

ANNUAL REPORT 2014



Nolato in 15 seconds

Nolato is a Swedish publicly listed group with 8,000 employees in Europe, Asia and North America. Nolato develops and manufactures products in polymer materials such as plastic, silicone and TPE for leading customers within medical technology, pharmaceuticals, telecom, automotive and other selected industrial sectors.

Nolato's business model is based on close, long-term and innovative collaboration with our customers. The company aims to create added value for both customers and shareholders through leading polymer technology, wide-ranging capabilities and highly-efficient production.



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*) The figures in pages 43 – 79 have been audited.

Financial information 2015

♦ Three month interim report 2015:	29 April 2015
♦ Annual General Meeting:	29 April 2015
♦ Six month interim report 2015:	21 July 2015
♦ Nine month interim report 2015:	28 October 2015

All financial information is made available at www.nolato.com as soon as it is published.

The printed version of the Annual Report is posted to all shareholders who have informed the company that they wish to receive it. It can also be ordered online at www.nolato.com, where it is also available in digital form. New shareholders are invited to receive the Annual Report while they continue to hold shares in the company.

The Annual Report is also available in Swedish.

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2014 in brief

In 2014, Nolato's sales amounted to SEK 4,234 million (4,522). Operating profit (EBITA) was the best for the third year running in the company's almost 80-year history, amounting to SEK 470 million (427), which gave an EBITA margin of 11.1% (9.4). All business areas achieved a double-figure EBITA margin, contributing to the good result. Earnings per share were SEK 13.84 (11.94) and the equity/assets ratio was further strengthened to 54% (52).

First quarter

Group sales decreased by 25% adjusted for currency and disposals. Nolato Telecom's sales decreased by 50% after adjustment for currency as a result of the strong demand in the consumer market for a number of mobile phone models during 2013 not being repeated in the first quarter. The Group's operating margin (EBITA) increased to 10.1% (9.7) through market positions being moved forward and continued improvements in the areas of efficiency and productivity.

Second quarter

The Group's sales decreased by 16% adjusted for currency and disposals, while the operating margin (EBITA) was strengthened to 10.4% (9.5). The strong margin can be explained by a continued focus on improvements in efficiency, a favourable product mix and a flexible cost structure, particularly in Asia. All business areas contributed with stronger operating margins.

Third quarter

Sales for the third quarter decreased by 4% adjusted for currency and disposals, while operating profit (EBITA) increased by 9%. Nolato Telecom improved its operating margin to 9.6% (6.8) by improved capacity utilization, a renewed product portfolio and a very strong development in electromagnetic shielding (EMC).

Fourth quarter

The Group increased its sales in the fourth quarter - adjusted for currency and disposals, they increased by 19%. Nolato Telecom's sales increased by 45% adjusted for currency. Volumes were exceptionally high due to strong demand in both mobile phones and EMC. The Group's operating profit increased strongly and the EBITA margin reached 13.2% for the quarter.

Financial highlights

SEKm (unless otherwise specified)	2014	2013	2012
Net sales	4,234	4,522	3,874
Operating profit (EBITDA) ¹⁾	619	568	444
Operating profit (EBITA) ²⁾	470	427	303
EBITA margin, %	11.1	9.4	7.8
Profit after financial income and expense	462	403	272
Profit after tax	364	314	202
Earnings per share ³⁾ SEK	13.84	11.94	7.68
Adjusted earnings per share ^{3) 4)} SEK	14.29	12.39	8.13
Cash flow after investments, excluding acquisitions and disposals	127	362	317
Return on capital employed, %	28.4	26.7	19.4
Return on shareholders' equity, %	25.0	24.9	17.7
Equity/assets ratio, %	54	52	44
Net financial assets (+) / net financial liabilities (-)	59	122	-113
Dividend per share (2014 proposal), SEK	8.50	8.00	6.00
Average number of employees	8,020	9,357	8,421

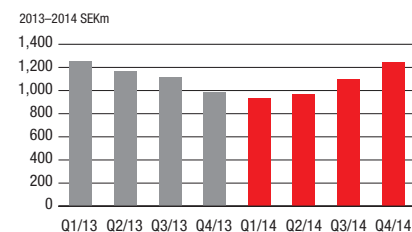
¹⁾ Operating profit (EBITDA): Earnings before interest, taxes, depreciation and amortisation.

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

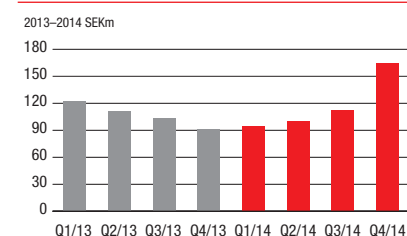
³⁾ Nolato does not have any financial instrument programmes which involve any dilution in the number of shares.

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

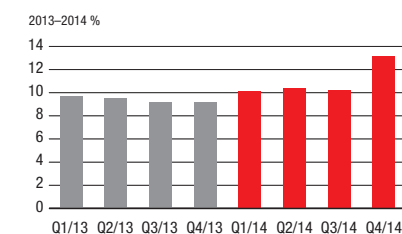
Sales per quarter



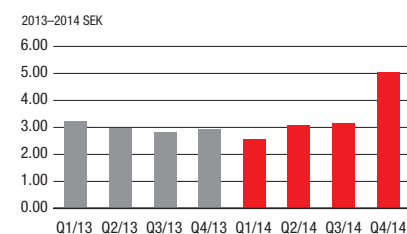
Operating profit (EBITA) per quarter



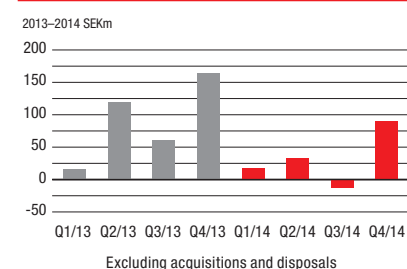
EBITA margin per quarter



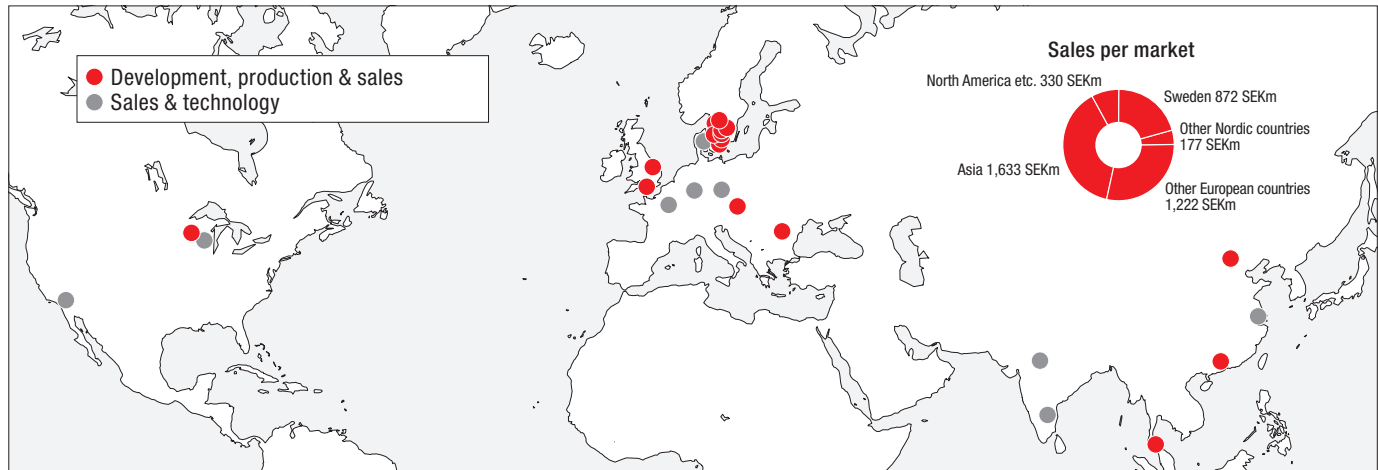
Earnings per share per quarter



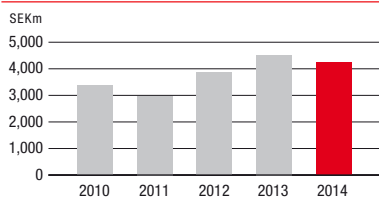
Cash flow after investments per quarter



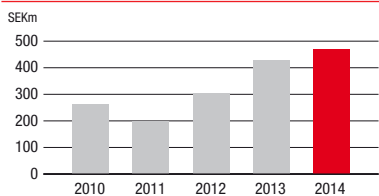
The Nolato Group in brief



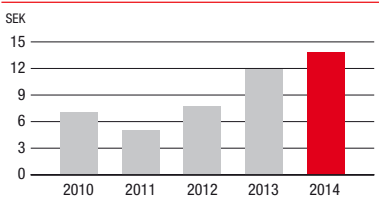
Sales



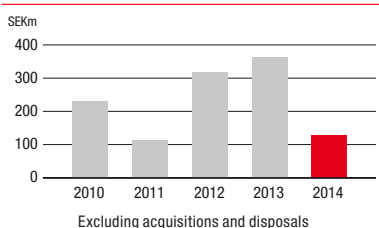
Operating profit (EBITA)



Earnings per share



Cash flow after investments



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 automotive 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 consideration of the environment. 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 2014 was 8,020. Of these, 90% were outside Sweden.

Our shares

Nolato was listed on the stock exchange in 1984. Its B shares are listed on the NASDAQ Stockholm Exchange in the 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.



Nolato Medical

Financial highlights:	2014	2013
Sales SEKm	1,333	1,274
Operating profit EBITA SEKm	176	165
EBITA margin %	13.2	13.0
Average number of employees	1,031	988

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, UK, Hungary, USA and China. Sales offices in Denmark, Germany, France and the Czech Republic.

Success factors:

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

Customers include:

Becton Dickinson, Boston Scientific, Coloplast, Novo Nordisk, Pfizer, Roche, Sanofi, Takeda.

Volatility:

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

Product life cycle:

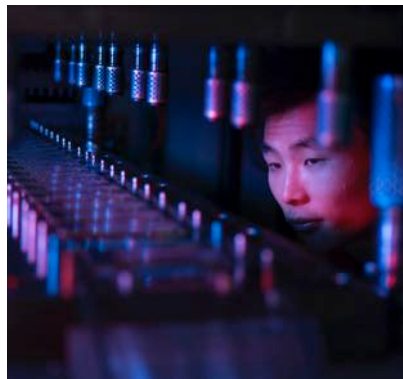
Long.



