong, creating freedom 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.

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 life span, are therefore of great significance in terms of Nolato's sales and profit.

Significant risks, risk exposure and risk management

The letter by each risk refers to the further information on Nolato's assessment of risks that is provided on page 14.

Operational risks	Risk exposure	Risk management
A **Business cycle risk** The risk that an economic downturn could have a significant impact on Nolato's performance and earnings.	Nolato Medical and Nolato Telecom's operations have fairly low sensitivity to economic and business cycle fluctuations, while Nolato Industrial's business generally follows the Northern European business cycle.	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.
B **Subcontractor risk** The risk that changes at customers could have a significant impact on Nolato's performance and earnings.	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 life spans.	By means of active and close contact with customers we endeavour to identify changes at an early stage and adapt our resources. Within mobile phone operations, which are characterised 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.
C **Customer dependence** The risk that changes at individual customers could have a significant negative impact on Nolato's performance and earnings.	Dependence on individual customers is lowest in Nolato Industrial, whose market is made up of a large number of customers. Nolato Medical has good risk diversification across a large number of customers, while Nolato Telecom has fewer customers.	We endeavour to broaden our customer base and offering within Nolato Telecom.
D **Supplier dependence** The risk of a supplier being unable to deliver to Nolato on time or at the right quality.	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.	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.
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.	Quantities of plastic raw material in our production vary from business area to business area. For Nolato Telecom, with its many thin-walled products, the plastic raw material only accounts for around 10 – 15 percent of the selling price on average, while the corresponding figure is around 20 – 25 percent for Nolato Medical and 25 – 30 percent for Nolato Industrial.	We endeavour to include price adjustment clauses in supply agreements that cover an extended period of time. Product life span within Nolato Telecom is short, usually less than one year, which limits the risk in this business area.
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.	The Group's production operations are relatively electricity-intensive. In 2013 the Group spent SEK 115 million on electricity.	The risk of negative effects from rising electricity prices is addressed by the Group entering into fixed price agreements for 20–80 percent of electricity requirements for the next four to twelve quarters.
G **Production risks** The risk of significant supply delays and/or quality issues.	As a supplier, 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.	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 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).
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.	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.	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.
I **Legal risks** The risk of significant disputes with different external stakeholders.	Legal risks can mainly arise in connection with the supply of products. This may concern issues relating to quality or liability and intellectual property rights.	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 authorised to enter into.

J **Product liability risk** The risk of faults in a product manufactured by Nolato leading to significant financial claims on the Group.	Design liability for products and components usually lies with customers. Nolato's risk is therefore normally limited solely to manufacturing faults.	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 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).
K **Environmental risk** The risk of significant environmental damage, which could lead to costs or have a negative impact on Nolato's reputation.	Nolato's operations do not involve any significant environmental impact as result of a risk of emissions to air or water or a risk of ground pollution.	The production units have the necessary regulatory permits and fulfil the requirements of the REACH chemical legislation. All units are certified in accordance with environmental management system ISO 14001. Regular risk assessments are carried out to identify new environmentally related risks and/or costs.
L **CR risks** The risk of the Group's costs increasing significantly or of negative publicity owing to events relating to employees, business ethics or other areas related to social responsibility.	Nolato has large units active in Sweden, Hungary, the UK, the US and China. The majority of our employees are outside Sweden. This concentration in Asia increases CR risk with regard to working conditions such as minimum age, salaries, overtime and remuneration for overtime.	All major units are wholly owned by Nolato, which makes the Group's management of CR easier. Nolato has a significant focus on all units creating good working conditions for employees. Nolato has a special group in Beijing that works with CR issues relating specifically to China. The Beijing operations are certified according to OHSAS 18001. Nolato has zero tolerance of bribery, corruption and cartel formation. Nolato's core values and Code of Conduct are continually communicated to staff. Regular audits of suppliers are carried out.

Financial risks*	Risk exposure	Risk management
M **Customer credit risk** The risk of a major customer becoming insolvent and being unable to pay for orders made.	In terms of customers within Nolato Medical and Nolato Industrial, this risk is mitigated by sales taking place in a large number of countries to a large number of customers, which diversifies the risk. Nolato Telecom has fewer customers. If any of the Group's major customers were to suffer financial difficulties, the Group could sustain significant bad debt losses. The Group's maximum exposure of accounts receivable amounted to SEK 598 million at year-end (all receivables from all customers).	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.
N **Foreign exchange risk** The risk of the difference between different currencies having 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.	Estimated net flows in foreign currency amounted to SEK 191 million at year-end, 46 percent of which was hedged. This means that SEK 103 million of estimated net flows were unhedged and a change in the value of the Swedish krona of +/–5 percent would have an impact of SEK 5 million on Group profit. The Group has SEK 546 million in foreign net assets, mainly in China, Hungary and the UK. A five percent appreciation of the Swedish krona would have an impact of SEK 26 million on the net assets in the Group.	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 the table in Note 4 on page 59.
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.	Interest-bearing liabilities amounted to SEK 196 million at year-end. A 1 percentage point increase in the interest rate would result in a SEK 2 million increase in annual interest expense. At 31 December the Group's financial net assets were SEK 122 million.	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 shall account for 35 – 65%. Loans with a maturity of more than one year shall account for 35 – 65%. The average fixed interest term shall never exceed 3 years.
P **Financing and liquidity risk** The risk of the Group having problems accessing capital.	Nolato has total loan agreements of SEK 800 million, of which SEK 350 million matures on 1 August 2014 and SEK 450 million matures on 31 December 2015.	In order to maintain financial flexibility and meet the Group's capital requirements, loan facilities are continually agreed.

** Financial risk management is described in detail in Note 4 on pages 59 – 60.*

Consolidated income statement

SEKm	Note	2013	2012
Net sales	5	4,522	3,874
Cost of goods sold	6	– 3,868	– 3,353
Gross profit		**654**	**521**
Other operating income	7	19	11
Selling expenses		– 89	– 82
Administrative expenses	8	– 165	– 156
Other operating expenses	9	– 8	– 7
		– 243	**– 234**
Operating profit	**10, 14**	**411**	**287**
Financial income	11	3	—
Financial expenses	11	– 11	– 15
		– 8	**– 15**
Profit after financial income and expenses		**403**	**272**
Tax	12	– 89	– 70
Profit for the year attributable to Parent Company shareholders		**314**	**202**
Depreciation/amortisation and impairment included at	13	157	157
Earnings per share, basic and diluted (SEK)		11.94	7.68
Number of shares at 31 December (thousand)		26,307	26,307
Average number of shares (thousand)		26,307	26,307

Consolidated comprehensive income

SEKm	Note	2013	2012
Profit for the year attributable to Parent Company shareholders		**314**	**202**
Other comprehensive income			
Items that cannot be transferred to profit for the period	31		
Revaluations of defined benefit pension plans		9	1
Tax attributable to items that cannot be reversed to profit for the period		– 2	– 2
		7	**– 1**
Items transferred or that could be transferred to profit for the period			
Translation differences for the year on translation of foreign operations		15	– 17
Changes in the fair value of cash flow hedges for the year		—	1
		15	**– 16**
Total other comprehensive income, net		**22**	**– 17**
Comprehensive income for the year attributable to Parent Company shareholders		**336**	**185**

Comments on the consolidated income statement

Net sales
Consolidated net sales for 2013 totalled SEK 4,522 million (3,874), a rise of 17% compared with 2012. Adjusted for currency, acquisitions and disposals, sales also rose by 17%.

Nolato Medical continued to show healthy growth, with sales rising by 10%. Adjusted for currency and acquisitions, sales rose by 7%. The majority of the business area's customer segments experienced strong performance in terms of volumes and growth has been well in line with the market.

Nolato Telecom's sales rose by 34% to SEK 2,079 million (1,548). Adjusted for currency, sales increased by 37%. Volumes have been very high, particularly in the first half of the year, driven by very strong demand for a number of models on the consumer market.

Nolato Industrial's sales were unchanged at SEK 1,170 million (1,170). Adjusted for currency and disposals, sales rose by 2%. Volumes in the automotive segment were lower, especially in the first half of the year, while certain other segments such as hygiene made a positive contribution.

Gross profit
Gross profit was SEK 654 million (521) and rose mainly as a result of higher sales. Gross profit is sales minus the cost of goods sold. The cost of goods sold consists of production costs for materials and manufacturing wages and salaries, as well as other production expenses.

As a percentage of sales, the gross margin was approximately one percentage point higher than in 2012, chiefly because of higher capacity utilisation, but also as a result of continuous improvement and greater efficiency. This has contributed to increased profitability.

Total depreciation was unchanged at SEK 157 million (157). This consisted mainly of depreciation of non-current assets used in production, which is included in the cost of goods sold in the income statement at SEK 136 million (137).

Other operating income
Other operating income increased mainly owing to a one-off item of SEK 12 million for an allocation payment from a previous bankruptcy.

Selling and administrative expenses
Selling and administrative expenses increased compared to 2012 and amounted to SEK 254 million (238). These expenses consist of personnel costs and other costs associated with the sales organisation, and administrative functions. The selling expenses also include costs for amortisation of intangible assets arising from acquisitions, which amounted to SEK 16 million (16). They comprise amortisation of so-called customer relationships that are assigned value in the acquisition analysis in connection with acquisitions.

Other operating expenses
These amounted to SEK 8 million (7) and consisted in 2013 of a one-off item of a capital loss from the sale of a subsidiary.

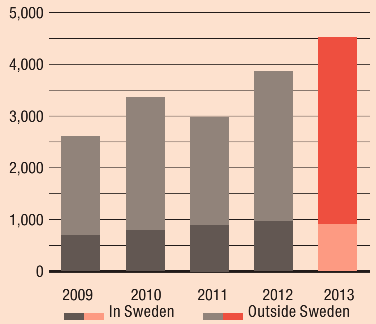
Operating profit
Operating profit rose sharply to SEK 411 million (287). This increase has been brought about by improved earnings for all business areas.

Net financial income/expense
Net financial income/expense improved primarily as a result of lower interest expense owing to lower average indebtedness, compared with 2012. There was also an improvement in net exchange rate differences for financial items.

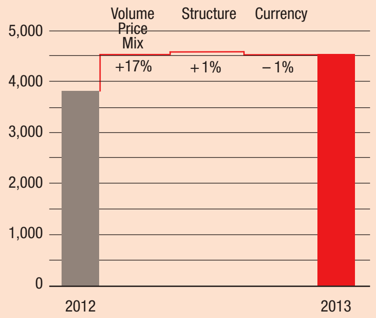
Profit after net financial income/expense was SEK 403 million (272).

Profit after tax
Profit after tax rose sharply to SEK 314 million (202), with earnings per share of SEK 11.94 (7.68). The effective tax rate was 22% (26). The lower tax rate was mainly due to an increased share of earnings in countries with lower tax rates, including the reduced tax rate in Sweden, together with a positive tax effect from the non-recurring items.

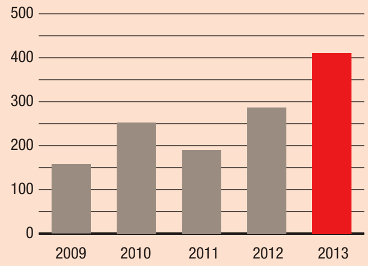
Sales
SEKm



Changes in sales
SEKm



Operating profit (EBIT)
SEKm



Consolidated balance sheet

SEKm	Note	2013	2012
Assets			
Non-current assets			
Intangible non-current assets	15	538	553
Property, plant and equipment	16	733	735
Non-current financial assets	17	2	2
Other non-current receivables		2	2
Deferred tax assets	12	36	35
Total non-current assets		**1,311**	**1,327**
Current assets			
Inventories	18	259	288
Accounts receivable	17	598	682
Current tax assets		3	1
Other current assets	19	81	61
Other current financial assets	17	3	3
Cash and bank balances	17	318	272
Total current assets		**1,262**	**1,307**
Total assets		**2,573**	**2,634**
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	20	132	132
Other capital contributed		228	228
Other reserves	21	19	4
Retained earnings	31	969	806
Total shareholders' equity		**1,348**	**1,170**
Non-current liabilities			
Non-current financial liabilities	22	—	1
Provisions for pensions and similar obligations	23, 31	111	131
Deferred tax liabilities	12, 31	84	104
Other provisions	24, 31	30	32
Total non-current liabilities		**225**	**268**
Current liabilities			
Accounts payable	22	524	529
Current tax liabilities		7	19
Other current financial liabilities	22	85	255
Other current liabilities	25	384	393
Total current liabilities		**1,000**	**1,196**
Total liabilities		**1,225**	**1,464**
Total liabilities and shareholders' equity		**2,573**	**2,634**
Pledged assets	26	—	1
Contingent liabilities	27	3	2

Comments on the consolidated balance sheet

Assets

Non-current assets were relatively unchanged, as net investments were roughly in line with depreciation/amortisation of SEK 157 million for the year. Other changes in non-current assets consist of translation effects from assets in foreign companies and the effect from the sale of a subsidiary and its non-current assets.

Cash and bank balances increased to SEK 318 million (272). The strong cash flow, mainly in the fourth quarter, increased cash and cash equivalents.

Shareholders' equity

Shareholders' equity increased as a result of comprehensive income for 2013 of SEK 336 million, which consists of profit after tax and currency effects from translation differences and the revaluation of defined benefit pension plans. Dividends in the amount of SEK 158 million were paid, thereby reducing shareholders' equity. The return on shareholders' equity rose to 24.9% (17.7), mainly as a result of the sharp increase in profit after tax.

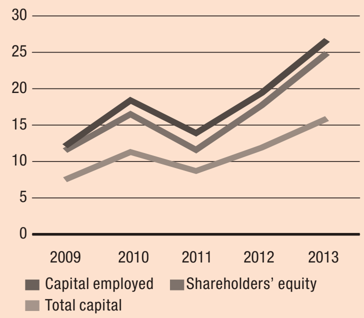
Liabilities

Accounts payable remained relatively unchanged compared with 2012. The average total working capital requirement in relation to sales was a low 1.3% (3.4). The improvement in earnings meant that, with generally unchanged average capital employed, the return on capital employed rose to a strong 26.7% (19.4).

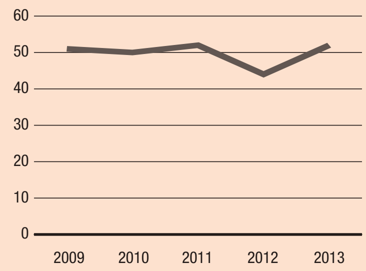
Interest-bearing liabilities fell to SEK 196 million (385), since indebtedness was paid down during the year using the positive cash flow. Interest-bearing assets increased at the same time to SEK 318 million (272), meaning net debt became a financial net asset of SEK 122 million (–113).

Nolato has loan agreements of SEK 800 million, of which SEK 350 million matures in mid-2014 and SEK 450 million at the turn of 2015/2016. Of these amounts, SEK 715 million was unutilised at the close of 2013. The loan agreements' credit frameworks mainly provide capacity for capital requirements in the event of future acquisitions.

Return



Equity/assets ratio



Financial position SEKm

	31 Dec. 2013	31 Dec. 2012
Interest-bearing liabilities, credit institutions	– 85	– 254
Interest-bearing pension liabilities	– 111	– 131
Total borrowings	**– 196**	**– 385**
Cash and bank balances	318	272
Net financial assets (+) / net financial liabilities (–)	**122**	**– 113**
Working capital	29	93
As a percentage of sales (avg.) (%)	*1.3*	*3.4*
Capital employed	1,544	1,555
Return on capital employed (avg.) (%)	*26.7*	*19.4*
Shareholders' equity	1,348	1,170
Return on shareholders' equity (avg.) (%)	*24.9*	*17.7*

Changes in consolidated shareholders' equity

SEKm	Attributable to Parent Company shareholders					
	Share-capital	Other capital contributed	Hedging reserves	Translation reserves	Retained earnings	Total shareh. equity
Opening balance, 1 January 2012	**132**	**228**	**—**	**20**	**771**	**1,151**
Profit for the year	—	—	—	—	202	202
Other comprehensive income for the year	—	—	1	– 17	– 1	– 17
Comprehensive income for the year	***—***	***—***	***1***	***– 17***	***201***	***185***
Dividend for 2011	—	—	—	—	– 132	– 132
* Change to IAS 19 defined benefit pension plans	—	—	—	—	– 34	– 34
Closing balance, 31 December 2012	**132**	**228**	**1**	**3**	**806**	**1,170**
Opening balance, 1 January 2013	**132**	**228**	**1**	**3**	**806**	**1,170**
Profit for the year	—	—	—	—	314	314
Other comprehensive income for the year	—	—	—	15	7	22
Comprehensive income for the year	***—***	***—***	***—***	***15***	***321***	***336***
Dividend for 2012	—	—	—	—	– 158	– 158
Closing balance, 31 December 2013	**132**	**228**	**1**	**18**	**969**	**1,348**

* Refers to adjusted opening balance at 1 January 2012 regarding amendment of IAS 19 defined benefit pension plans.
The previous application of the corridor method as a mechanism to even out actuarial gains/losses has been removed. See Note 31.

Consolidated cash flow statement

SEKm	Note	2013	2012
	29		
Operating activities			
Operating profit		411	287
Adjustments for items not included in cash flow:			
Depreciation/amortisation and impairment		157	157
Provisions		12	8
Unrealised exchange rate differences		2	13
Other items		8	3
Pension payments		– 5	– 5
Interest received		3	—
Interest paid		– 11	– 14
Realised exchange rate differences		– 3	– 2
Income tax paid		– 123	– 60
Cash flow from operating activities before changes in working capital		**451**	**387**
Cash flow from changes in working capital			
Changes in inventories		20	– 34
Changes in accounts receivable		69	– 137
Changes in accounts payable		– 1	110
Other changes in working capital		– 27	150
		61	**89**
Cash flow from operating activities		**512**	**476**
Investment activities			
Acquisition of intangible non-current assets		—	– 2
Acquisition of property, plant and equipment		– 151	– 157
Acquisition of operations, net of cash and cash equivalents		—	– 176
Sale of property, plant and equipment		1	—
Sale of operations, net of cash and cash equivalents		6	—
Cash flow from investment activities		**– 144**	**– 335**
Cash flow before financing activities		**368**	**141**
Financing activities			
Borrowings		—	254
Repayment of loans		– 169	– 110
Dividend paid		– 158	– 132
Cash flow from financing activities		**– 327**	**12**
Cash flow for the year		**41**	**153**
Cash and cash equivalents, opening balance		**272**	**124**
Exchange rate difference in cash and cash equivalents		5	– 5
Cash and cash equivalents, closing balance		**318**	**272**

Comments on the consolidated cash flow statement

Cash flow from operating activities

Cash flow before investments and disposals rose to SEK 512 million (476), affected mainly by the upbeat earnings trend. The change in working capital was a positive SEK 61 million (89). Reduced activity due to the Christmas holiday had a positive effect on the working capital requirement.

Cash flow from investment activities

Net investments affecting cash flow totalled SEK 144 million (SEK 335 million in the previous year, of which the acquisition of Cope Allman Jaycare accounted for SEK 176 million).

In 2013, gross investments in property, plant and equipment were SEK 150 million (157), and SEK 0 million (2) in intangible non-current assets. The investments in property, plant and equipment chiefly comprised machinery and equipment, as well as construction in progress. Investments in buildings and land were limited during the year and a contribution of SEK 5 million was received, which has reduced the amount of investment.

Investments affecting cash flow excluding acquisitions and disposals are distributed across the Group's business areas as follows: SEK 49 million (78) for Nolato Medical, SEK 53 million (39) for Nolato Telecom and SEK 48 million (42) for Nolato Industrial.

For Nolato Medical, investments have chiefly consisted of further machinery capacity in Sweden, the UK, Hungary and the US. Nolato Telecom's investments consisted mainly of technology initiatives, expansion of EMC production in China and investments in the replacement of machinery in China. Nolato Industrial has made investments in further machinery capacity and in new projects. The investments were mainly made in Sweden.

Investments (net)	2013	2012
Tenancy rights	—	2
Buildings and land	– 2	21
Machinery and equipment	88	77
Construction in progress	64	59
Total investments	**150**	**159**

Affecting cash flow, excluding acquisitions and disposals

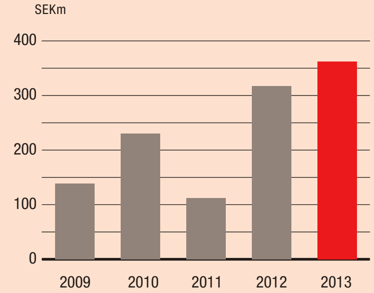
Cash flow after investment activities

Excluding the subsidiary disposal, cash flow after investments was SEK 362 million (317 excluding acquisitions) and SEK 368 million including the disposal (141 including acquisitions).

Cash flow from financing activities

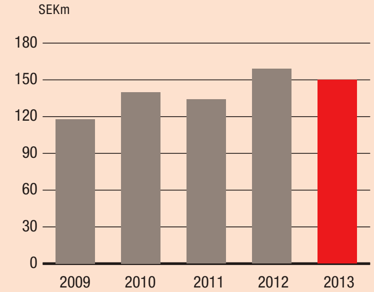
Financing activities describe the Group's financing and dividends to shareholders, and totalled a net amount of SEK –327 million (12). This consists of net amortised borrowings of SEK – 169 million (+144 borrowings raised) and dividends paid totalling SEK –158 million (–132).

Cash flow after investments



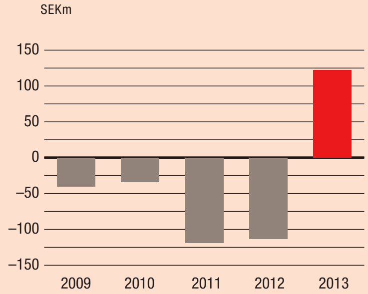
Excluding acquisitions and disposals

Investments



Affecting cash flow, excluding acquisitions and disposals

Net financial assets (+) net financial liabilities (–)



The years 2009–2010 are not restated in respect of the change to pension provisions in IAS 19, which means that the corridor method as a mechanism to even out actuarial gains/losses is no longer applied (see Note 31).

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, telecommunications, hygiene, automotive products and other selected industrial sectors.

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

Nolato's B shares are listed on the NASDAQ OMX Stockholm,where Nolato is a Mid Cap company within 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) and interpretations from the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the EU. Recommendation RFR 1 of the Swedish Financial Accounting Standards Council, Supplementary Rules for Consolidated Financial Statements, has also been applied.

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

Changes in the Group's accounting policies

Changes to standards and interpretations that came into force in 2013 have not materially affected the consolidated accounts, with the exception of the following:

IAS 1 Presentation of Financial Statements: The change results in other comprehensive income being presented by dividing it into two groups. The division is based on whether or not items could be reclassified to profit or loss (reclassification adjustments). Comparative figures have been relabelled based on the new format.

IAS 19 Employee Benefits: This change means that the Group no longer applies the "corridor rule" and instead recognises all actuarial gains and losses in other comprehensive income when they arise. Past service costs are recognised immediately. Interest expense and expected return on plan assets have been replaced by net interest, which is calculated using the discount rate based on the net surplus or net deficit in the defined benefit pension plan. For information about the effects on the consolidated income statement and balance sheet, see Note 31.

Amended IFRS 7 Financial Instruments: Disclosures. This amendment relates to disclosure requirements relating to the offsetting of financial assets and liabilities. The change applies to financial years beginning 1 January 2013 or later and is applied retroactively.

IFRS 13 Fair Value Measurement: A new uniform standard for measuring fair value and improved disclosure requirements. These new disclosure requirements are set out in Notes 17 and 22.

New IFRS standards and interpretations not yet applied

IASB and IFRIC have issued new standards and statements which come into force for financial years beginning on 1 January 2014 or later. There are no plans for the early application of new or amended standards for future application. Nolato will continue to evaluate the effects and application of the new standards and statements during 2014.

Basis for preparing the financial statements

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

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

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

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

Business combinations and consolidation principles

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

The consolidated financial statements have been prepared in accordance with IFRS 3 Business Combinations and by applying the acquisition method. This method means that shareholders' equity in the Group includes shareholders' equity in the Parent Company and the portion of shareholders' equity in subsidiaries which has accumulated since the acquisition. The difference between the acquisition cost of shares in a subsidiary and that company's shareholders' equity at the time of acquisition, adjusted in accordance with consolidated accounting principles, has been allocated among the assets and liabilities measured at market value that were taken over on acquisition. Transaction costs on acquisitions are recognised under profit for the year in accordance with IFRS 3 for the Group. Amounts which cannot be allocated are reported as goodwill.