Share of the Group's net sales



Share of the Group's operating profit (EBITA)



Nolato Telecom

Financial highlights:	2014	2013
Sales SEKm	1,799	2,079
Operating profit EBITA SEKm	199	166
EBITA margin %	11.1	8.0
Average number of employees	6,297	7,611

Customer offering:

Design, development and manufacturing of advanced components and subsystems for mobile phones, and products and systems for shielding electronics (EMC).

Geographic information:

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

Success factors:

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

Customers include:

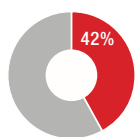
Ericsson, Huawei, Microsoft (Nokia), Motorola Solutions, Sony Mobile, Xioami, ZTE.

Volatility:

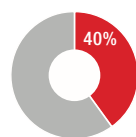
High. Project-based operations.

Product life cycle:

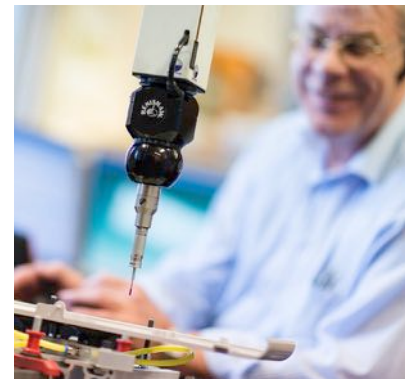
Short.



Share of the Group's net sales



Share of the Group's operating profit (EBITA)



Nolato Industrial

Financial highlights:	2014	2013
Sales SEKm	1,106	1,170
Operating profit EBITA SEKm	118	119
EBITA margin %	10.7	10.2
Average number of employees	687	753

Customer offering:

Development and manufacturing of components and product systems for customers in the automotive industry, hygiene, packaging, gardening/forestry, furniture 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:

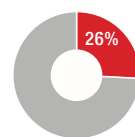
Atlas Copco, Brose, Husqvarna, Jaguar/Land Rover, MCT Brattberg, Sanitec, SKF, Volvo, Volvo Cars.

Volatility:

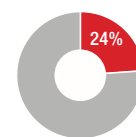
Medium. Follows the Northern European industrial business cycle.

Product life cycle:

Medium/Long.



Share of the Group's net sales



Share of the Group's operating profit (EBITA)

Our best year yet



2014 was the best year yet in Nolato's almost 80 year history with an operating profit of SEK 470 million. Good development across all three business areas is due to a successfully executed long term strategy, says Hans Porat, President and CEO, who gives his view of the past year and thoughts of Nolato's future.

“Our skilled employees constantly optimise customer offerings and operations and as a result we were able to improve profits despite lower sales”

► How would you sum up 2014 – what were the highlights during the year?

Being able to say for the third year in a row it was the best year yet is, of course, very satisfying. Among the highlights were the strong development of our operations in shielding of electronics (EMC), the expansion of our manufacturing facilities in Hungary and China, which has given us increased capacity, and the establishment of our factory in Malaysia. It is however not so much a question of single highlights, but a number of operations and continuous improvements at all levels in the Group that have achieved success. This applies in particular to our systematic work with lean manufacturing, which has produced positive results in the form of higher margins.

► What is your view of Nolato's financial development?

We have had good financial development for several years, and even though sales decreased compared with the exceptionally strong figures in 2013, it is clearly higher than previous years. Our skilled employees constantly optimise customer offerings and operations and as a result we were able to improve profits despite lower sales. Cash flow was lower as a result of higher investment and the need for working capital but, despite this, we have a very strong balance sheet which gives us flexibility in the future.

► Is there anything you are less satisfied with?

Operations are working well and we have achieved very good results across all business areas, but of course there is always room for improvement. This applies across the board, from marketing to better describing our total offering to customers. I would also have liked one more acquisition in the medical field. But we should not feel stressed in this matter – the most important thing is that we select the right company that will strengthen our position in the market.

► How has the market for your business areas developed during the year?

The market for Nolato Medical is stable, growing and has long product life cycles. Demand for our pharmaceutical packaging has decreased slightly in eastern Europe, particularly in Russia, Belarus and Ukraine. The Nolato Telecom market is undergoing

rapid change, both structurally and technically as our customers continuously sell new models of mobile phones on the consumer market. Some models achieve great success, while others are given lower priority. The Chinese telecom companies are moving their positions forward, both in terms of mobile phones and the supply of base stations for the networks. Subsequently the demand for network capacity is constantly increasing, which is particularly favourable for our EMC area. In Nolato Industrial, which focus primarily on northern European industrial customers, demand has remained stable at a relatively high level, particularly regarding the supply of components and subsystems to the automotive industry.

► Describe how your work towards increased efficiency with lean manufacturing has progressed in the past year.

We put a lot of energy and work into lean manufacturing. The whole of our business concept is to ensure cost-effective production for our customers. During the year we have continued to pursue this work with great success. We are working with a variety of issues, such as achieving good flows in factories, reducing the level of manning, shortening lead times and reducing the levels of scrapping. We constantly receive feedback from customers for our efforts on productivity. In 2014, for example, we were given the Supplier Excellence Award from Husqvarna, in tough competition with their other suppliers around the world. Work with lean manufacturing never ends – it is always possible to be better.

► Is there an unit in particular that you would like to highlight?

No, the work with lean manufacturing permeates all our operations and all the manufacturing units are doing a very good job. Of course, there are some units that have taken the concept of lean to a higher level. The business area Nolato Medical, for example, coined the term Medical Excellence, which means that operations are more than just lean. This is about how Nolato relates to the medical industry. It applies to everything, from putting patient safety in focus to meeting regulatory requirements. Our other two business areas work in a similar way, but each is adapted to its own customer segment, of course.

► **What are Nolato's main competitive advantages?**

Nolato has advanced technical skills with extensive experience and consequently we are often involved at an early stage of the customer's product development. With our broad capabilities in development, engineering and design, we help our customers to develop products that can then be produced in a cost-effective way. Part of this work is designing our own production cells, including the use of robots and other automation. Another competitive edge is advanced project management, including close, long-term customer relationships where we understand the challenges that our customers are facing in each of their markets.

► **What work has been carried out with corporate responsibility (CR) during the year?**

Combining an efficient and profitable business with ethics, responsibility and environmental consideration is key for us, and again it is something that permeates all of our operations. In this area, too, we are working with continuous improvements to achieve the overall strategic group objectives that we have adopted and which are presented below in the annual report. In 2014 we implemented a series of practical sustainability measures, both large and small. For example, we installed a state-of-the-art facility in our factory in Beijing to recover and burn solvents used in the paint shop for mobile telephone parts – which was taken up on Chinese television and other media. Another example is that we now have a total of six factories located in Sweden, Hungary, Romania and China that are certified in accordance with the occupational health and safety management system, OHSAS 18001. A third example is a social project, Building Hope Together, which we run with a primary school in Daxiwan, China.

► **What is Nolato's long-term strategy for growth?**

Our growth strategy remains the same, even though we did not manage to increase our sales during 2014. It means that we aim to achieve growth that exceeds general development within each of our market segments. At Nolato Medical, we will grow both organically and through acquisitions. Nolato Telecom is focused on technological develop-

ment, as well as increasing the share of EMC. By increasing EMC operations we can partially compensate for fluctuations on the mobile phone market. At Nolato Industrial, we will grow through conquering market shares and thus strengthening our leading position in the Northern European market. The focus on acquisition is mainly within Nolato Medical, but selective acquisitions are also possible in the EMC part of Nolato Telecom and at Nolato Industrial.

► **How do you assess market trends in 2015?**

I think that we are going to experience a slightly subdued economy, both in Europe and in Asia. There are more positive indications coming from USA, and they will probably once again have to act as a locomotive for the global economy. Despite the overall uncertainty of the global economy, there are good opportunities for continued growth and further advance Nolato's market positions.

► **What are Nolato's goals for 2015?**

Growth and good profitability! We will achieve this by continuing the recent years' determined work in close cooperation with customers, lean manufacturing and excellent technical skills. The strategic direction at Nolato Medical is toward a greater share of system projects, including the development of integrated products with significant complexity and production in high volumes. At Nolato Telecom we will continue to develop technologies that are attractive for our customers in the mobile phone segment, at the same time as striving to broaden operations into related customer areas. EMC operations will also be given the opportunity of making continued strong growth. Marketing work with selected key customers is being intensified at Nolato Industrial with the aim of gaining more market shares.

In addition, we intend to continue developing the strong corporate culture which, over the years, has made Nolato into a company with both heart and brains, and of course we will all continue to work hard to give our shareholders a good return on their investments.

“Nolato has advanced technical skills with extensive experience and consequently we are often involved at an early stage of the customer's product development”

“Despite the overall uncertainty of the global economy, there are good opportunities for continued growth and further advance Nolato's market positions”

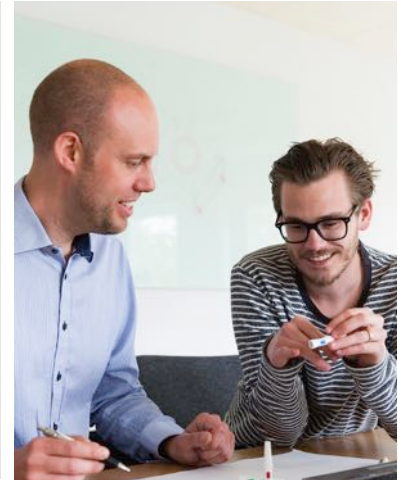
Torekov, March 2015

Hans Porat
President and CEO

Our business and business model



Nolato works with quality at all stages – this is an absolute must to be the customer's first choice of partner.



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 customers assemble in their own products 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.

Our revenue model

One type of business for Nolato is development work together with our customers. This gives us the opportunity to take advantage of our know-how and our skills to contribute

to our customers receiving the best possible competitive product. Revenues from the development phase are partly from the time that our engineers spend on development work, and partly from the design of tools for future production, for example. A development assignment does not necessarily mean that Nolato is given the job of manufacturing the product. But it does position us well to get the production job, and if we do, to perform it very efficiently. The combination of advanced development work and highly efficient production is an important part of the value that we bring to our customers.

Besides development assignments, most of our business is the production of a product which is manufactured by order from the customer. We deliver the product according to the customer's specifications and requirements. After delivery, Nolato invoices the customer. We do not produce for stock and operations are based on short production and throughput times. This means that Nolato has no significant risks for stock or obsolescence.

Our vision

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

By first choice we mean that the customer should consider Nolato as the natural choice for a partner and supplier. Being the customer's first choice means that the customer appreciates what we deliver – quality at all stages. We deliver what we claim, the products reach the market in time and the customer

can rely on us. We work in the long-term and have an honest relationship with our customers. We always make an extra effort and we constantly ask ourselves how we can become better.

Our resources – the way forward to our vision

The most important means of achieving our vision are:

◆ *Ethical & sustainable*

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

◆ *Long-term customer relationships*

We endeavour to develop long-term and close relationships with our customers. The better we understand their processes and needs, the greater the value we can create for them.

◆ *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. We therefore have a broad customer offering within the development and production of polymer-based products. Our customer offering comprises everything from concept development, product design and



process optimisation to high-volume production, post-processing, assembly and logistics.

◆ *Highly skilled*

Our customers constantly challenge us with new requests and tougher requirements. We therefore enhance our offering by continually raising the skill levels of our employees and investing in cutting-edge technologies. We also work internally across our companies and business areas to create a broad customer offering.

◆ *High productivity*

We concentrate on activities that create value for our customers and their long-term priorities. High productivity and a continual focus on costs are consequently vital aspects of our day-to-day operations. Continuous 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.

◆ *Local yet global presence*

Proximity to our customers is always key, for both us and them – not only in terms of logistics, but also to create efficient management lines and enable quick decisions.

◆ *Stable finances*

A strong financial position provides us with a stable basis and means our customers can feel secure in their choice of Nolato as supplier, even in challenging economic conditions.

Our business mission

Our business mission is the basis of our operations, and describes how we can solve our customers' needs.

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

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

Being a **high-tech developer** is key for Nolato. The customer comes to us with an idea, and maybe a first sketch. It often concerns advanced products that the customer is going to launch on their markets. We are involved at this early development stage and contribute to a functional and cost-effective product that is ready to be produced.

Polymeric products and systems are the basis of our business. In-depth knowledge of materials such as plastics, silicone and TPE has been around since the company was founded in 1938. Sound knowledge of materials and processes makes us unique in the market.

Experience, skills, early involvement in customer projects, advanced project management and a good knowledge of customers and their markets –

all of these factors brings together the three business areas within Nolato and give the customer delivery security. Our success is based on deep and long-term customer relationships. We challenge the customer and strive to constantly make our work a little better. Nolato also runs its operations professionally and responsibly, which we see as self-evident in a world with environmental problems and increasingly scarce resources.

Constantly pushing the limits forward

Nolato constantly strives to improve operations through close and long-term relationship with our customers – from the development of our customers' products and quality at every stage to sustainability and cost-effective production, all with the least possible environmental impact.



Our Basic Principles

The Basic Principles are Nolato's shared values. They have evolved over a long time and describe what we stand for. They are an important guide for our employees in their daily work.

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

We are responsible

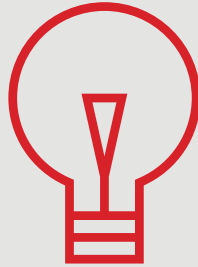
- We take responsibility for all our operations
- We work actively towards sustainable development
- We act with integrity and transparency

From concept to fully developed product



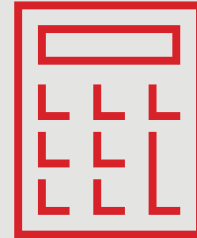
Concept Development

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



Customer-oriented solutions

We create technical solutions that give the product unique haptic and cosmetic properties, make it waterproof, reduce its weight and/or minimise its environmental impact, to give a few examples.



Design

We optimise design and construction in order to create the most efficient production solution in terms of function, quality and economy.

Our manufacturing 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 for manufacturing containers and bottles in plastic.

We use it to produce pharmaceutical packaging.



Dip moulding

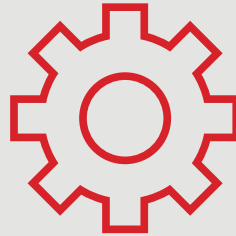
Technology for manufacturing flexible, airtight products in latex rubber.

We use it to manufacture items such as catheter balloons and breathing bags.



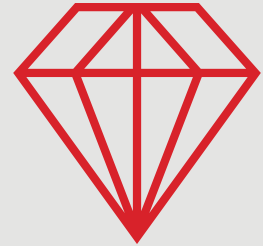
Prototypes (3D)

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



Production tools

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



Quality assurance

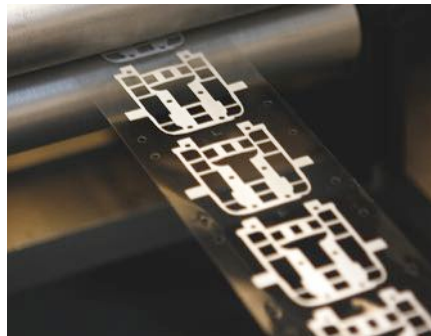
We ensure continuously high quality through automatic vision systems, professional operators and efficient systems for continuous improvement.



Extrusion

This is a method of manufacturing tubing and other continuous casting products.

We use it to produce tubing for products such as heart catheters and EMC shielding gaskets.



Die-cutting

Technology for manufacturing flat products in one or more materials.

We use die-cutting for packaging, gaskets and cosmetic details such as loudspeaker protection, logotypes etc.



Finishing and assembly

We give components the desired finish through painting, printing or metallising, and assemble them to create a complete product or a subsystem.

This may take place on a fully automated, semi-automated or fully manual basis.

Nolato's history

1938

Nordiska Latexfabriken is founded 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 OTC list.

1994

Sales rise to more than SEK 650 million through organic growth and acquisitions of companies across Sweden: 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 in Hungary starts through an acquisition.

2001

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

2005

Nolato Medical starts production in Hungary.

2006

Medical Rubber is acquired.

2007

The Cerbo Group is acquired.

2008

Nolato Medical starts production in China.

2010

Nolato Medical starts production in USA through an acquisition.

2011

Nolato Industrial starts production in Romania.

2012

Nolato Medical starts production in UK through an acquisition.

2013

Nolato Sunne is sold.

2014

Nolato expands in China and Hungary. Nolato Telecom establishes its own production of EMC in Malaysia.

► A more detailed history is shown at www.nolato.com

Our growth strategy

Growth strategy

Nolato's operations consist of our three business areas that benefit from each other and provide a natural balance for the Group regarding opportunities, risks and business cycle fluctuations. The Group's goal is to grow and maintain good profitability.

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 us new technologies or new customer segments.

Nolato Medical has a global growth strategy with the ambition of growing in America, Europe and Asia. The business area sees growth opportunities in a market with increasing needs for medical care, in which customers outsource more and more production to their suppliers.

Nolato Telecom has its focus on the Asian market, where many of the major telecom-companies are established. The business area endeavours to push technological development forward in order to create added value for customers. In Mobile Phones, the company sees growth opportunities primarily within its existing production capacity, which reduces the financial risks. Within EMC – electromagnetic compatibility – Nolato has grown from being a small player to one of the market leaders in the telecom sector. Potential acquisitions are mainly in the EMC field, with a view to supporting clients in other industries such as medical technology and automotive.

Nolato Industrial is primarily a Nordic business but it has a presence in selected markets in Central Europe. Growth will be mainly in existing markets, with the possibility of additional acquisitions.

Growth targets

Nolato strives to achieve growth that exceeds the general level in each market segment.

Nolato Medical's sales in 2014 were unchanged compared to 2013 (adjusted for currency). According to estimates, long-term

growth within Nolato Medical's market segment is about 5%.

Nolato Telecom's sales decreased by 18% (adjusted for currency). According to IDC, the number of smartphones produced in the world increased by 28% in 2014.

Nolato Industrial's sales rose by 3% (adjusted for currency and disposals), which surpasses overall industrial production in Sweden by a wide margin; according to Statistics Sweden it decreased by 2%.

Acquisitions

Acquisitions have played a key role in Nolato's development. Until 1996 most acquisitions were made within the business area that is now 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 ten 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 about half of Nolato Medical's growth. 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 us an opportunity to expand either geographically or in terms of capabilities. It is important that acquisitions are not turnaround companies, but financially and operationally healthy businesses.

Acquiring good companies is not an overnight process. 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 should decide to sell.

Acquisitions 2006 – 2014

2006

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.



Nolato Medical's unit in Hörby has its background in the acquisition of Medical Rubber in 2006.

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, USA 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, re-named Nolato Jaycare, provides the Group with new markets, new products and new production technology within pharmaceutical packaging.

Potential risks in the Group's operations

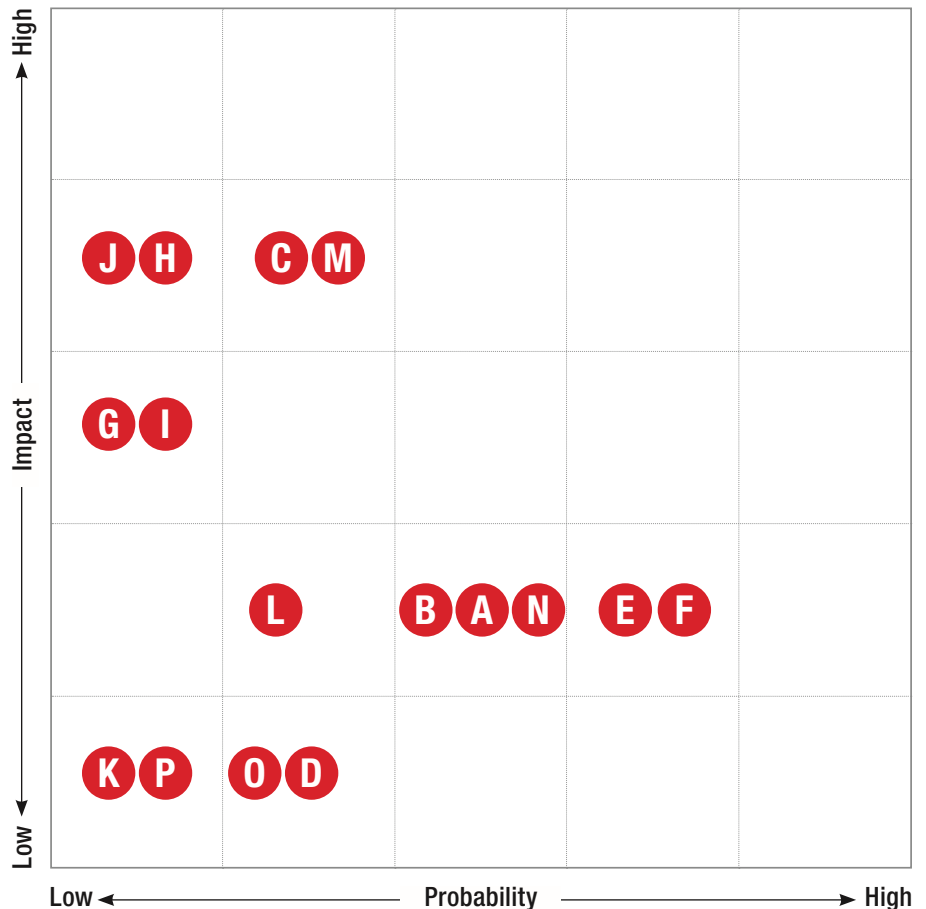
An important aspect of Nolato's strategic planning is identifying potential risks in the organisation, assessing their likelihood and consequences and minimising the negative impact that such risks could have on the Group. Financial risks are managed in accordance with a financial policy established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

The chart below shows our assessment of the probability of a risk occurring and, – if it did, what impact it 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.