Intra-Group transactions and balance sheet items and unrealised gains/losses on transactions between Group companies are eliminated. The accounting policies for subsidiaries have, where applicable, been changed 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 date are recognised in profit for the year.

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

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

Operating segments

An operating segment is a part of the Group that engages in business activities from which income can be generated and expenses incurred, and for which separate financial information is available. An operating segment's performance is also monitored by the company's highest executive decision-maker to evaluate the performance and make decisions about resources to be allocated to the operating segment. The Group's three operating segments are Nolato Medical, Nolato Telecom and Nolato Industrial. See Note 5 for a more detailed description of the breakdown and presentation of the operating segments.

Revenue recognition

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

Impairment

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

The impairment for accounts receivable is established based on historical experiences of bad debt losses on similar receivables. The Company classifies accounts receivable as doubtful when they have fallen due for payment and when they are also deemed to be non-recoverable based on other information.

Assets with an indeterminable useful life, goodwill, are not amortised but impairment-tested at least once a year or when there is an indication of impairment. Goodwill impairment is not reversed.

Amortised assets are assessed based on a decline in value whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment is taken in the amount at which the carrying amount of the asset exceeds its recoverable value. The recoverable value is the higher of an asset's fair value less selling expenses and its value in use. In assessing the impairment, assets are grouped at the lowest levels at which there are separately identifiable cash flows (cash-generating units). For cash-generating units, goodwill is impaired first.

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

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

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

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

Financial income and expenses

Financial income consists of interest income on funds invested.

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

Financial expenses mainly consist of interest expenses on loans and borrowing costs recognised in profit for the year.

Recognition of income taxes

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

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

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

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

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

Earnings per share

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

Intangible non-current assets

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

Goodwill

Goodwill consists of the amount by which the consideration transferred exceeds the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the time of the acquisition. Goodwill from the acquisition of subsidiaries is recognised as an intangible asset. Goodwill is not amortised but impairment-tested annually, and is recognised at acquisition cost less accumulated impairment losses. Any gain or loss from the disposal of a unit includes the remaining carrying amount of the goodwill associated with the unit disposed of. Goodwill is allocated to cash-generating units in impairment tests.

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

Customer relations

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

Capitalised development expenditure

Product development expenditure is normally charged as operating expenses as it occurs, and is included in the cost of goods sold in the income statement. Capitalised development expenditure is amortised on a straight-line basis over the expected useful life from the point when use of the asset can commence. The amortisation period does not exceed 10 years.

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

Property, plant and equipment

Property, plant and equipment are recognised within the Group at acquisition cost after accumulated depreciation according to plan and any impairment. Expenditure which is directly attributable to the purchase of the asset is included in the acquisition cost. Additional expenditure is added to the acquisition cost only if it is likely that the future financial benefits associated with the asset will accrue to the company and the acquisition cost can be calculated reliably. All other additional expenditure is reported as an expense in the period when it arises. An additional expense is added to the acquisition cost if the expense relates to replacing identified components or parts thereof. The expense is also added to the acquisition cost in the event that a new component is created. Any undepreciated carrying amounts of replaced components or parts of components are eliminated and expensed in connection with replacing the component. Repairs are expensed on an ongoing basis.

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

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

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

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

Leasing

In the consolidated financial statements, leasing is classified as either financial or operating leasing. Financial leasing exists where the financial risks and benefits associated with ownership are transferred in all significant respects to the lessee. If this is not the case, it is a matter of operating leasing. Operating leasing fees are expensed over the term of the lease. Variable fees are expensed in the periods when they arise.

Inventories

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

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

Financial instruments

Recognition in and removal from the balance sheet

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

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

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

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

Classification and measurement

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

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

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

Recognition of derivative instruments and hedging measures

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

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

Cash flow hedging of forecast sales in foreign currency

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

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

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

Cash and cash equivalents

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

Employee remuneration

Pension obligations

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

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

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

Pension expenses and pension obligations stemming from defined benefit schemes in Sweden are calculated using the projected unit credit method. This method allocates pension expenses as employees perform services for the Company, which increases their entitlement to future payment. Independent actuaries perform the calculation annually. The Company's undertakings are measured at the present value of expected future payments using a discount rate equal to the interest rate of top-rated corporate bonds or housing bonds/government bonds with a maturity equal to that of such undertakings. The most important actuarial assumptions are provided in Note 23.

Actuarial gains and losses may arise in determining the present value of obligations. This arises either when the actual outcome deviates from the previous assumption, or when assumptions change. Interest on pension liabilities is recognised in net financial income/expense. Other components are recognised in operating profit.

The liability for retirement pensions and family pensions for executives in Sweden is secured through a policy with Alecta. According to a statement issued by the Swedish Financial Reporting Board, UFR 3, this is a multiple-employer defined benefit scheme. For the 2013 financial year, the Company had no access to any information that would enable it to recognise this scheme as a defined benefit scheme. The ITP pension scheme (supplementary pensions for salaried employees), which is insured by Alecta, is thus recognised as a defined contribution scheme.

Share-based remuneration

The Group has a share-based remuneration scheme in which payment will ultimately be made in cash. The scope and conditions of the programme are detailed in Note 10 under "Stock options programme". Remuneration is measured at fair value and recognised as an expense with a corresponding increase in liabilities.

Fair value is calculated initially at the time of issue and allocated over the vesting period. The fair value of cash-settled options is calculated according to the Black & Scholes model. At the date of measurement, the terms and conditions of the issued instruments are taken into account. The liability is revalued on each balance sheet date and at the time of cash settlement. All changes in the fair value of the liability are recognised in the income statement as a personnel cost.

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

Bonus schemes

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

Severance pay

Severance pay is awarded when an employee's position is terminated prior to the normal retirement date. The Group reports the severance pay as a liability when it is demonstrably obliged to terminate employment according to a detailed formal plan without the possibility of rehire, and the employee does not carry out any services which bring financial benefits for the Company. Benefits which fall due after more than 12 months from the balance sheet date are discounted to present value.

Provisions

A provision differs from other liabilities in that there is uncertainty in relation to the payment date or the size of the amount in terms of settling the provision. A provision is recognised in the balance sheet when there is an existing legal or informal obligation as a result of an event that has occurred, and it is likely that an outward flow of financial resources will be required to settle the obligation and a reliable estimation of the amount can be made.

Restructuring

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

Contingent liabilities

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

Cash flow statement

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

Note 3 Critical accounting estimates and judgements

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

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

Calculations regarding remuneration to employees

The value of pension obligations for defined benefit pension schemes is based on actuarial calculations on the basis of assumptions about discount rates, future salary increases, inflation and demographic circumstances. At the end of the year, pension liabilities amounted to SEK 111 million (131).

Impairment testing of goodwill and other assets

Goodwill impairment testing is carried out annually in connection with the year-end report or as soon as changes indicate that impairment will arise, for example a change in the business climate or a decision on the disposal or closure of operations. An Impairment is carried out if the calculated value in use exceeds the carrying amount. An account of impairment testing for the year can be found in Note 15.

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

Note 4 Financial risk management

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

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

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

Market risk

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

Foreign exchange risk

Transaction exposure

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

In 2013, Nolato's sales to countries outside Sweden accounted for 80 percent (75). The largest flow currencies for the Swedish units were EUR and USD, with EUR being net outward flows and USD being a net inward flow. The Chinese operations had a net exposure largely in CNY/USD.

Nolato carries out short-term currency hedging for part of the Group's net exposure in foreign currencies. The aim of hedging the currency exposure is to even out fluctuations in earnings. According to this policy, Nolato shall hedge the net flow of the forecast inward and outward flow of currencies over a rolling 12 month period. In the event that the net flow in an individual currency is less than SEK 10 million, there is no hedging requirement. The hedging levels for the flows in each currency shall be within the following 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 percent in the event that the currency flow has a countervalue exceeding SEK 1.5 million. The consolidated income statement includes exchange rate differences of SEK 0 million in operating profit.

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

At the end of 2013, the Group had the following currency hedges in relation to anticipated payment flows in CNY, EUR, GBP and USD for 2014. The derivatives used are futures 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 unutilised are detailed in the table below. The market value at 31 December 2013 was SEK 3 million (2). The market value of contracts identified as cash flow hedges that meet the conditions for hedge accounting was SEK 1 million (1).

	Nom. value in contract	Average rate (SEK)	Market value	Reported against inc.statement
CNY (net sales)	– 8	1.07	—	—
EUR (net purch.)	6	8.93	1	1
GBP (net sales)	– 100	10.73	1	1
USD (net sales)	– 97	6.65	1	—
Total	**– 199**		**3**	**2**

Gains and losses in other comprehensive income in relation to currency forward contracts at 31 December 2013 will be transferred to the income statement at various dates within one year of the balance sheet date.

The Group enters into derivative contracts under International Swaps and Derivatives Association (ISDA) master netting agreements. These agreements mean that when a counterparty is unable to settle its commitments under all transactions, the contract is discontinued and all outstanding balances must be settled at a net amount. The ISDA agreements do not fulfil the offsetting criteria in the statement of financial position. This is because offsetting under ISDA agreements is only permitted if the counterparty or the Group is unable to settle its commitments. Moreover, it is not the intention of either the counterparty or the Group to settle transactions on a net basis or at the same time.

Notes 17 and 22 list the financial instruments covered by a legally binding framework agreement on netting or a similar agreement.

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

SEKm	12 month estimated net flows	Total hedging	Percent-age	Average rate
CNY	16	8	50%	1.07
EUR	63	29	46%	8.62
USD	112	51	46%	6.71
Total	**191**	**88**	**46%**	

The contracts are included at fair value in the balance sheet, and the change in value is recognised in other comprehensive income. When the contracts are realised, the accumulated change in value is booked to the income statement. In 2013, the effect of the currency derivatives on operating profit was SEK 0 million (1).

Transaction exposure at 31 December 2013 (cash flow hedging)

SEKm	12 month unhedged estimated net flows	Change in currency	Effect on earnings
CNY	8	+/– 5%	—
EUR	34	+/– 5%	2
USD	61	+/– 5%	3
Total	**103**		**5**

At the end of the year, the Group had SEK 103 million in unhedged assessed currency flows, including effects from currency hedges. A change in the value of the Swedish krona of +/–5 percent would have an impact of SEK 5 million on profit.

Translation exposure

Foreign exchange risks also exist in the translation of foreign subsidiaries' assets, liabilities and profit into the Parent Company's functional currency. This is known as translation exposure. Nolato's policy is that net investments in shareholders' equity in foreign currency shall not be currency-hedged. Translation differences reported in other comprehensive income are detailed in Note 21, "Other reserves".

Translation exposure of net assets

SEKm	Net assets	Swedish krona 5% stronger
Nolato Romania, RON	– 3	—
Nolato USA, USD	6	—
Nolato Jaycare, GBP	85	– 4
Nolato Beijing, CNY	288	– 14
Nolato Lovepac Converting, CNY	42	– 2
Nolato Lovepac Converting India, INR	– 17	1
Nolato EMC Prod. Center, MYR	2	—
Nolato Kuala Lumpur, MYR	– 36	2
Nolato Hungary, EUR	177	– 9
Cerbo Norge, NOK	2	—
Cerbo France, EUR	—	—
Total	**546**	**– 26**

The Group has SEK 546 million in foreign net assets, mainly in China, Hungary and the UK. A five percentage point appreciation of the Swedish krona would have an impact of SEK –26 million on the net assets in the Group.

Interest rate risk

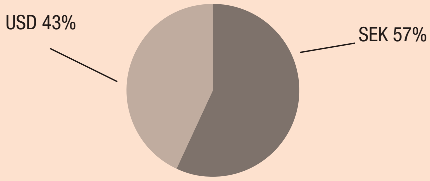
Interest rate risk is the risk that the Group's net interest income/expense will be weakened in the event of changes to market interest rates. At 31 December, interest-bearing liabilities amounted to SEK 196 million (386). In order to limit the Nolato Group's interest rate risk, the portion of those 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 average fixed interest term, including the effects of financial instruments, shall never exceed 3 years.