The objectives 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.



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

In April 2014, Nolato's Board adopted new financial targets for the Group and revised its dividend policy. The new targets ensure that the Group is controlled with respect to good earnings, the ability to generate cash flow and a healthy financial risk level. The change should be seen in the light of the current balanced group structure with three business areas and advanced market positions. The new financial targets better reflect this strategic direction, while providing a financial margin for new acquisitions and/or good potential for dividends to shareholders.

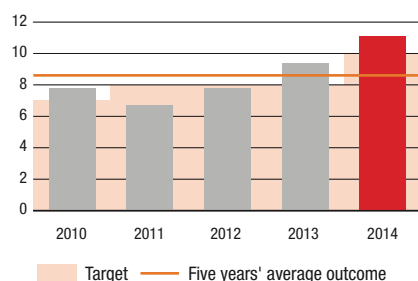
Dividend policy

The Board intends to propose a dividend each year that exceeds 50% of net profit, taking into consideration Nolato's long-term prospects, financial position and investment needs. (An increase compared to the previous policy of at least 35%).

EBITA margin

Target >10%

Outcome 11.1%



The goal is for the EBITA margin to exceed 10% over one business cycle.

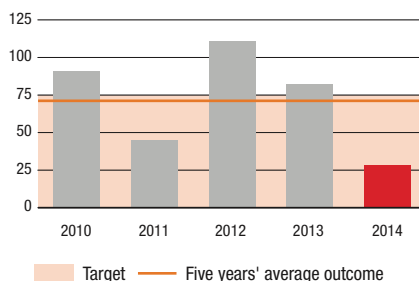
The outcome for 2014 was 11.1% (9.4). Nolato Telecom business area had an extraordinary margin development with its high volumes in the fourth quarter, along with steady, positive development in the EMC field. Nolato Medical and Nolato Industrial contributed to the improvement of the EBITA margin through continuous improvements in efficiency and productivity, among other factors.

Over the past five years, the EBITA margin has averaged 8.7%.

Cash conversion

Target >75%

Outcome 28%



The objective is to achieve cash conversion over 75% of EBIT earnings during one business cycle, measured as the ratio of cash flow after investments and the EBIT earnings. Cash flow after investments is charged financial costs, tax, and investments, but not acquisitions or disposals. Cash conversion is a new target which states the opportunities of self-financing acquisitions and/or dividends to shareholders using internally generated funds.

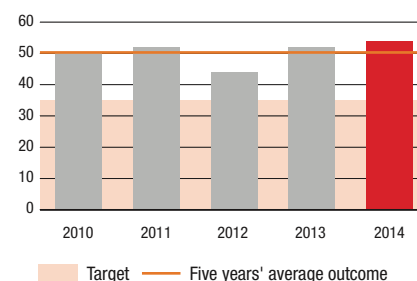
The outcome for 2014 was 28% (82). Cash conversion was negatively impacted by working capital requirements during the year and temporarily higher investments. Increased activity, which is positive, resulted in a need for working capital. Investments in the expansion of the factories in Hungary, China and Malaysia and machine capacity for new customer projects provide opportunities for future growth.

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

Equity/assets ratio

Target >35%

Outcome 54%



The goal is for the equity/assets ratio to exceed 35% over one business cycle. This target was left unchanged in the revision of the financial targets in April 2014.

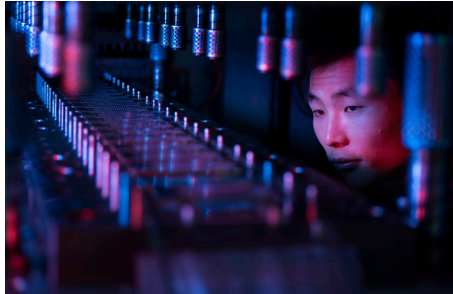
The outcome at the end of 2014 was 54% (52). The continued strong financial development during the year with high profit increased equity. At the same time, growth of total assets has been relatively limited.

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

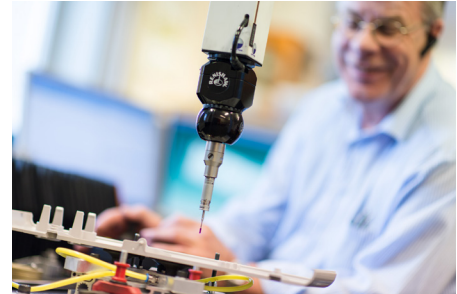
Three business areas that balance our operations



Nolato Medical



Nolato Telecom



Nolato Industrial

Nolato's three business areas base their operations on shared values and common technologies, while they have their own conditions and characteristics.

Nolato's business is created in three customer-oriented business areas: Nolato Medical, Nolato Telecom and Nolato Industrial. Although all three business areas are built on common values and technologies, they create their own, optimal conditions for success in each of their markets.

The division into business areas also creates good conditions for a profound decentralisation of our operations. This is a good foundation for engagement and motivation among our employees, and it becomes possible to make operational decisions close to customers.

Our three business areas often collaborate among one another to create additional customer value. So, for example, both Nolato Medical and Nolato Industrial offer their customers integration of electron-

ics and advanced solutions, based on the expertise acquired by Nolato Telecom through its long-standing relation with mobile phone customers.

And when Nolato Industrial sees a need for production in China, this can be implemented at low risk by establishing a manufacturing unit within the framework of our existing operations in Beijing. Nolato Medical started production in China a few years ago in a similar way without major investments.

We attach great importance to those factors that hold the Group together and creates the whole which is greater than the parts: Corporate responsibility, broad technical expertise, knowledge of materials and similar production techniques.

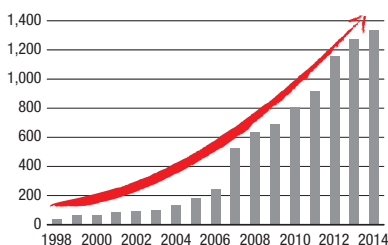
Diversity creates a good balance

Since the business areas are affected differently by business cycle fluctuations, external events and market patterns, good balance and stability is created in the Group.

While Nolato Medical operates in a market with long product life-cycles and low dependence on business cycles, Nolato Telecom is the opposite, with short product life-cycles and high project volatility. Nolato Industrial lies in between these two.

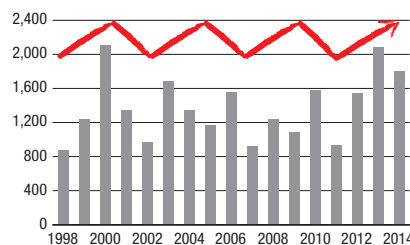
The diagrams below clearly show the essential features in the development of each business area's sales.

Nolato Medical 1998 – 2014
From local to global



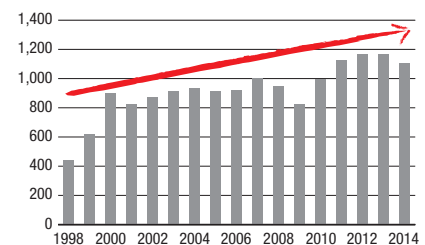
Growth related

Nolato Telecom 1998 – 2014
Adaptation and flexibility



Project related

Nolato Industrial 1998 – 2014
Innovative technology and productivity



Business cycle related

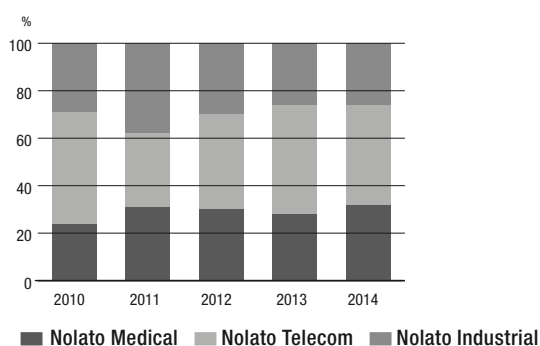
Equal but yet different

	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 technologies Advanced 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 Project	Industrial production Cost-effectiveness Innovation

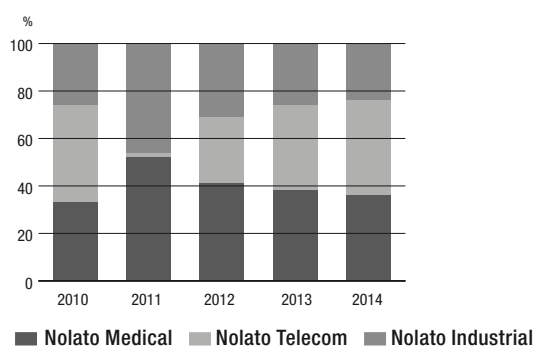
Strategic direction of business areas

Nolato Medical – Growth market – Structural changes – Further internationalisation	→	♦ Organic growth ♦ Partnerships – Increased share of system 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 ♦ Investment in EMC
Nolato Industrial – Tracks the industrial business cycle – Fragmented market – Polymer materials gaining ground	→	♦ Market share ♦ Productivity ♦ Cash flow ♦ Selective geographic expansion

The business areas' share of net sales



The business areas' share of operating profit (EBITA)



Nolato Medical

Strengthened market position as global player



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

Financial highlights:	2014	2013
Sales SEKm	1,333	1,274
Operating profit EBITA SEKm	176	165
EBITA margin %	13.2	13.0
Average number of employees	1,031	988

Market characteristics:

Large, global companies in medical technology and pharmaceuticals. Long-term development work, high regulatory requirements, high demands on quality, safety and traceability.

Market trends:

Reduced lead times and increased outsourcing of development and production. Reduction of the number of suppliers. Increased globalisation of the projects.

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, UK, Hungary, USA and China. Sales offices in Denmark, Germany, France and the Czech Republic.



Success factors:

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

Customers include:

Becton Dickinson, Boston Scientific, Coloplast, Novo Nordisk, Pfizer, Roche, Sanofi, Takeda.

Competitors include:

Gerresheimer, Bepak/Consort, Carclo, Philips-Medisize, West Pharmaceuticals, Nemera.

Volatility:

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

Product life cycle:

Long.



Nolato Medical is one of the world's leading companies in injection moulding of liquid silicone.

Nolato Medical is a rapidly growing supplier of system solutions to customers in medical technology and pharmaceuticals. In 2014, Nolato Medical strengthened its position on the market by an advanced offering and deepened customer relationships.

Operational focus

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

- ▶ **Medical Devices:** Development and manufacturing of complex product systems and components, based on advanced polymer technology and automation.
- ▶ **Pharma Packaging:** Development and manufacture of advanced packaging solutions for pharmaceutical products and dietary supplements.

Development 2014

Sales increased by 5% to SEK 1,333 (1,274). Adjusted for currency, sales were unchanged. Volumes have been lower in packaging, which has been affected by lower demand in eastern Europe. Other segments have been positive. Operating profit (EBITA) increased to SEK 176 million (165) and EBITA margin increased to 13.2% (13.0).

The margin was positively affected by the productivity raising measures which have been implemented in Nolato Medical's manufacturing units (Medical Excellence). A further positive effect of the Medical Excellence programme is that Nolato now has even more satisfied customers.

Events during the year

Nolato Medical strengthened its offering within development support during the year, bringing us closer to the large medical technology companies and pharmaceutical companies. Nolato Medical has added the offering of robust design and created more stable development processes with clear milestone targets.

The expansion of the production unit in Beijing was completed during the year, totalling 2,200 sq.m. The expansion was made to secure resources for growth in China and for future growth in Asia. The 3,700 square metre expansion of the production unit in Mosonmagyaróvár, Hungary, was also completed.

Nolato Medical's market

The market for medical technology products is estimated to have a value of SEK 100 billion and a long-term global growth of about 5%.

There are several driving forces behind the development of the medical technology market. The world population growth and rising life expectancy lead to an increased need for medical care. With increasing age there are more diseases that require treatment.

Another factor is the emerging market development, which brings the possibility of providing care for a larger portion of the population. There is also a trend toward increasing self-care in the home to reduce society's total healthcare costs. Hospitals will increasingly take on the role of diagnostic centres at the same time as self-care generates an increased need for medical equipment.

The increasingly limited government healthcare budgets will squeeze costs in the industry. Nolato Medical's customers will need to adapt their product portfolios, make changes in their purchasing chains and consolidate their supplier bases.

For Nolato Medical the market is characterised by three important trends of change:

- ▶ Pharmaceutical and medical technology companies will increasingly focus on their core competencies, leading to more outsourcing of development and production.
- ▶ A focus on those suppliers who can offer complete service, from product development to global supplies, which will lead to a reduction in the number of suppliers.
- ▶ Shortened lead times in the development phase, which is a prerequisite for managing the changeover to new, cost-effective products.

These changes will put increased pressure on small suppliers, with smaller offerings and limited geographic presence. At the same time, larger and more globally oriented suppliers will have the opportunity of advancing their positions. The medical technology market is also beginning to take on the platform approach, which is dominant in the automotive industry.

Suppliers receive more and more orders for complete medical technology systems and, in turn, use additional subcontractors for parts of their production.

These market changes demonstrate that Nolato Medical chose the right strategy,

Customer case



Nolato supplies unique plastic components for disposable surgical device.

EndoGastric Solutions treat gastroesophageal reflux disease (GERD) in a new and innovative way using a disposable surgical device. During the entire development phase, Nolato Contour supported the company with technical solutions and production optimisation for the plastic components included in the device. Today Nolato Contour delivers 27 unique plastic components for the final assembly of EndoGastric Solution's product.

Examples of products:



Medical technology products

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) and analysis (allergy tests, pregnancy tests).



Pharmaceutical packaging

Standard or custom primary plastic packaging, which meets the requirements from the pharmaceutical and dietary supplement industries.

Strategic objectives

- ▶ Organic growth
- ▶ Partnerships
 - Increased share of system projects
- ▶ Global expansion and acquisitions

Units in the business area

Medical Devices:

Nolato Beijing Medical

Beijing, China
MD Jörgen Karlsson

Nolato Contour

Baldwin, Wisconsin, USA
MD Russell Steele

Nolato Hungary

Mosonmagyaróvár, Hungary
MD Johan Arvidsson

Nolato MediTech

Hörby and Lomma, Sweden
MD Johan Iveberg

Nolato MediTor

Torekov, Sweden
MD Michael Holmström

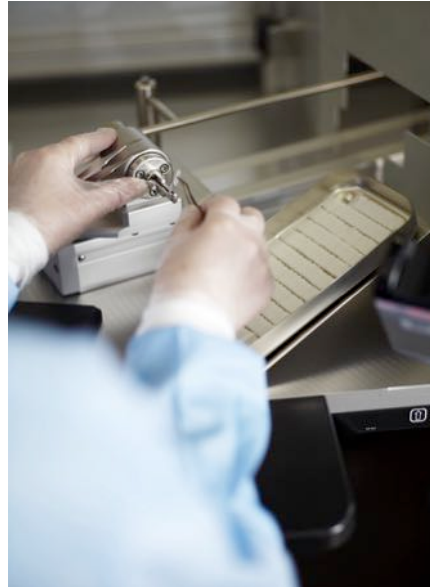
Pharma Packaging:

Nolato Cerbo

Trollhättan, Sweden
MD Glenn Svedberg

Nolato Jaycare

Portsmouth & Newcastle, UK
MD Glenn Svedberg



Good understanding of complex medical technological applications, comprehensive quality and documentation requirements and risk analyses are crucial factors for success in the market.

to focus on growth and increased geographical presence.

Nolato Medical's market position

Over the past seven to eight years, the business unit Medical Devices pursued a deliberate strategy to change from a local component manufacturer to a complete supplier with global resources who can support our customers from concept development to delivery of finished product.

Nolato Medical can offer customers a broad technology base, advanced support in the development process and nine production units in Europe, Asia and North America.

In 2014 Nolato Medical consolidated its already strong market position through a broader offering and stronger customer relationships. The business area also reinforced its key account management organisation and its technical team with new employees and offers. Nolato Medical moved forward its positions in the systems project area by starting up new development projects with some of the world's largest medical technology companies and pharmaceutical companies.

Nolato holds a leading position in Pharma Packaging in Scandinavia and the UK, as well as having significant export outside these regions. Nolato Medical is one of the few suppliers that focus exclusively on packaging

systems for the pharmaceutical and dietary supplement market. This focus gives a better offering to customers through a deeper understanding of the regulatory process and the quality demands in these markets, not just for a single component but for the package in its entirety.

As a result of many years of close cooperation with demanding customers in these segments in Pharma Packaging, Nolato Medical has also developed specialised expertise regarding customers' use of Nolato products. This includes everything from the selection of raw materials and robust manufacturing processes to testing and evaluation of a product's performance, and not least their use in customers' filling lines and handling by patients.

Consolidation in the industry continued in 2014. Several of Nolato Medical's competitors had new owners. Philips Medisize was purchased and Rexam sold its Pharmaceutical Devices and Prescription Retail Packaging divisions, both to private equity companies. Another example of industry consolidation was Consort Medical's acquisition of Aesica Pharmaceuticals, a contract manufacturer in the UK market.

Consolidation is driven by customer demand for larger global suppliers. Medical technology companies need to secure their global quality control, so they tend to

focus their purchases on global suppliers. For this reason they work more closely with a smaller number of strategic suppliers who can provide global support, from development to production.

Nolato Medical's strategic direction

Nolato Medical's strategy is to be the best partner for medical technology companies and pharmaceutical companies with regard to polymer materials. Nolato Medical must be especially competent in product development and production, and at providing global support to customers. This means that Nolato Medical must be able to offer its customers production in the major international markets, such as Europe, America and Asia. It also means that the business area needs to further strengthen its presence in the USA and Asia in the coming years.

Nolato Medical's special features

Just like the rest of the Group, operations at Nolato Medical have their basis in: Corporate responsibility, broad technical expertise, knowledge of materials and common production techniques. The difference is mainly Nolato Medical's deep insight into the specific conditions which govern customers' needs in the medical sector. A thorough understanding of complex medical technology applications, comprehensive quality and documentation requirements and risk analyses are critical factors for success in the market.

Production takes place mainly in clean-rooms, with very high standards regarding quality, safety and traceability.

Nolato Medical's continued development

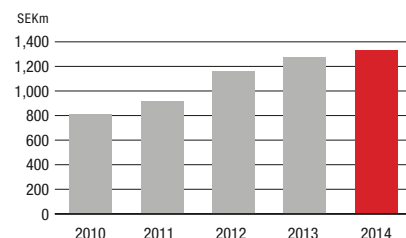
The focus for 2015 will be to continue systematic customer work using Key Account Management in order to expand business with existing key customers and win large new customers.

Nolato Medical will prioritise growth over further improvements in margins. This increased growth will be achieved by offering our customers additional support for product development and by acquisitions.

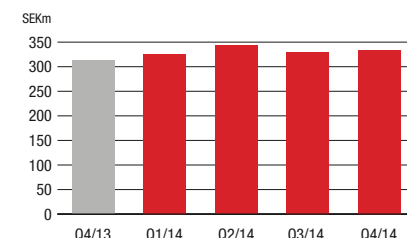
Nolato Medical expects the market for its products to continue growing, with a volume increase of 4–6% per year.