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

Breakdown of interest-bearing liabilities by currency

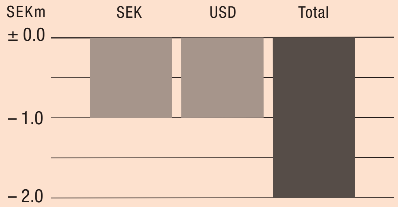


Liquidity risk

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.

Nolato has total loan agreements of SEK 800 million, of which SEK 350 million matures on 1 August 2014 and SEK 450 million matures on 31 December 2015.

Interest rate effect on interest-bearing liabilities at 31 December 2013



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

Interest-bearing net debt at 31 December

	Outstanding amount (SEKm)	Future interest expense during the term outst.	Term outstanding (mon)	Remaining fixed interest period (mon)	Average interest (%)
Interest-bearing liabilities					
Bank loan, USD	– 85	—	1	1	0.9
Pension liability, SEK	– 111	—	—	—	3.5
Total	**– 196**	**—**			**2.3**
Interest-bearing assets					
Cash and cash equivalents	318		—	—	1.2
Total financial net asset	**122**				

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

Subsidiary company	Currency forward	Selling price	Maturity date
Nolato Holding USA, Inc., USA	7 MUSD	6.5849	30 Dec. 2014
Nolato Holdings UK Ltd, UK	9 MGBP	10.7332	30 Dec. 2014
Nolato Hungary Kft, Hungary	5 MEUR	9.0444	30 Dec. 2014

As part of the financing of the Group's Romanian subsidiary, the Parent Company has hedged an internal loan between its Hungarian and Romanian subsidiaries using a currency swap of RON 9 million/EUR 2 million at the rate of 4.577 maturing 30 Dec. 2014.

On 31 December the Group's financial liabilities stood at SEK 720 million (916). The maturity structure for borrowings in relation to interest-bearing liabilities is shown in the table above. Non-interest-bearing liabilities are attributable primarily to accounts payable, with the term outstanding shown in the table below.

Maturity	< 1 month	Within 1–3 months	Within 4–12 months	> 1 year	Total
Accounts payable	311	189	11	13	**524**

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 601 million (685), consisting essentially of SEK 598 million (682) of accounts receivable.

Accounts receivable are continually analysed 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 analysed.

Note 5 Operating segments

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

Nolato Medical develops and manufactures complex polymer products and product systems for medical technology and pharmaceutical customers. The market consists of large, global customers, featuring demanding development work, long product life spans and stringent requirements in terms of quality, traceability and safety. Nolato Medical has a strong position in the Nordic region and a growing position in the rest of Europe and the US. Development and production are carried out in Sweden, Hungary, the US, the UK and China. A more detailed presentation of the business area can be found on pages 18 – 21.

Nolato Telecom develops and manufactures advanced components and subsystems for mobile phones and products and systems for shielding of electronics (EMC). The market consists of a few large, global companies with high technological demands, extremely short development times and quick production start-ups. Nolato Telecom enjoys a strong position with selected customers. In 2013, development and production were conducted in China, Malaysia and Sweden. A more detailed presentation of the business area can be found on pages 22 – 25.

Nolato Industrial develops and manufactures products and product systems in plastic and TPE for customers in the automotive industry, hygiene, domestic appliances, gardening/forestry, furniture and other selected customer areas. The market is fragmented and diversified, with a large number of customers and a large number of suppliers. Nolato Industrial has a strong position in the Nordic region and parts of Central Europe. Development and production are carried out in Sweden, Hungary and Romania. A more detailed presentation of the business area can be found on pages 26 – 29.

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

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

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

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

Unallocated items in the income statement are attributable to the Parent Company's expenses, 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.

	Nolato Medical		Nolato Telecom		Nolato Industrial		Elimination		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
External sales										
External sales	1,274	1,159	2,070	1,541	1,170	1,169	8	5	4,522	3,874
Internal sales	—	—	9	7	—	1	– 9	– 8	—	—
Net sales	**1,274**	**1,159**	**2,079**	**1,548**	**1,170**	**1,170**	**– 1**	**– 3**	**4,522**	**3,874**
Profit										
Operating profit (EBITA)	165	133	166	96	119	105	– 23	– 31	427	303
Amort. of intang. assets arising from company acq.	– 13	– 13	—	—	– 3	– 3	—	—	– 16	– 16
Operating profit	**152**	**120**	**166**	**96**	**116**	**102**	**– 23**	**– 31**	**411**	**287**
Financial income									3	—
Financial expenses									– 11	– 15
Tax expenses for the year									– 89	– 70
Profit for the year									**314**	**202**
Receivables and liabilities										
The segments' assets	1,104	1,079	611	686	667	709	– 170	– 157	2,212	2,317
Unallocated assets									361	317
Total assets	**1,104**	**1,079**	**611**	**686**	**667**	**709**	**– 170**	**– 157**	**2,573**	**2,634**
The segments' liabilities	298	254	560	631	239	258	– 182	– 201	915	942
Unallocated liabilities [1]									310	522
Total liabilities	**298**	**254**	**560**	**631**	**239**	**258**	**– 182**	**– 201**	**1,225**	**1,464**
Other information										
Investments	52	248	53	36	46	47	—	—	151	331
Depreciation and amortisation	75	72	39	41	43	44	—	—	157	157
Impairment	—	—	—	—	—	—	—	—	—	—
Significant items, other than depr./amort. with no offsetting payments, impairment and provisions	– 2	6	2	3	—	– 5	—	—	—	4

[1] The year 2012 has been restated in respect of the change to pension provisions in IAS 19, which means that the corridor method as a mechanism to even out actuarial gains/losses is no longer applied (see Note 31).

Cash flow from operations, allocated by segment	2013				2012			
	Nolato Medical	Nolato Telecom	Nolato Industrial	Total	Nolato Medical	Nolato Telecom	Nolato Industrial	Total
Cash flow from operations before changes in working capital	226	205	158	589	191	137	146	474
Changes in working capital	12	41	4	57	15	69	– 21	63
Cash flow from operations	**238**	**246**	**162**	**646**	**206**	**206**	**125**	**537**
Unallocated items [1]				– 134				– 61
Total cash flow from operations				**512**				**476**

Cash flow from investing activities, allocated by segment	2013				2012			
	Nolato Medical	Nolato Telecom	Nolato Industrial	Total	Nolato Medical	Nolato Telecom	Nolato Industrial	Total
Acquisition of non-current assets [2]	– 49	– 54	– 48	– 151	– 254	– 39	– 42	– 335
Sale of non-current assets	—	1	—	1	—	—	—	—
Sale of operation				6				—
Cash flow from investment activities	**– 49**	**– 53**	**– 48**	**– 144**	**– 254**	**– 39**	**– 42**	**– 335**

[1] For 2013, the Group's change in working capital was SEK 61 million and, allocated by business area, according to the above SEK 57 million. The difference of SEK 4 million is included in the amount of SEK –134 million. Other unallocated items consist chiefly of an operating loss of SEK –23 million (with the Parent Company accounting for the majority) 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 at the balance sheet date of SEK 1 million (–4).

Information about geographic markets

In the Nordic region the Group manufactures and sells products from all three business areas. Elsewhere in Europe, the Group has manufacturing and sales for the Nolato Medical and Nolato Industrial business areas. In Asia, the Group has manufacturing and sales in all business areas, and in North America in the Nolato Medical business area.

	Sweden		Other Nordic countr.		Other Europe		North America etc.		Asia		Group	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
External net sales	882	952	166	179	1,145	965	333	330	1,996	1,448	4,522	3,874
Assets	1,102	1,196	—	1	543	548	163	170	765	719	2,573	2,634
Average number of employees	814	865	—	2	807	696	167	159	7,569	6,699	9,357	8,421
Investments	73	79	—	—	21	217	6	4	51	31	151	331

Note 6 Research and development

	2013	2012
Development expenditure for customer-specific products	211	248
Total	**211**	**248**

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

Note 7 Other operating income

	2013	2012
Bankruptcy payment	12	—
Others	7	11
Total	**19**	**11**

Note 8 Information on remuneration to auditors

The company's auditing firm has received remuneration:

SEK thousand	2013	2012
KPMG:		
Auditing	2,534	2,567
Audit business other than auditing	—	63
Taxation duties	542	481
Other duties	255	1,850
Total	**3,331**	**4,961**

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

Note 9 Other operating expenses

	2013	2012
Effect of exchange rate on receivables/liabilities, net	—	– 1
Acquisition expenses	—	– 6
Capital loss on sale of subsidiary	– 8	—
Total	**– 8**	**– 7**

Note 10 Personnel

Average number of employees

	2013 Number	2013 Of which men	2012 Number	2012 Of which men
Parent Company				
Nolato AB, Torekov, Sweden	11	82%	12	83%
Group companies				
Cerbo France Sarl, France	1	0%	1	0%
Cerbo Norge A/S, Norway	—	—	2	50%
Lövepac Converting Ltd, China	675	35%	456	47%
Lövepac Converting Private Ltd, India	3	100%	118	90%
Nolato Beijing Ltd, China	6,842	39%	6,089	29%
Nolato Cerbo AB, Trollhättan, Sweden	110	57%	108	58%
Nolato Contour, Inc., US	167	57%	159	66%
Nolato EMC Production Center SDN BHD, Malaysia	49	24%	36	25%
Nolato Gota AB, Götene, Sweden	107	68%	103	66%
Nolato Hertila AB, Åstorp, Sweden	23	65%	25	60%
Nolato Hungary Kft, Hungary	506	47%	468	47%
Nolato Jaycare Ltd, UK	271	77%	205	77%
Nolato Lövepac AB, Skånes Fagerhult, Sweden	40	70%	35	71%
Nolato MediTech AB, Hörby, Sweden	175	54%	201	57%
Nolato MediTor AB, Torekov, Sweden	56	54%	61	56%
Nolato Plastteknik AB, Gothenburg, Sweden	102	70%	96	71%
Nolato Polymer AB, Torekov, Sweden	72	76%	82	79%
Nolato Romania Srl, Romania	29	45%	23	35%
Nolato Silikonteknik AB, Hallsberg, Sweden	36	69%	35	74%
Nolato Sunne AB, Sunne, Sweden	82	76%	106	76%
Total	**9,357**	**43%**	**8,421**	**38%**

Costs for remuneration to employees

	2013	2012
Salaries and remuneration, etc.	850	786
Pension expenses, Note 23	81	78
Social security contributions	164	148
Total	**1,095**	**1,012**

There are 133 (149) senior executives within the Group. Expensed remuneration and benefits for the senior executives during the year totalled SEK 116 million (112), of which SEK 19 million (11) relates to bonus.

Gender distribution of senior executives

	2013 Men	2013 Women	2012 Men	2012 Women
Board members	50	2	60	5
Managing directors	16	—	15	—
Other senior executives	46	19	52	17
Total	**112**	**21**	**127**	**22**

Remuneration to the Board and senior executives

Remuneration and other benefits during 2013

SEK thousand	Base salary/ Directors' fee [1]	Bonus [2]	Stock options progr.	Other benefits [3]	Pension premiums	Other remuneration [4]	Total
Chairman of the Board, Fredrik Arp	405	—	—	—	—	—	405
Board member, Sven Boström-Svensson	155	—	—	—	—	—	155
Board member, Erik Paulsson	155	—	—	—	—	—	155
Board member, Henrik Jorlén	190	—	—	—	—	—	190
Board member, Lars-Åke Rydh	210	—	—	—	—	—	210
Board member, Anna Malm Bernsten	155	—	—	—	—	—	155
President and CEO, Hans Porat	4,608	2,304	6,007	144	1,883	89	15,035
Other senior executives (4 people)	8,992	3,082	—	673	1,978	239	14,964
Total	**14,870**	**5,386**	**6,007**	**817**	**3,861**	**328**	**31,269**

Remuneration and other benefits during 2012

SEK thousand	Base salary/ Directors' fee [1]	Bonus [2]	Stock options progr.	Other benefits [3]	Pension premiums	Other remuneration [4]	Total
Chairman of the Board, Fredrik Arp	320	—	—	—	—	—	320
Board member, Gun Boström	140	—	—	—	—	—	140
Board member, Erik Paulsson	140	—	—	—	—	—	140
Board member, Henrik Jorlén	170	—	—	—	—	—	170
Board member, Lars-Åke Rydh	190	—	—	—	—	—	190
Board member, Anna Malm Bernsten	140	—	—	—	—	—	140
President and CEO, Hans Porat	4,392	1,757	676	142	1,791	87	8,845
Other senior executives (3 people) [5]	7,110	2,137	—	414	1,593	59	11,313
Total	**12,602**	**3,894**	**676**	**556**	**3,384**	**146**	**21,258**

1 Including remuneration for committee work.
2 Bonus pertains to expensed remuneration for the financial year, payable in the following year.
3 Other benefits pertains to company cars.
4 Other remuneration relates to the President and CEO and other senior executives regarding previous holiday entitlements paid, and other remuneration.
5 Four people from 15 October 2012.

Principles for remuneration and benefits
A director's fee is paid to the Chairman and members of the Board as decided by the Annual General Meeting. No director's fee is paid to employees of the Group or to employee representatives. Remuneration for the President and CEO and other senior executives is made up of a base salary, variable remuneration, other benefits and a pension. Other senior executives are individuals who, together with the President and CEO, constitute the Group management. In 2013, Group management comprised four people, besides the President and CEO. They are Executive Vice President and CFO Per-Ola Holmström, President of Nolato Medical Christer Wahlquist, President of Nolato Telecom Jörgen Karlsson and President of Nolato Industrial Johan Arvidsson. For further information, see page 42.

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

Bonuses
Bonuses paid to the President and CEO and other senior executives are based on the outcome of profit and return on capital employed. The maximum outcome is 50% of base salary for the President and CEO and 40% for other senior executives. At the same time, the relevant profit centre must report positive earnings. In 2013, the outcome for the President and CEO was 50% of base salary (40) and for senior executives it was 24-40% of base salary (27–40).

Stock options programme
In the Group, there is a cash-based synthetic stock options programme for the President and CEO. The programme covers the period 1 April 2011 to 31 March 2014. The agreement entitles the President and CEO to a stock yield-based bonus, the value of which amounts to the difference between the average closing price of the Nolato shares in Q1 2014, and 83.74 multiplied by 150,000, although no more than 50% of the accumulated monthly ordinary gross salary expensed during the period 1 April 2011 to 31 March 2014. The President and CEO did not make any cash payment and was allotted the 150,000 options directly when the agreement commenced.

The programme is expensed by means of allocation at ongoing revaluation of the liability to fair value, measured according to the Black & Scholes model and taking into account the terms and conditions of the programme until payment is made. This remuneration can only be awarded to the President and CEO after the programme matures. The cost of the programme for the year (including social security contributions) has been charged to profit in the amount of SEK 6,007 k (676) and is recognised as an interim liability in the Parent Company. At the end of 2013, the total value of the bonus programme was deemed to be SEK 8,796 k (901) including social security contributions.

Pensions
The retirement age for the President and CEO and other senior executives is 65. The President and CEO's pension premium amounts to 40% of pensionable salary, and follows a defined contribution pension scheme. Variable remuneration does not qualify as pensionable income. For 2013, the pension premium was 40% of base salary (40).

Other senior executives have defined contribution pension schemes. For 2013, the average pension premium was 22% of base salary (22). Variable remuneration does not qualify as pensionable income.

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

Note 11 Financial income and expenses

	2013	2012
Interest income	3	—
Interest expenses	– 8	– 9
Net gains/losses		
Foreign exchange gains and losses, net	—	– 3
Other financial expenses	– 3	– 3
Net financial income/expense	**– 8**	**– 15**
Recognised as:		
Financial income	3	—
Financial expenses	– 11	– 15
Net financial income/expense	**– 8**	**– 15**

	2013 Interest income	2013 Interest expenses	2013 Net gains/ losses	2012 Interest income	2012 Interest expenses	2012 Net gains/ losses
Total net financial income/expense per category of financial instruments						
Financial assets/liabilities valued at fair value in income statement						
Derivatives used to hedge intra-Group loans	—	—	2	—	—	– 2
Bank deposits	3	—	—	—	—	—
PRI pension liability	—	– 4	—	—	– 5	—
Borrowings	—	– 4	—	—	– 4	—
Other financial liabilities	—	– 3	– 2	—	– 3	– 1
Total	**3**	**– 11**	**—**	**—**	**– 12**	**– 3**

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

Note 12 Tax

Recognised in the income statement

	2013	2012
Current tax expenses		
Tax expenses for the period	– 111	– 75
Adjustment for tax attributable to previous years	3	– 1
	– 108	**– 76**
Deferred tax income/expense		
Deferred tax in relation to temporary differences	16	– 1
Deferred tax attributable to previous years	3	—
Deferred tax attributable to unutilised loss carry-forwards	—	– 8
Deferred tax as a result of tax rate changes	—	15
	19	**6**
Total reported tax expense	**– 89**	**– 70**

Reconciliation of effective tax

	2013	2012
Profit before tax	**403**	**272**
Tax according to applicable Parent Company tax rate	– 89	– 71
Effect of other tax rates for foreign Group companies	– 2	– 4
Non-deductable expenses	– 2	– 4
Tax attributable to previous years	6	– 1
Effect of change in tax rates	—	15
Effect of non-capitalised deficits arising during the year	– 2	– 4
Standard interest on tax allocation reserve	—	– 1
Recognised effective tax	**– 89**	**– 70**

Swedish corporation tax amounted to 22.0% (26.3) and the effective tax rate was 22.1% (25.7).

Recognised in the balance sheet

	Deferred tax assets		Deferred tax liabilities		Net	
	2013	2012	2013	2012	2013	2012
Intangible non-current assets	—	—	23	24	– 23	– 24
Property, plant and equipment	20	21	42	47	– 22	– 26
Inventories	6	7	—	—	6	7
Accounts receivable	1	1	—	—	1	1
Provisions for pensions [1]	14	5	—	– 10	14	15
Tax allocation reserves	—	—	41	40	– 41	– 40
Others	22	3	5	5	17	– 2
Loss carry-forwards	—	—	—	—	—	—
Tax assets/liabilities	**63**	**37**	**111**	**106**	**– 48**	**– 69**
Offsetting	– 27	– 2	– 27	– 2	—	—
Tax assets/liabilities, net	**36**	**35**	**84**	**104**	**– 48**	**– 69**

Unrecognised deferred tax assets
Deferred tax assets have not been recognised in the Group in relation to loss carry-forwards totalling SEK 49 million (47). These loss carry-forwards relate to the operations in Malaysia and India, and it is unlikely that they will be able to be used against future taxable gains.

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

	Balance as at 1 Jan 2012	Recognised in profit for the year	Recognised against other compreh. income	Acquisitions of business	Disposal of business	Balance as at 31 Dec 2012
Intangible non-current assets	– 15	1	—	– 10	—	– 24
Property, plant and equipment	– 31	7	– 1	– 1	—	– 26
Inventories	7	—	—	—	—	7
Accounts receivable	2	– 1	—	—	—	1
Provisions for pensions [1]	4	1	10	—	—	15
Tax allocation reserves	– 44	4	—	—	—	– 40
Others	– 7	3	—	2	—	– 2
Loss carry-forwards	9	– 9	—	—	—	—
Total	**– 75**	**6**	**9**	**– 9**	**—**	**– 69**

	Balance as at 1 Jan 2013	Recognised in profit for the year	Recognised against other compreh. income	Acquisitions of business	Disposal of business	Balance as at 31 Dec 2013
Intangible non-current assets	– 24	1	—	—	—	– 23
Property, plant and equipment	– 26	—	—	—	4	– 22
Inventories	7	– 1	—	—	—	6
Accounts receivable	1	—	—	—	—	1
Provisions for pensions	15	2	– 3	—	—	14
Tax allocation reserves	– 40	– 1	—	—	—	– 41
Others	– 2	18	1	—	—	17
Loss carry-forwards	—	—	—	—	—	—
Total	**– 69**	**19**	**– 2**	**—**	**4**	**– 48**

Tax attributable to other comprehensive income

	2013	2012
Deferred tax attributable to provisions for pensions (PRI) [1]	– 3	10
Exchange rate differences in deferred tax	1	– 1
Total	**– 2**	**9**

[1] The year 2012 has been restated in respect of the change to pension provisions in IAS 19, which means that the corridor method as a mechanism to even out actuarial gains/losses is no longer applied (see Note 31).

Note 13 Depreciation, amortisation and impairment

Depreciation/amortisation is included in operating expenses as follows:

	2013	2012
Customer relations	16	14
Buildings and land	16	16
Machinery and other technical facilities	106	110
Equipment, tools, fixtures and fittings	16	15
Others	3	2
Total	**157**	**157**

Depreciation/amortisation has been allocated as follows:

	2013	2012
Cost of goods sold	136	137
Selling expenses	18	17
Administrative expenses	3	3
Total	**157**	**157**

Note 14 Expenses allocated by type of cost

	2013	2012
Raw materials and supplies	– 2,438	– 1,984
Changes in inventories of finished goods and work in progress	– 33	62
Costs for remuneration to employees	– 1,095	– 1,012
Energy costs	– 115	– 116
Other costs	– 292	– 391
Depreciation/amortisation and impairment	– 157	– 157
Total	**– 4,130**	**– 3,598**

Note 15 Intangible non-current assets

	Software	Tenancy rights	Customer rel.[1]	Cap. dev. exp.	Goodwill[1]	Total
ACQUISITION COST						
On 1 January 2012	**—**	**—**	**79**	**30**	**387**	**496**
Investments	—	2	—	—	—	2
Reclassifications	12	4	10	– 26	—	—
Acquisitions	—	—	41	—	102	143
Translation differences	—	– 1	– 2	– 1	– 6	– 10
On 1 January 2013	**12**	**5**	**128**	**3**	**483**	**631**
Translation differences	—	—	1	—	2	3
On 31 December 2013	**12**	**5**	**129**	**3**	**485**	**634**
ACCUMULATED DEPRECIATION/AMORTISATION						
On 1 January 2012	**—**	**—**	**– 41**	**– 21**	**—**	**– 62**
Depreciation/amortisation for the year	– 2	—	– 14	—	—	– 16
Reclassifications	– 5	– 4	– 9	18	—	—
On 1 January 2013	**– 7**	**– 4**	**– 64**	**– 3**	**—**	**– 78**
Depreciation/amortisation for the year	– 2	—	– 16	—	—	– 18
On 31 December 2013	**– 9**	**– 4**	**– 80**	**– 3**	**—**	**– 96**
Book value 31 December 2012	**5**	**1**	**64**	**—**	**483**	**553**
Book value 31 December 2013	**3**	**1**	**49**	**—**	**485**	**538**

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

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

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

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

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

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

Goodwill is allocated to Group segments as follows:

	2013	2012
Nolato Medical	382	380
Nolato Industrial		
Nolato Gota AB	41	41
Nolato Hertila AB	62	62
Total	**485**	**483**

Assumptions for establishing the discount rate

	Nolato Industrial				Nolato Medical	
	2013		2012		2013	2012
	Nolato Gota	Nolato Hertila	Nolato Gota	Nolato Hertila		
Risk-free rate, %	2.4	2.4	1.7	1.7	2.5	1.9
Tax rate, %	22.0	22.0	22.0	22.0	23.2	23.6
Forecast period	3 years	3 years	3 years	3 years	3 years	3 years
Growth after forecast period, %	2.0	2.0	2.0	2.0	2.0	2.0
Applied discount rate before tax, %	10.0	10.0	9.2	9.2	9.2	8.5

In the impairment test in each segment, the discount rate has essentially been constructed segment by segment. The various legal companies in each segment are relatively similar in size, have the same type of customer segments with similar behaviour, and similar types of products. Therefore, the risk level for the legal companies is also deemed to be more or less the same and the assumptions given for Nolato Industrial are essentially applicable to the companies included in the segment. Impairment-tested operations in the Group are mainly in Sweden, the UK and the US. Therefore, test assumptions have been relatively homogeneous, with adjustments for country-specific parameters.