Nolato Medical: five-year review

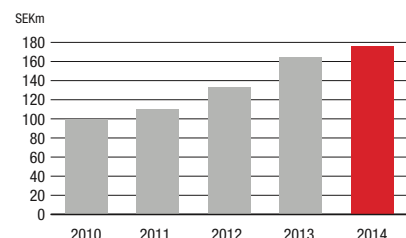
Net sales, full year



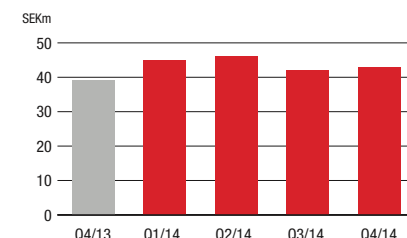
Net sales, quarter



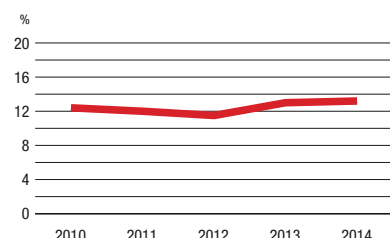
Operating profit (EBITA), full year



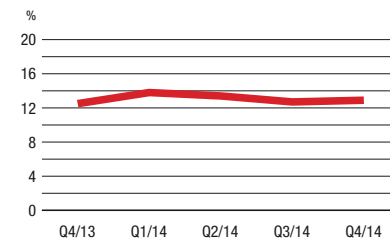
Operating profit (EBITA), quarter



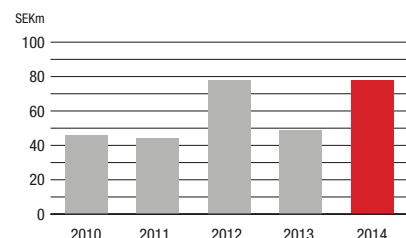
EBITA margin, full year



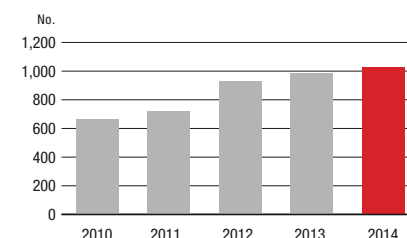
EBITA margin, quarter



Investments

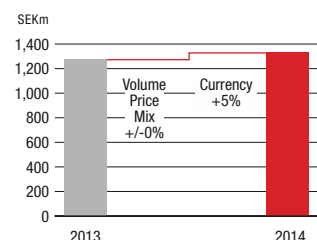


Average number of employees

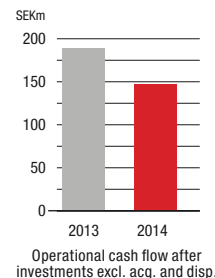


Affecting cash flow, excluding acquisitions and disposals

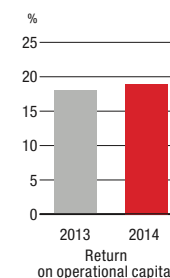
Change in sales



Cash flow



Return



Nolato Telecom

Strong development for EMC



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

Financial highlights:

	2014	2013
Sales SEKm	1,799	2,079
Operating profit EBITA SEKm	199	166
EBITA margin %	11.1	8.0
Average number of employees	6,297	7,611

Market characteristics:

Few large, global companies. Customers place high demands on technological levels, extremely short lead times and fast production start-ups.

Market trends:

Constant new demands for cost-effective solutions. Continued large emphasis on cosmetic effects and unique design innovations, as well as special features such as waterproofing. The physical size of mobile phones is increasing. Increased need for shielding of electronics (EMC).

Customer offering:

Design, development and manufacture of advanced components and subsystems for mobile phones, as well as products and systems for shielding of electronics (EMC).

Geographic information:

Development, production and sales in Sweden, China and Malaysia. Sales and technical offices in the United States and India.



Success factors:

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

Customers include:

Ericsson, Huawei, Microsoft (Nokia), Motorola Solutions, Sony Mobile, Xioami, ZTE.

Competitors include:

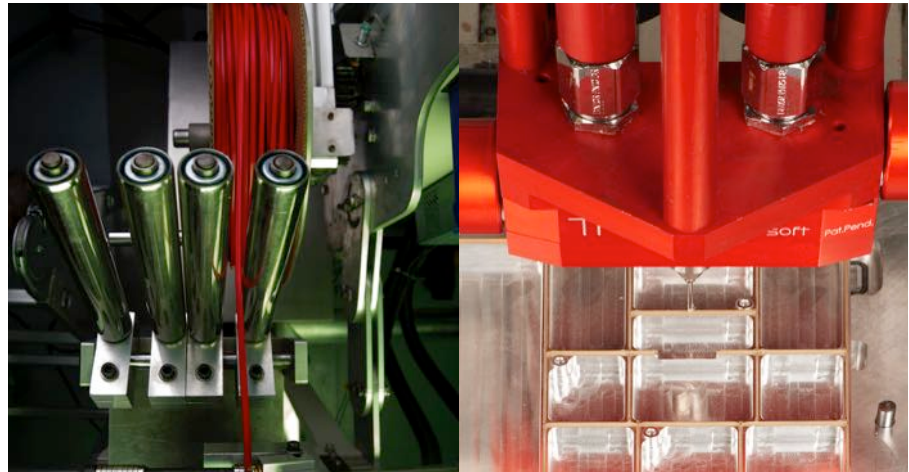
Chiyoda, Chomerics, Jabil Green Point, Laird, Lite-On Mobile, Worldmark.

Volatility:

High. Project-based operations.

Product life cycle:

Short.



Nolato Telecom's operations in shielding of electronics (EMC) have continued to develop very well.

Nolato Telecom is a supplier of technically advanced solutions and products in the telecom sector. In 2014, EMC operations showed continued positive development through an increased demand for products for shielding electronics.

Operational focus

Nolato Telecom operations are divided into two business units:

- ▶ **Mobile phones:** Development and manufacture of mechanical subsystems and components for mobile phones and tablets. The products have high cosmetic and haptic content, often with requirements on specific functions such as waterproofing or heat dissipation.
- ▶ **EMC:** Development of process and material solutions for shielding electronics in order to achieve electromagnetic compatibility, i.e. electromagnetic radiation from electronic components not interfering with other devices.

Development 2014

Sales in the business area were SEK 1,799 million (2,079). Adjusted for currency, sales decreased by 18%. Sales increased sequentially during the year and volumes in the fourth quarter were extraordinarily high. The positive development in the second half of the year is explained by the fact that many

of the customers' phone models were successful in the consumer market. Operations in the EMC area continued to develop very positively in 2014. Development of new components and the expansion of 3G/4G networks in China contributed to the increase in sales for EMC. Operating profit (EBITA) increased to SEK 199 million (166). The EBITA margin was 11.1% (8.0). High efficiency and long production runs through very high volumes, together with a positive development for EMC operations, resulted in an exceptionally high margin during the fourth quarter.

Events during the year

Nolato Telecom launched a production unit for EMC in Malaysia. The factory produces components for shielding of electronics in walkie-talkies and mobile base stations, among other applications.

A new product area, Compatherm, was launched, which is a thermally conductive material used in the base-station area. This is an important complement to the company's current offerings within the EMC area.

An increase in production capacity for ceramics was started in Beijing. More and more items are being made in ceramic materials, which are both durable and decorative. They are used around camera lenses on mobile phones, on headphones and on other electronic products.

A major investment was made in China for new purification equipment to further increase the efficiency of separating solvents. Technically speaking, it is an incineration plant that concentrates the exhaust air from the painting lines, then burns the solvents with a purification rate of over 95 %.

Nolato Telecom's market

The mobile phone industry is experiencing a turbulent period. There are changes taking place among the major players; Microsoft (Nokia) has radically reduced its sales, Samsung is also feeling the squeeze from an increasingly competitive market, while Motorola, now owned by Lenovo, appears to be returning to the market. Several Chinese manufacturers are rapidly gaining ground, mainly on the domestic market – which represents 25 % of the world market.

Over the last few years there has been a strong consolidation of suppliers to the mobile phone industry, and the major suppliers have become even larger by acquiring smaller competitors. The ten largest EMS companies (Electronics Manufacturing Services), i.e. companies that manage the whole production of a mobile phone, now handle a significant part of the total volumes in the mobile phone sector.

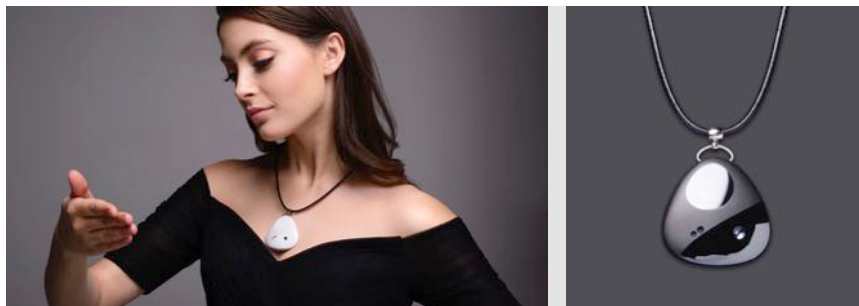
Within Mobile Phones, Nolato Telecom operates in the upper segment. The traditional, established mobile phone companies are holding their positions in this segment, but they are being challenged by the expansion of local Chinese companies.

A driving force with direct effects

The Nolato Telecom market is affected by how mobile phones are designed. The more equivalent mobile phones become in terms of function and performance, the more important it is to find unique features. Other drivers are the use of different types of materials such as ceramics – exclusive and durable – which are now being introduced. New properties for these products, such as waterproofing and increased temperatures, are important driving forces for Nolato Telecom's market.

EMC is having an effect on a steadily growing market with the development of the 4G network, not least in China. Within the EMC area, Nolato provides the telecom

Customer case



Smart jewellery in natural materials

At the CES consumer electronics fair in Las Vegas in January 2015, the ceramic pendant called Miragii caused quite a stir among visitors. Miragii is a high-tech "wearable", filled with advanced electronics and features for those who want to leave their mobile phone in their bag. The pendant vibrates when the phone rings, and if you want to know who it is quickly, you can have the information projected on your hand.

The smart jewellery was presented by HTSmartech in close cooperation with Nolato. It is manufactured in zirconium dioxide, a ceramic which is extremely durable, withstands most chemicals and has a natural beauty with an exceptionally smooth surface. The material is also bio-compatible, which means that the wearer does not risk an allergic reaction.

The use of zirconium dioxide has previously been limited due to a very complex process. Together with researchers, Nolato has developed a method that enables mass production of items with high demands on appearance and surface quality.

Examples of products:



Components and subsystems for mobile phones

Injection moulded, painted and decorated components for mobile phones, in some cases integrated in the form of mechanical modules and in some cases waterproof. Creative material design and finish with high cosmetic and haptic content.

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



EMC

Process and material solutions for shielding electronics to achieve electromagnetic compatibility (EMC).

Strategic objectives

- ▶ Organic growth
- ▶ Broadened customer offering
- ▶ Technology and project management
 - Own niche technologies
 - Project Management and start-ups
- ▶ Develop the shielding business (EMC)
 - New Markets
 - Acquisitions

Units in the business area

Mobile phones:

Nolato Beijing

Beijing, China
MD Jörgen Karlsson

Lövepac Converting

Beijing, China
Shenzhen, China
MD Dan Wong

EMC:

Nolato Silikonteknik

Hallsberg, Sweden
Beijing, China
Penang, Malaysia
Chennai, India
MD Anders Ericsson



Extremely fast tool manufacturing and unique technical solutions are important competitive levers for Nolato Telecom.

market with process and material solutions for shielding electronics to comply with electromagnetic compatibility.

Within EMC the overall driving force is consumers' changing use of mobile phones, especially for sending data, and the use of streaming/social media, which require significantly more capacity from the networks than normal speech. As the power used by networks increases, so does electromagnetic interference - which increases the need for EMC's process and material solutions for shielding. Another driver is the problem of heat generation by electronic devices. The use of higher power in ever smaller base stations generates more heat. This leads to Nolato Telecom's newly established area Thermal Management becoming increasingly important. New applications for shielding in the automotive and medical technology areas also drive the market.

Nolato Telecom's market position

Within Mobile Phones, Nolato Telecom is a niche player compared with the large EMS companies (Electronics Manufacturing Services), with high internal skills in design, development and production. The total mobile phone market is estimated at nearly 2 billion units for 2014. Nolato Telecom's market is in the upper segment and is project-related, meaning that Nolato Telecom's volumes and earnings are not so dependent on the total market development, but more on how well individual mobile phone suppliers succeed with their different models on the market. Nolato Telecom's market share is estimated to a few per cent.

Customers mainly consist of selected OEM companies (Original Equipment Manufacturer), which develop and produce their own endproducts, unlike mobile phone

companies that use large contract manufacturers to produce the whole mobile phone.

Nolato Telecom supplies mechanical components in plastic and metal to OEM companies or their subcontractors. The different components consist of external, visible parts with very high cosmetic and haptic requirements, and parts used inside the mobile phone. During the past year, Nolato Telecom extended its offering to include ceramic and thermal components.

Within EMC, Nolato Telecom has a strong position as a supplier of shielding solutions for base stations in mobile phone networks. Nolato Telecom judges that the market has good growth and increases other applications in the automotive industry and health care. For example, electric cars need shielding when they are being charged. In the health care system, there is an increasing number of devices that require shielding. Nolato Telecom has started to expand its activities into these related sectors.

Our largest competitors in the international market in mobile phones include Chiyoda, Jabil Green Point, Lite-On Mobile and Worldmark. Within EMC, our largest competitors include Chomerics and Laird.

Nolato Telecom's strategic direction

Nolato Telecom's strategy is to be a supplier of technically advanced products and a partner, mainly to the upper segment in the telecom industry.

Within EMC, Nolato Telecom's strategy is to be a supplier to customers mainly in the segments for base stations, automotive and health care equipment. Sales of EMC material also take place via Nolato licensed partners. Apart from the development of various electrically conductive material

solutions and components for shielding of electronics, development work is focused on TIM products (Thermal Interface Materials). The task of TIM products is to dissipate heat from components on a circuit board.

Nolato Telecom's special features

Operations in Nolato Telecom, like the rest of the Group, are based on: Corporate responsibility, broad technical expertise, knowledge of materials and similar production techniques. The difference is particularly in the technological content. Nolato Telecom has built up its own portfolio of unique technical solutions that enable an offering of exceptional detail and finish. The business area also has special competence to manage very fast start-ups of new products and production with large fluctuations in volume.

Unlike the rest of the Nolato group, the major part of Nolato Telecom's revenues come from other technologies than injection moulding, such as tool manufacturing, different types of painting and decoration, and assembly.

Nolato Telecom's continued development

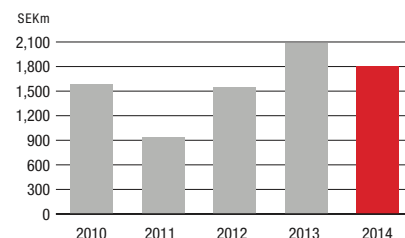
Within Mobile Phones, the targets for 2015 are to use existing production capacity for new technologically advanced projects, as well as continued rationalisation of the production units through a focus on lean manufacturing.

Within EMC, the targets for 2015 are to continue development of Thermal Interface Material products. Nolato Telecom will also invest in the continued marketing of their own trademarks Compashield, Trishield and Compatherm.

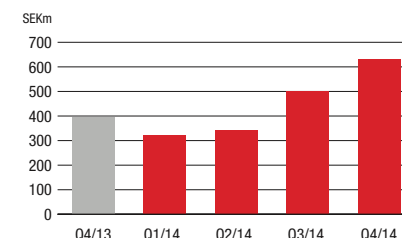
Nolato Telecom considers that the market for mobile phones is an interesting growth market, but it has constant, rapid changes. The high volumes on the consumer market in the last quarter of 2014 are expected to be temporary, and a return to more normal levels is expected during the first quarter of 2015. The EMC market is expected to continue to grow within the mobile segment, as well as through increased demands on shielding in other industries such as automotive and medical technology.

Nolato Telecom: five-year review

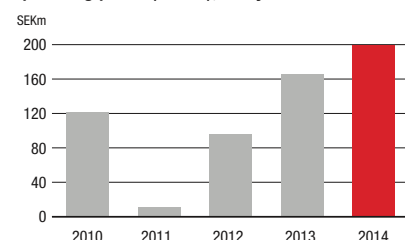
Net sales, full year



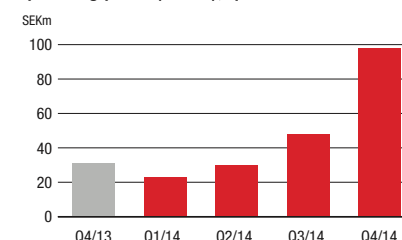
Net sales, quarter



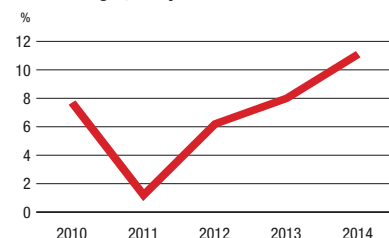
Operating profit (EBITA), full year



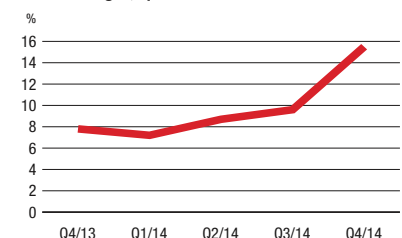
Operating profit (EBITA), quarter



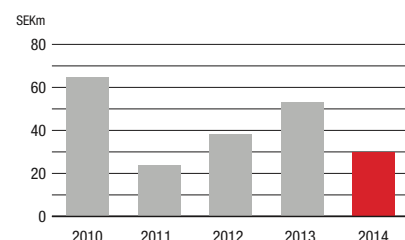
EBITA margin, full year



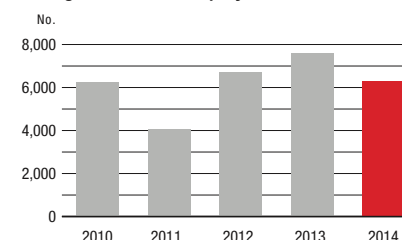
EBITA margin, quarter



Investments

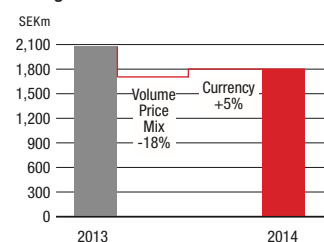


Average number of employees

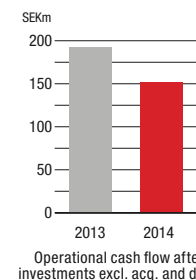


Affecting cash flow, excluding acquisitions and disposals

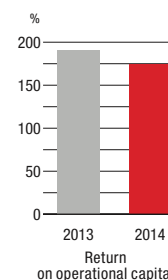
Change in sales



Cash flow



Return



Nolato Industrial

Increased market shares



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

Financial highlights:

	2014	2013
Sales SEKm	1,106	1,170
Operating profit EBITA SEKm	118	119
EBITA margin %	10.7	10.2
Average number of employees	687	753

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 earlier and more extensive support in the development phase. Smaller suppliers with limited customer offerings lose their position.

Customer offering:

Development and manufacturing of components and product systems for customers in the automotive industry, hygiene, packaging, gardening/forestry, furniture 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, Husqvarna, Jaguar/Land Rover, MCT Brattberg, Sanitec, SKF, Volvo, 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.



Continuous improvement and lean manufacturing are important elements of Nolato Industrial's competitive edge.

Nolato Industrial consists of eight strong specialist companies which develop and manufacture products and product systems, mainly in polymer materials, for various customer segments. The companies create opportunities individually and in cooperation with each other. Demand from automotive customers in particular was good, which led to healthy growth and increased market shares for the business area. The business area also carried out successful productivity work.

Operational focus

Nolato Industrial operations are mainly aimed at two customer sectors:

- ▶ The automotive industry, where Nolato Industrial delivers advanced technical products for among other things engines and engine compartments.
- ▶ General industry, including segments such as hygiene, packaging, garden/forest and furniture, where Nolato Industrial delivers products such as parts for chainsaws and different packaging solutions.

Customers in these two sectors often make continuous, large purchases with high volumes and long series.

Development 2014

Sales amounted to SEK 1,106 million (1,170). Adjusted for currency and the sale of rubber operations (Nolato Sunne AB) sales increased by 3%. Demand was good, particularly in the automotive segments and garden/forest, and Nolato Industrial gained market shares in both of these areas. Operating profit (EBITA) amounted to SEK 118 million (119) and the EBITA margin increased to 10.7% (10.2). The improvement in operating margin was due to productivity-raising measures, lean manufacturing.

Events during the year

Nolato Industrial continued its collaboration with Volvo Cars, for example in the new Volvo SPA platform, on which the Volvo XC90 is the first car to be launched. Examples of products supplied by Nolato Industrial are engine fans, door modules and components in the engine compartment.

During the year, Nolato was selected as "Supplier of the Year" by Husqvarna, in tough competition with other global suppliers. The award, called the Supplier Excellence Award, was presented at the Husqvarna suppliers' day in USA. In the justification of the award, Husqvarna praised the long-

term, close cooperation with Nolato in the development of processes and products.

The expansion of the production unit in Mosonmagyaróvár, Hungary, which is shared with Nolato Medical, was completed in 2014 to meet customer requests for increased production resources.

Nolato Industrial's operations in Hungary and Romania were certified under the health and safety standard OHSAS 18001. Operations in China were certified under the automotive standard ISO/TS 16949.