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

Note 16 Property, plant and equipment

	Buildings and land	Machinery and other technical facilites	Equipment, tools, fixtures and fittings	Construction in progress and advance payments	Total
ACQUISITION COST					
On 1 January 2012	**477**	**1,700**	**199**	**62**	**2,438**
Investments	21	67	9	55	152
In new companies on acquisition	—	28	6	—	34
Sales/disposals	—	– 23	– 2	—	– 25
Reclassifications	13	35	13	– 67	– 6
Translation differences	– 6	– 35	– 2	– 3	– 46
On 1 January 2013	**505**	**1,772**	**223**	**47**	**2,547**
Investments	3	87	8	64	162
Contributions received [1]	– 5	– 6	—	—	– 11
Divested subsidiary	– 41	– 108	– 29	—	– 178
Sales/disposals	– 39	– 51	– 3	—	– 93
Reclassifications	—	49	5	– 54	—
Translation differences	4	21	1	—	26
On 31 December 2013	**427**	**1,764**	**205**	**57**	**2,453**
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
On 1 January 2012	**– 249**	**– 1,325**	**– 158**	**—**	**– 1,732**
Depreciation for the year	– 16	– 110	– 15	—	– 141
Sales/disposals	—	20	1	—	21
Reclassifications	– 4	8	2	—	6
Translation differences	1	31	2	—	34
On 1 January 2013	**– 268**	**– 1,376**	**– 168**	**—**	**– 1,812**
Depreciation for the year	– 16	– 107	– 16	—	– 139
Divested subsidiary	28	99	26	—	153
Sales/disposals	39	50	3	—	92
Translation differences	– 1	– 12	– 1	—	– 14
On 31 December 2013	**– 218**	**– 1,346**	**– 156**	**—**	**– 1,720**
Book value 31 December 2012	**237**	**396**	**55**	**47**	**735**
Book value 31 December 2013	**209**	**418**	**49**	**57**	**733**

[1] Nolato Hungary received a contribution from the European Regional Development Fund relating to historical investments in 2011 and 2012.

Not 17 Financial assets

	2013	2012
Accounts receivable	605	688
Deduction: Provision for decline in value of accounts receivable	– 7	– 6
Carrying amount	**598**	**682**

The average period of credit in 2013 was 52 days (57). Accounts receivable as a percentage of sales amounted to 13.2% (17.6%). During the year, the Group reversed SEK 6 million (4) of provisions for the decline in value of accounts receivable at 1 January. Provisions for the year totalled SEK 7 million (3). The credit quality of accounts receivable not due and not impaired, and of other financial receivables is deemed to be good.

Total accounts receivable

	Total	Not due	Due ≤15 days	Due 16–60 days	Due > 60 days
2013	605	543	49	9	4
2012	688	560	99	26	3

Accounts receivable, including provisions for decline in value

	Total	Not due	Due ≤15 days	Due 16–60 days	Due > 60 days
2013	598	540	49	8	1
2012	682	558	97	25	2

Other financial assets per category in 2013

	Loans receivable and accounts receivable [1]	Assets available for sale [1]	Derivatives used for hedging accounting	2013 Total
Other securities	—	2	—	**2**
Accounts receivable	598	—	—	**598**
Cash and bank balances	318	—	—	**318**
Derivatives (see Note 4)	—	—	3	**3**
Carrying amount	**916**	**2**	**3**	**921**
Fair value	**916**	**2**	**3**	**921**

Other financial assets per category in 2012

	Loans receivable and accounts receivable [1]	Assets available for sale [1]	Derivatives used for hedging accounting	2012 Total
Other securities	—	2	—	**2**
Accounts receivable	682	—	—	**682**
Cash and bank balances	272	—	—	**272**
Derivatives (see Note 4)	—	—	3	**3**
Carrying amount	**954**	**2**	**3**	**959**
Fair value	**954**	**2**	**3**	**959**

[1] Assets valued at fair value via the income statement.

The market 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.

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

Note 18 Inventories

	2013	2012
Raw materials and supplies	120	135
Products in manufacturing	39	51
Finished goods and goods for resale	100	102
Total	**259**	**288**

During the year, the Group impaired inventories by SEK 29 million (40). Impairment losses for the year are included in “Cost of goods sold” in the income statement.

During the year, reversed impairment losses totalled SEK 33 million (32). The reversal of previously impaired stocks is due to the fact that these items could be sold or were no longer deemed obsolete.

Note 19 Other current assets

	2013	2012
Other receivables	62	48
Accrued expenses and deferred income	19	13
Closing balance	**81**	**61**

Note 20 Share capital

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.:

	2013	2012
Share capital	132	132
Other capital contributed	228	228
Translation reserve	18	3
Hedging reserve	1	1
Retained earnings, incl. net income	969	806
Total capital	**1,348**	**1,170**

The Board aims to maintain a good balance between a high return which can be achieved through higher borrowing and the advantages and security offered by a sound capital structure. The Board sets the Group’s financial targets each year on the basis of this. These targets should be seen as average figures over a business cycle. The extent to which these targets were achieved for 2013 is shown below.

	2013		2012	
	Financial targets	Outcome	Financial targets	Outcome
EBITA margin	>8%	9.4%	>8%	7.8%
Return on capital employed	>15%	26.7%	>15%	19.4%
Equity/assets ratio	>35%	52.0%	>35%	44.0%

The Board’s dividend proposal shall take into consideration Nolato’s long-term development potential, financial position and investment requirements. The Board’s dividend policy means that the Board shall intend to propose a dividend which corresponds on average to at least 35% of profit after tax. For 2013, the Board proposes SEK 4.00 per share (3.50) plus an extra dividend of SEK 4.00 per share (2.50), totalling SEK 8.00 per share (6.00) or SEK 210 million (158), corresponding to a payout ratio of 67% (78).

Note 21 Other reserves

	Hedging reserve	Transl. reserve	Total
Balance on 1 January 2012	**—**	**20**	**20**
Cash flow hedges:			
Gain from fair value measurement during the year	1	—	1
Translation differences	—	–17	–17
Balance on 31 December 2012	**1**	**3**	**4**
Balance on 1 January 2013	**1**	**3**	**4**
Cash flow hedges:			
Gain from fair value measurement during the year	—	—	—
Translation differences	—	15	15
Balance on 31 December 2013	**1**	**18**	**19**

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

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

Note 22 Financial liabilities

	Year of maturity	2013		2012	
		Carrying value	Fair value	Carrying value	Fair value
Non-current liabilities					
Financial leases	2013	—	—	1	1
Subtotal of non-current financial liabilities		**—**	**—**	**1**	**1**
Current financial liabilities					
Accounts payable	2013-2014	524	524	529	529
Short-term bank loan in GBP (variable rate)	< 3 months	—	—	129	129
Short-term bank loan in SEK (variable rate)	< 3 months	—	—	40	40
Short-term bank loan in USD (variable rate)	< 3 months	85	85	85	85
Derivatives for hedge accounting (see Note 4)		—	—	1	1
Subtotal of current financial liabilities		**609**	**609**	**784**	**784**
Total		**609**	**609**	**785**	**785**

Interest-bearing liabilities
At year-end, the Group's interest-bearing liabilities excluding pension liability amounted to SEK 85 million (254). The average interest rate was 0.9% (1.3). The average fixed-interest term was 1 month (2).

Terms and repayment periods
Total credit lines granted in the Group amount to SEK 800 million (800). Of this amount, SEK 350 million (350) is available through 1 August 2014 and SEK 450 million (450) through 31 December 2015. Pledged assets for the credit facilities amount to SEK 0 million (0). The credit facilities are conditional upon normal covenants. These include requirements in terms of financial key ratios for the Group, including net debt in relation to operating profit before depreciation/amortisation (EBITDA) and the equity/assets ratio. At 31 December, all loan conditions were met. All loan agreements can be terminated by the other party in the event of any significant change in ownership control of the company.

Derivatives
The market 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 direct and indirect observable market data not included in Level 1. Level 3: Based on input data which is not observable in the market.

Operating leases
Operating lease agreements consist mainly of rental contracts for production premises. Expensed leasing fees for the year totalled SEK 48 million (45). The variable fees included in these do not add up to any significant amount. The operating lease agreements are not restricted by index clauses or such terms that provide entitlement to extend or acquire the leased items. However, there are restrictions on the right of disposal.

Lease payments for lease agreements in which the company is the lessee

	Financial leases	Operating leases
Non-cancellable lease agreements total:		
Within 1 year	—	50
Between 1 and 5 years	—	82
Total	**—**	**132**

Note 23 Provisions for pensions and similar obligations

	2013	2012
Net present value of defined benefit pension plans [1]	110	130
Other pension schemes	1	1
Total	**111**	**131**

[1] The provision for 2012 has increased retroactively by SEK 36 million as the previous application of the corridor method as a mechanism to even out actuarial gains/losses has been removed from IAS 19, see Note 31.

Defined benefit pension schemes

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

Fair value of the defined benefit pension schemes:

	2013	2012
Balance on 1 January	130	129
Benefits vested during the period	1	1
Interest expenses	4	4
Benefits redeemed	—	—
Pension payments	– 5	– 5
Actuarial gain (–) / loss (+)	– 7	1
Divested subsidiary	– 13	—
Total	**110**	**130**

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

	2013	2012
Expenses related to service during the financial year	1	1
Interest expense	4	5
Expense for special employer's contribution and tax on returns	1	1
Total expense for defined benefit pension schemes	**6**	**7**
Expense for defined contribution schemes	69	65
Expense for special employer's contribution	6	6
Total pension expense	**81**	**78**

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

	2013	2012
Amounts charged to operating profit:		
Cost of goods sold	2	1
Selling expenses	—	—
Administrative expenses	1	1
Amounts charged to financial expenses:		
Interest expenses	4	5
Total	**7**	**7**

Expenses for defined benefit pension schemes are recognised on the following lines in other comprehensive income:

	2013	2012
Actuarial gains (+) / losses (–)	7	1
Special employer's contribution and tax on returns	2	—
Deferred income tax	– 2	– 2
Total	**7**	**– 1**

Actuarial gains (+)/losses (–) in other comprehensive income

	2013	2012
Accumulated at 1 January	– 35	– 34
Divestment of subsidiaries	– 4	—
Recognised in the period	7	– 1
Accumulated at 31 December	**– 32**	**– 35**

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

%	2013	2012
Discount rate	3.80	3.40
Future annual salary increases	3.20	3.20
Future annual pension increases	1.90	1.90
Employee turnover	5.00	5.00

Pension commitments within Alecta

Commitments regarding retirement pensions and family pensions for salaried employees in Sweden are secured through a policy with Alecta. According to a statement issued by the Swedish Financial Reporting Board, UFR 3, this is a multiple-employer defined benefit pension scheme. For the 2013 financial year, the company had no access to any information that would enable it to recognise this scheme as a defined benefit scheme. The ITP pension scheme (supplementary pensions for salaried employees), which is insured by Alecta, is thus recognised as a defined contribution scheme. Charges for the year for pension insurance policies held with Alecta totalled SEK 4 million (5). Alecta's surplus can be allocated to policyholders and/or insured parties. On 31 December 2013, Alecta's surplus, in the form of the collective funding ratio, amounted to 148% (129). The collective funding ratio is determined by the market value of Alecta's assets as a percentage of the pension commitments calculated according to Alecta's actuarial calculation assumptions, which do not comply with IAS 19.

Note 24 Other provisions

	Miscellaneous	Total
Amount on 1 January [1]	32	32
Provisions for the year	—	—
Amounts claimed	– 2	– 2
Amount on 31 December	**30**	**30**

[1] See Note 31 on the applicable amendment of IAS 19 and the impact of amounts at 1 January.

Note 25 Other current liabilities

	2013	2012
Customer advances	25	25
Other current liabilities	41	35
Accrued expenses and deferred income		
Salary liabilities	95	93
Social security contributions	37	38
Deliveries of goods received, not invoiced	87	94
Energy costs	13	12
Rents	9	6
Claims	9	28
Maintenance	11	19
Other items	57	43
Subtotal of accrued expenses and deferred income	**318**	**333**
Total	**384**	**393**

Note 26 Pledged assets

	2013	2012
Assets with retention of title	—	1
Total	**—**	**1**

Note 27 Contingent liabilities

	2013	2012
Guarantee commitments, FPG/PRI	3	2
Total	**3**	**2**

Note 28 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 10.

There are no known transactions with related parties.

Note 29 Cash flow

	2013	2012
The following subcomp. are included in cash and cash equivalents:		
Cash and bank balances	278	230
Credit balance on Group account in Parent Company	40	42
Total c.a.c.e. reported in the cash flow statement	**318**	**272**

Unutilised credit

At the balance sheet date, unutilised credit within the Group stood at SEK 715 million (546).

Note 30 Sale of subsidiary

Sale of Nolato Sunne AB

On 1 November 2013, Nolato divested the subsidiary Nolato Sunne AB to an associated company within Per Vannesjö Industri AB. The disposal is part of our focus on the development and manufacture of products made from plastic, silicone and TPE. Nolato Sunne had 95 employees in Sunne, Sweden with sales of around SEK 130 million.

Net assets	Balance sheet at time of sale
Property, plant and equipment	23
Financial assets	1
Current assets	40
Cash and cash equivalents	15
Provisions	– 14
Deferred tax liabilities	– 4
Current liabilities	– 32
Sold net assets	**29**

Cash flow effects	
Cash received, sale proceeds	22
Less selling expenses	– 1
Less cash equivalents sold	– 15
Net cash flow from the sale	**6**

Note 31 Change in pension provisions

The amendment to IAS 19 regarding defined benefit pension plans applies to fiscal years starting on 1 January 2013 with retroactive application. The previous application of the corridor method as a mechanism to even out actuarial gains/losses has thus been removed.

Effect of change in accounting policy

	Adjusted opening balance on 1 Jan. 2012	Adjusted earnings 2012	Adjusted closing balance on 31 Dec. 2012
Effect on balance sheet			
Provisions for pensions and similar obligations	37	– 1	36
Deferred tax liabilities	– 12	2	– 10
Other provisions	9	—	9
Shareholders' equity	– 34	– 1	– 35
Effect on income statement			
Profit for the year		**—**	
Other comprehensive income		1	
Tax attributable to other comprehensive income		– 2	
Comprehensive income for the year		**– 1**	

For Nolato, this involved the recognised PRI pension liability increasing by SEK 37 million at 31 December 2011 and by SEK 36 million at 31 December 2012.

Net debt has thus increased by the above amounts and the change is recognised retroactively in this report from 31 December 2011.

Adding to the change in the pension liability itself is also a special employer's contribution liability, which is recognised under other provisions in the consolidated balance sheet. Furthermore, deferred tax is calculated on the change in pension liability, including the special employer's contribution recognised among deferred tax liabilities.

The total effect of the above is then recognised in other comprehensive income (equity) and, at 31 December 2011, resulted in a reduction in equity of SEK 34 million and, at 31 December 2012, of SEK 35 million.

The change in closing balances between the years has been distributed on a straight-line basis over the quarters.

Return on equity, the equity/assets ratio, debt/equity ratio and equity per share have been affected by the reduction in equity. Return on capital employed and operating capital have also been affected, but not materially.

All key ratios above have been retroactively restated from 31 December 2011.

Parent Company income statement

SEKm	Note	2013	2012
Net sales	**2**	**23**	**19**
Other operating income	3	2	—
Selling expenses		– 8	– 7
Administrative expenses	4	– 48	– 42
Other expenses	5	—	– 3
		– 54	**– 52**
Operating profit	2,6,7,13	**– 31**	**– 33**
Profit from participations in Group companies	8	113	44
Financial income	9	22	25
Financial expenses	10	– 19	– 29
		116	**40**
Profit after financial income and expense		**85**	**7**
Appropriations	11	157	149
Tax	12	– 48	– 39
Profit for the year		**194**	**117**

Parent Company comprehensive income

SEKm	2013	2012
Profit for the year	**194**	**117**
Other comprehensive income		
Items transf. or that could be transf.to profit for the period		
Exchange rate diff. on monetary items in rel. to overseas net inv.	—	– 1
Comprehensive income for the year	**194**	**116**

Parent Company balance sheet

SEKm	Note	2013	2012
Assets			
Non-current assets			
Intangible non-current assets		1	1
Participations in Group companies	14	609	550
Receivables from Group companies	17	419	442
Other non-current receivables		2	2
Deferred tax assets	12	4	4
Total non-current assets		**1,035**	**999**
Current assets			
Receivables from Group companies		346	470
Other receivables		—	—
Prepaid expenses and accrued income		3	2
		349	**472**
Cash and bank balances		40	42
Total assets		**1,424**	**1,513**
Shareholders' equity and liability			
Shareholders' equity			
Restricted equity			
Share capital (26,307,408 shares)	15	132	132
Statutory reserve		228	228
		360	**360**
Unrestricted equity			
Translation reserve		– 1	– 1
Retained earnings		382	423
Profit for the year		194	117
		575	**539**
Total shareholders' equity		**935**	**899**
Untaxed reserves	**20**	**181**	**179**
Other provisions	**18**	**6**	**5**
Non-current liabilities			
Liabilities to Group companies	17	—	17
Current liabilities			
Liabilities to credit institutions	16	85	254
Accounts payable		1	2
Liabilities to Group companies		175	125
Current tax liabilities		4	12
Other liabilities		9	1
Accrued expenses and deferred income	19	28	19
Total current liabilities		**302**	**413**
Total shareholders' equity and liabilities		**1,424**	**1,513**
Pledged assets		—	—
Contingent liabilities	21	98	110

Parent Company changes in shareholders' equity

SEKm	*Restricted equity* Share-capital	Statutory reserve	Translation reserve	*Unrestricted equity* Retained earnings	Total sh. equity
Opening balance, 1 Jan. 2012	**132**	**228**	**—**	**555**	**915**
Profit for the year	—	—	—	117	117
Other compreh. income for the year	—	—	– 1	—	– 1
Compreh. income for the year	**—**	**—**	***– 1***	***117***	***116***
Dividend for 2011	—	—	—	– 132	– 132
Closing balance, 31 Dec. 2012	**132**	**228**	**– 1**	**540**	**899**
Opening balance, 1 Jan. 2012	**132**	**228**	**– 1**	**540**	**899**
Profit for the year	—	—	—	194	194
Other compreh. income for the year	—	—	—	—	—
Compreh. income for the year	**—**	**—**	**—**	***194***	***194***
Dividend for 2012	—	—	—	– 158	– 158
Closing balance, 31 Dec. 2013	**132**	**228**	**– 1**	**576**	**935**

Parent Company cash flow statement

SEKm	Note	2013	2012
	23		
Operating activities			
Operating profit		– 31	– 33
Adjustments for items not included in cash flow		1	1
Dividends from subsidiaries		27	16
Liquidation profit from subsidiaries		5	—
Interest received		22	25
Interest paid		– 6	– 7
Realised exchange rate differences		– 3	—
Income tax paid		– 55	– 29
Cash flow from operating activities before changes in working capital		**– 40**	**– 27**
Changes in working capital			
Changes in operating receivables and operating liabilities		260	– 28
Cash flow from operating activities		**220**	**– 55**
Investment activities			
Acquisition of financial assets		—	– 70
Shareholders' contribution		– 91	– 2
Sale of financial assets		21	—
Cash flow from investment activities		**– 70**	**– 72**
Cash flow before financing activities		**150**	**– 127**
Financing activities			
Borrowings		—	254
Repayment of loans		– 169	—
Change in long-term intra-Group transactions		7	– 157
Dividend paid		– 158	– 132
Group contributions received		174	170
Group contributions paid		– 6	– 5
Cash flow from financing activities		**– 152**	**130**
Cash flow for the year		**– 2**	**3**
Cash and cash equivalents, opening balance		**42**	**39**
Cash and cash equivalents, closing balance		**40**	**42**

Notes to the Parent Company financial statements

Note 1 Accounting and valuation policies

The Parent Company's annual report has been drawn up in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for Legal Entities. The Swedish Financial Reporting Board's statements relating to listed companies have also been applied. RFR 2 involves the Parent Company, in the annual report for the legal entity, applying all IFRS standards and statements adopted by the EU as far as possible within the framework of the Swedish Annual Accounts Act and the Swedish Law on Safeguarding Pension Obligations, and in view of the relationship between accounting and taxation. The recommendation details which exceptions from and additions to IFRS shall apply.

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

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

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.

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 recognised when the right to receive the dividend is established.

Financial instruments
In view of the relationship between reporting and taxation, the rules on financial instruments and hedge accounting contained in IAS 39 are not applied within the Parent Company as a legal entity. The Parent Company does not therefore recognise the fair value measurement of currency futures/currency swaps in the balance sheet. Outstanding derivative instruments as at 31 December 2013 are described in the consolidated statements' Note 4.

Remuneration to employees
Defined benefit schemes
Defined benefit pension schemes are insured through a policy held with Alecta. According to RFR 2, the defined benefit pension schemes are classified and recognised as defined contribution schemes, which means that premiums paid are charged to the income statement. Charges for the year to Alecta totalled SEK 417 k (401). Within the Parent Company, a different basis than that set out in IAS 19 is applied when calculating and valuing the defined benefit schemes. The Parent Company follows the provisions of the Swedish Law on Safeguarding Pension Obligations and the regulations of the Swedish Financial Supervisory Authority, since this is a requirement for tax deduction rights. The main differences compared with the rules of IAS 19 are the manner in which the discount rate is established, the fact that the defined benefit obligations are calculated based on current salary levels without taking assumptions regarding future salary increases into consideration, and the fact that all actuarial gains and losses are recognised in the income statement when they arise.

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

Group contributions for legal entities
Group contributions paid and received in the Parent Company are recognised as appropriations according to the alternative rule.

Note 2 Purchasing and sales between Parent Company and subsidiaries

	2013	2012
Sales of services to subsidiaries	23	19
Purchase of services from subsidiaries	– 4	– 3

Note 3 Other operating income

	2013	2012
Exchange gains	2	—
Total	2	**—**

Note 4 Information on remuneration to auditors

The company's auditing firm has received remuneration:

SEK thousand	2013	2012
KPMG:		
Auditing	573	635
Audit business other than auditing	—	63
Taxation duties	330	179
Other duties	237	187
Total	**1,140**	**1,064**

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

Note 5 Other operating expenses

	2013	2012
Effect of exchange rate on receivables/liabilities, net	—	– 1
Impairment internal receivables Group companies	—	– 2
Total	**—**	**– 3**

Note 6 Personnel

Average number of employees

	2013		2012	
	Number	Of which men	Number	Of which men
Nolato AB, Torekov	11	82%	12	83%

Costs for remuneration to employees

	2013	2012
Salaries and remuneration	32	25
Pension expenses, defined contribution plans	8	5
Social security contributions	10	8
Total	**50**	**38**

There are 5 (4) senior executives at the Parent Company. Expensed remuneration and benefits for senior executives at the Parent Company during the year totalled SEK 25 million (15), of which SEK 11 million (4) relates to bonuses. Of the Parent Company's pension expenses, SEK 1.9 million (1.8) relates to the Board and the President and CEO. The company's outstanding pension liabilities and obligations in relation to the Board and the President and CEO was SEK 0 million (0).

Gender distribution of senior executives

	2013		2012	
	Men	Women	Men	Women
Board members	7	2	6	3
President and CEO	1	—	1	—
Other senior executives	4	—	3	—
Total	**12**	**2**	**10**	**3**

Note 7 Depreciation, amortisation and impairment

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

	2013	2012
Impairment of Group company internal receivables	—	– 2
Total	**—**	**– 2**

Impairment has been allocated as follows:

	2013	2012
Other operating expenses	—	– 2
Total	**—**	**– 2**

Note 8 Profit from participations in Group companies

	2013	2012
Dividend received from Group companies	27	16
Anticipated dividend from Group companies	92	35
Impairment of participations in Group companies	—	– 7
Liquidation profit from Group companies	5	—
Capital loss on sale of subsidiary	– 11	—
Total	**113**	**44**

Note 9 Financial income

	2013	2012
Interest income, Group companies	22	25
Total	**22**	**25**

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

Note 10 Financial expenses

	2013	2012
Interest expense, Group companies	—	– 1
Interest expense, credit institutions	– 3	– 3
Impairment non-current loan receivable, Group companies [1]	—	– 21
Other financial expenses	– 3	– 3
Insurance recourse [2]	– 11	—
Exchange rate differences	– 2	– 1
Total	**– 19**	**– 29**

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

[2] Relates to a bankruptcy payment of a previously credit-insured customer.

All interest expenses are attributable to financial liabilities, which are measured at amortised cost.

Note 11 Appropriations

	2013	2012
Group contributions received	165	174
Group contributions paid	– 6	– 6
Reversal of tax allocation reserve	45	28
Allocation to tax allocation reserve	– 47	– 47
Total	**157**	**149**

Note 12 Tax

Recognised in the income statement

	2013	2012
Current tax expense (–) / income (+)		
Tax expense for the period	– 33	– 37
Adjustment for tax attributable to previous years	– 15	—
	– 48	**– 37**
Deferred tax income/expense		
Deferred tax in relation to temporary differences	—	– 2
Total reported Parent Company tax expense	**– 48**	**– 39**

Reconciliation of effective tax
The tax rate applicable is 22%.

	2013	2012
Profit before tax	**242**	**156**
Tax according to applicable Parent Company tax rate	– 53	– 41
Non-deductable expenses	– 7	– 8
Non-taxable income	27	12
Tax attributable to previous years	– 15	—
Effect of changed tax rates	—	– 1
Standard interest on tax allocation reserve	—	– 1
Recognised effective tax	**– 48**	**– 39**

Recognised in the balance sheet

	2013	2012
Other provisions	1	1
Others	3	3
Total	**4**	**4**

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

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

	Balance as at 1 Jan 2013	Recognised in profit for the year	Recognised against shareholders' equity	Balance as at 31 Dec 2013
Other provisions	1	—	—	1
Others	3	—	—	3
Total	**4**	**—**	**—**	**4**

Note 13 Expenses allocated by type of cost

	2013	2012
Costs for remuneration to employees	– 50	– 38
Other costs	– 6	– 12
Depreciation/amortisation and impairment losses	—	– 2
Total	**– 56**	**– 52**

Note 14 Participations in Group companies

	2013	2012
Acquisition cost on 1 January	905	833
Acquisitions	—	70
Shareholders' contribution	91	2
Disposals	– 32	—
Accumulated acquisition cost on 31 December	**964**	**905**
Accumulated impairment losses on 1 January	– 355	– 348
Impairment losses for the year	—	– 7
Accumulated impairment losses on 31 December	**– 355**	**– 355**
Carrying amount	**609**	**550**

	Particip. interest		Carr. amount	
	2013	2012	2013	2012
AB Cerbo Group, Trollhättan, Sweden	100%	100%	117	117
Nolato Cerbo AB, Trollhättan, Sweden	100%	100%		
A/S Cerbo Norge, Norway	100%	100%		
Cerbo France Sarl, France	100%	100%		
Kartongprod. Berglund AB, Trollhättan, Sweden	100%	100%		
Lövepac Converting Ltd, China	100%	100%	9	9
Lövepac Converting Private Ltd, India	100%	100%	—	—
Nolato Alpha AB, Kristianstad, Sweden	100%	100%	12	12
Nolato EMC Production Center Sdn Bhd, Malaysia	100%	100%	—	—
Nolato Holding USA Inc, US	100%	100%	—	—
Nolato Contour Inc, US	100%	100%		
Nolato Gota AB, Götene, Sweden	100%	100%	79	79
Nolato Hertila AB, Åstorp, Sweden	100%	100%	31	1
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 Kuala Lumpur Sdn Bhd, Malaysia	100%	100%	—	—
Nolato Lövepac AB, Skånes Fagerhult, Sweden	100%	100%	10	10
Nolato MediTech AB, Hörby, Sweden	100%	100%	80	19
Nolato MediTor AB, Torekov, Sweden	100%	100%	1	1
Nolato Mobile Comm.Polymers (Beijing) Ltd, China	100%	100%	91	91
Nolato Automotive Comp. (Beijing) Co., Ltd, China	100%	—	1	—
Nolato Plastteknik AB, Gothenburg, Sweden	100%	100%	37	37
Nolato Polymer AB, Torekov, Sweden	100%	100%	5	5
Nolato Produktions AB, Götene, Sweden	100%	100%	—	—
Nolato Romania S.R.L., Romania	100%	100%	—	—
Nolato Silikonteknik AB, Hallsberg, Sweden	100%	100%	8	8
Nolato Sunne AB, Sunne, Sweden	—	100%	—	33
Nolato Torekov AB, Torekov, Sweden	100%	100%	12	12
Carrying amount			**609**	**550**

Note 15 Share capital

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

	Number of shares	Quotient value	Share capital
Share capital, 31 Dec 2012	26,307,408	SEK 5	SEK 131,537 k
Share capital, 31 Dec 2013	26,307,408	SEK 5	SEK 131,537 k

Note 16 Borrowings

	Due	2013	2012
Short-term bank loan in GBP (variable rate)	< 3 months	—	129
Short-term bank loan in SEK (variable rate)	< 3 months	—	40
Short-term bank loan in USD (variable rate)	< 3 months	85	85
Total		**85**	**254**

Note 17 Receivables and liabilities, Group companies

Receivables from Group companies	
On 1 January 2012	**307**
Change	135
On 1 January 2013	**442**
Change	– 23
On 31 December 2013	**419**

Liabilities to Group companies	
On 1 January 2012	**17**
Change	—
On 1 January 2013	**17**
Change	– 17
On 31 December 2013	**—**

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

Note 18 Other provisions

	Others	Total
Amount on 1 January	5	5
Provisions for the year	1	1
Amounts claimed	—	—
Amount on 31 December	**6**	**6**

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

Note 19 Accrued expenses and deferred income

	2013	2012
Salary liabilities	15	9
Social security contributions	6	4
Complaints	2	2
Maintenance	—	4
Other items	5	—
Total	**28**	**19**

Note 20 Untaxed reserves

	2013	2012
Tax allocation reserves 2009	—	45
Tax allocation reserves 2010	21	21
Tax allocation reserves 2011	32	32
Tax allocation reserves 2012	35	35
Tax allocation reserves 2013	46	46
Tax allocation reserves 2014	47	—
Total	**181**	**179**

Note 21 Contingent liabilities

	2013	2012
Guarantees on behalf of subsidiaries	98	110
Total	**98**	**110**

Note 22 Related parties

The Parent Company has controlling influence over the subsidiaries, in accordance with the structure described in Note 14.

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 23 million (19), 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 22 million (25) and interest expenses of SEK 0 million (1) have arisen in the Parent Company to the extent reported in Notes 9 and 10. 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 418 million (442) and liabilities to Group companies amount to SEK 0 million (17).

During the year, the Parent Company received dividends from subsidiaries in the amount of SEK 119 million (51), of which SEK 92 million (32) refers to anticipated dividend and recovered intra-Group accounts receivable of SEK 0 million (0).

Note 23 Cash flow

	2013	2012
The following subcomp. are included in cash and cash equivalents:		
Credit balance on Group account in Parent Company	40	42
Total cash and cash equivalents rep. in the cash flow statement	**40**	**42**

Attestation and signatures of the Board

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

As indicated below, the Annual Report was approved for issue by the Board on 6 March 2014. 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 28 April 2014.

Torekov, 6 March 2014

Fredrik Arp
Chairman of the Board

Sven Boström-Svensson
Board member

Henrik Jorlén
Board member

Anna Malm Bernsten
Board member

Erik Paulsson
Board member

Lars-Åke Rydh
Board member

Hans Porat
President and CEO

Ingegerd Andersson
Employee representative

Björn Jacobsson
Employee representative

Eva Norrman
Employee representative

My auditor's report was submitted on 14 March 2014.

Alf Svensson
Authorised public accountant

Auditor's report

To the annual meeting of the shareholders of Nolato AB, corp. id. 556080-4592

Report on the annual accounts and consolidated accounts
I have audited the annual accounts and consolidated accounts of Nolato AB for the year 2013. The annual accounts and con-solidated accounts of the company are included in the printed version of this document on pages 44 – 78.

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

Auditor's responsibility
My responsibility is to express an opinion on these annual accounts and consolidated accounts based on my audit. I conducted my audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

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

Opinion
In my opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2013 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2013 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

I therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

Report on other legal and regulatory requirements
In addition to my audit of the annual accounts and consolidated accounts, I have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Nolato AB for the year 2013.

Responsibilities of the Board of Directors and the Managing Director
The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

Auditor's responsibility
My responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on my audit. I conducted the audit in accordance with generally accepted auditing standards in Sweden.

As basis for my opinion on the Board of Directors proposed appropriations of the company's profit or loss I examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As basis for my opinion concerning discharge from liability, in addition to my audit of the annual accounts and consolidated accounts, I examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. I also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

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

Malmö, 14 March 2014

Alf Svensson
Authorised public accountant

Definitions

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

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

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

Return on shareholders' equity
Profit after tax in relation to average shareholders' equity.

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

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

Adjusted earnings per share
Profit after tax, excluding amortisation of intangible assets arising from acquisitions, divided by the average number of shares.

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

Liquidity
Total current assets divided by total current liabilities.

Earnings per share
Profit after tax in relation to the average number of shares.

Interest coverage ratio
Profit after financial income and expenses, plus financial expenses, divided by financial expenses.

Operating profit (EBITDA)
Earnings before interest, taxes, depreciation and amortisation.

Operating profit (EBITA)
Earnings before interest, taxes and amortisation of intangible assets arising from acquisitions.

Operating profit (EBIT)
Earnings before interest and taxes.

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

Equity/assets ratio
Shareholders' equity as a percentage of total capital according to the balance sheet.

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

A few specialist terms used within the Nolato Group

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

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

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

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

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

Haptic technology/haptics
Designing a surface so that a function or cosmetic effect can be felt.

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

Shielding (EMC)
Technology for shielding electronics from electromagnetic interference, both internally between different electronic components and from external interference, to achieve electromagnetic compatability (EMC). This is achieved using silicone gaskets containing silver or nickel particles.

Five-year review

	2013	2012	2011	2010	2009
Sales and profit					
Net sales (SEK million)	4,522	3,874	2,977	3,375	2,602
Sales growth (%)	17	30	– 12	30	– 8
Percentage of sales outside Sweden (%)	80	75	70	76	73
Operating profit (EBITA) (SEK million)	427	303	199	262	166
Operating profit (EBIT) (SEK million)	411	287	190	253	158
Financial income and expense (SEK million)	– 8	– 15	– 7	– 10	– 10
Profit after financial income and expense (SEK million)	403	272	183	243	148
Profit for the year (SEK million)	314	202	132	187	123
Financial position					
Total assets (SEK million)	2,573	2,634	2,144	2,350	2,113
Shareholders' equity (SEK million) [1]	1,348	1,170	1,117	1,179	1,086
Interest-bearing assets (SEK million)	318	272	124	239	172
Interest-bearing liabilities and provisions (SEK million) [1]	– 196	– 385	– 243	– 273	– 212
Net financial assets (+) / net financial liabilities (–) (SEK million) [1]	122	– 113	– 119	– 34	– 40
Equity/assets ratio (%) [1]	52	44	52	50	51
Liquidity (%)	126	109	123	120	122
Debt/equity ratio (times) [1]	0.1	0.3	0.2	0.2	0.2
Cash flow					
Cash flow from operations (SEK million)	512	476	246	370	257
Investment activities (SEK million)	– 144	– 335	– 134	– 286	– 118
Cash flow before financing activities (SEK million)	368	141	112	84	139
Profitability					
Return on total capital before tax (%)	15.9	11.9	8.7	11.3	7.5
Return on capital employed before tax (%) [1]	26.7	19.4	13.9	18.4	12.1
Return on operating capital before tax (%) [1]	32.6	22.6	15.5	21.6	13.9
Return on net shareholders' equity, after tax (%) [1]	24.9	17.7	11.6	16.5	11.5
EBITA margin (%)	9.4	7.8	6.7	7.8	6.4
Profit margin (%)	8.9	7.0	6.1	7.2	5.7
Interest coverage ratio (times)	37	23	16	25	14
Share data (see also page 36)					
Earnings per share after tax (SEK)	11.94	7.68	5.02	7.11	4.68
Shareholders' equity per share (SEK) [1]	51	44	42	45	41
Cash flow from operating activities per share (SEK)	19.46	18.09	9.35	14.06	9.77
Cash flow before financing activities excl. acq. and disp. per share (SEK)	13.76	12.05	4.26	8.74	5.28
Yield (2013 proposal) (%)	5.5	7.6	9.9	7.2	5.1
Dividend per share (2013 proposal) (SEK)	8.00	6.00	5.00	6.00	3.00
Personnel					
Number of employees (people)	9,357	8,421	5,496	7,563	4,308
Sales per employee (SEK thousand)	483	460	542	446	604
Profit after financial income and expense per employee (SEK thousand)	43	32	33	32	34

[1] The years 2009 – 2010 are not restated in respect of the change to pension provisions in IAS 19, which means that the corridor method as a mechanism to even out actuarial gains/losses is no longer applied (see Note 31).

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