Nolato Industrial's market

The European market for the manufacture of polymer products is fragmented and consists of almost 50,000 companies, which have total sales of more than SEK 500 billion. A typical company is family-run, has sales of SEK 20–35 million per year and operates on the local market. Sales are often local because the products are generally bulky and thus expensive to transport.

The market is equally fragmented in the Nordic countries as the rest of Europe. In Sweden there are over 700 manufacturers of polymer products, of which two-thirds have fewer than five employees. Only around thirty companies have sales over SEK 50 million.

There are a number of driving forces behind the development of Nolato Industrial's market:

The main incentive for customers is to offer better and more cost-effective products on their markets. This means that successful suppliers, like Nolato Industrial, need to be at the cutting edge technologically and work closely with customers, both in development and production.

A clear trend is that customers want more comprehensive support earlier in the development phase, which means that companies with only production-oriented offerings lose their position.

Another driver is polymer materials replacing metal, which is particularly clear in the automotive industry. In the development of new models, weight is becoming increasingly important in the effort to reduce fuel consumption and thus emissions.

Customer case



Big investments solve challenging new requirements from the automotive industry

The German automotive component manufacturer Brose was commissioned by Volvo Cars to supply a complete cooling fan package for the brand-new Volvo XC90 model. Brose in turn engaged Nolato to supply the fan and fan shroud, which are manufactured in injection moulded plastic.

The design puts high demands on the components' dimensional accuracy, and tolerance requirements for roundness and throw in the fan are very challenging. All of this is to avoid vibration or noise at high speeds.

To comply with Volvo's technical requirements with a margin, Nolato invested in new equipment. In principle, everything associated with production for Brose is new: injection moulding machines, overhead cranes, conveyors, control fixtures, etc.

Requirements on accuracy mean that every detail is checked using special equipment, including a laser measuring machine. The measuring equipment is checked at regular intervals and everything is documented.

Serial production of the new fan and fan cover started in January 2015.

Examples of products:



Automotive

Engine components, gaskets for engines and exhaust systems, interior fittings, battery boxes, etc.



General Industry

Ball cages and bearing seals for ball bearings, armrests etc. for office chairs, conveyor belts, fire-proof cable glands. Components for microwave ovens, components for clearing saws and chainsaws (starters, fuel caps, air filter holders, etc.), flushing mechanisms for toilets, transport boxes for store chains.

Strategic objectives

- ▶ Market shares
- ▶ Productivity
- ▶ Cash flow
- ▶ Selective geographic expansion
 - Together with the customer
 - Through selective acquisitions that bring us new customers or new technologies

Units in the business area

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

Nolato Automotive Components (Beijing) Co, Ltd

Beijing, China
MD Jörgen Karlsson



Lean manufacturing work is ongoing in all Nolato Industrial's factories and involves integrated processes, a high degree of automation, efficient flows, little or no inventory and a “zero faults” vision.

Nolato Industrial's market position

Nolato Industrial is the market leader in the Nordic region, with about one-fifth of the business done by suppliers with sales of more than SEK 50 million. The companies in Nolato Industrial are all one of the largest on the market. Overall, Nolato Industrial is the largest operator. The business area has extensive development resources with high technological expertise in polymer materials and processes. Nolato Industrial's operations are also characterised by strong project management and highly efficient production.

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

The extensive fragmentation in the industry is expected to lead to further consolidation in the Nordic countries and the rest of Europe. The main competitors to Nolato Industrial are the AQ Group, Euroform, KB Components, Mann+Hummel, Promens and Rosti (Nordstjernan).

Nolato Industrial's strategic direction

Nolato Industrial's strategy is to be a leading supplier of development and production of products and product systems in

polymer materials for customers within the automotive and general industry segments (including hygiene, packaging, garden/forest and furniture). Nolato Industrial, with the Nordic market as a base, will grow by developing existing customers and taking market shares in these segments.

Nolato Industrial is able to selectively offer existing customers production on new markets. Examples of this strategy are the establishment of the factory in Romania in 2011 where Nolato Industrial produces packaging for a large global customer and Nolato Lövepac, which started production in China in 2013 for delivery to another large global customer.

The major part of Nolato Industrial's growth will be organic, but the business area also evaluates selective acquisitions.

Nolato Industrial's special features

Operations within Nolato Industrial have their basis, just like the rest of the Group, within: Corporate responsibility, broad technical expertise and advanced production technology. The difference is mainly the great importance of high productivity. Continuous improvement and lean manufacturing are key elements for the entire

Nolato Group, but have an even greater significance for Nolato Industrial's competitiveness.

Lean manufacturing work is in progress in all Nolato Industrial factories and is characterised by integrated processes, a high degree of automation, efficient flows, little or no inventory and a "zero faults" vision.

Nolato Industrial also has the ability to quickly assimilate new technology, both in materials and processes, and can offer its customers solutions that provide substantial cost savings. One such example is the development of the inlet manifold for Volvo Cars' new range of petrol and diesel engines, Drive-E, and another is the new packaging solutions and items for an international hygiene company.

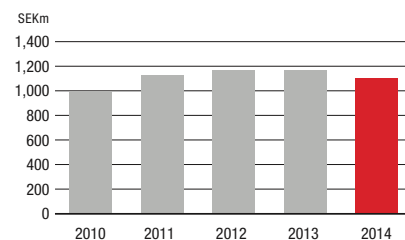
Nolato Industrial's continued development

The goal for 2015 will be to continue taking marketshares, through the development of existing customers and through increased presence in selected geographic markets. Another goal is to ensure competitiveness by being the leading company in the industry with respect to productivity improvements, resulting in even more efficient process flows between Nolato and customers.

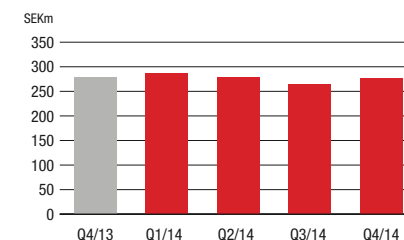
Nolato Industrial judges that the market on which it operates generally follows the northern European industrial cycle.

Nolato Industrial: five-year review

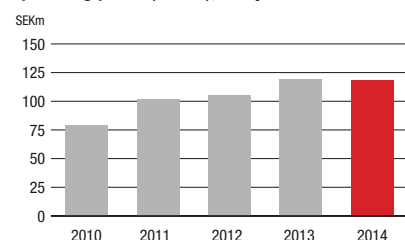
Net sales, full year



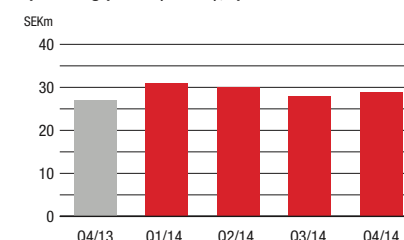
Net sales, quarter



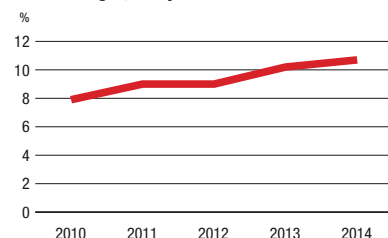
Operating profit (EBITA), full year



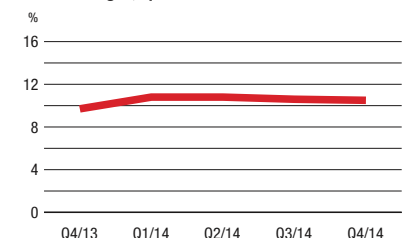
Operating profit (EBITA), quarter



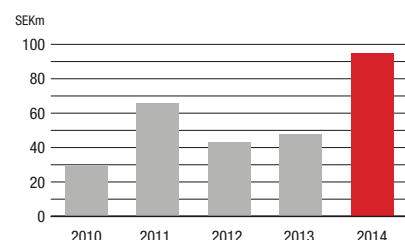
EBITA margin, full year



EBITA margin, quarter

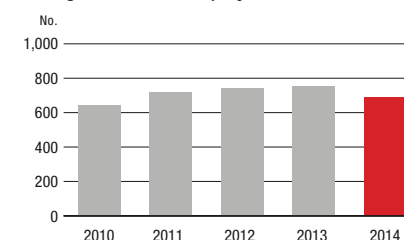


Investments

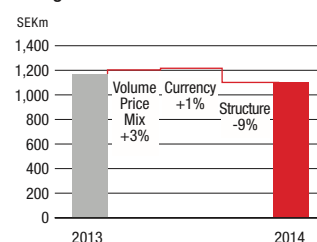


Affecting cash flow, excluding acquisitions and disposals

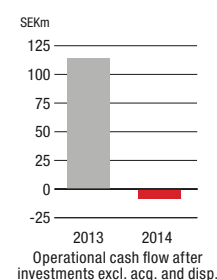
Average number of employees



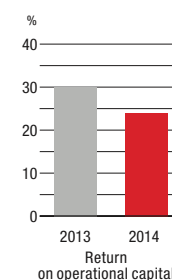
Change in sales



Cash flow



Return



Sustainability contributes profitable business

Highlights in 2014

- ▶ Successful measures for energy efficiency and reduced climate impact.
 - ▶ Programmes for social responsibility in China and Hungary continue to be developed.
 - ▶ Additional production units in Sweden, Hungary, Romania and China certified under health and safety standard OHSAS 18001.
 - ▶ Nolato Medical in UK ready for climate-smart packaging and transport solutions.
 - ▶ New purification plant to minimise solvent emissions and contribute to a better environment in Beijing.
 - ▶ Development of environmentally adapted products – everything from bio-compatible ceramics to environmentally friendly traps for bed bugs.
 - ▶ Sustainable development is an important part of the Medical Excellence project at Nolato Medical.
 - ▶ Nolato Beijing and Lövepac Converting remain qualified as Sony Green Partners.
 - ▶ Nolato's sustainability work continues to receive great reviews in the sustainable portfolio of Veckans Affärer.
-
- ▶ **Read more about our sustainability work in Nolato's Sustainability Report, www.nolato.com/sustainability**



For some years now, Nolato has participated in a long-term project that provides financial and practical support for a school called Building Hope Together in a poor, cold, rural area outside Beijing.

Sustainable development is part of Nolato's business model and we create value for our stakeholders by working strategically with issues related to people and the environment. An efficient, responsible and profitable business based on good business ethics and progressive environmental work – something that is clearly expressed in Nolato's Basic Principles.

Engaged employees

With its focus on responsibility, order and organisation, Nolato's sustainability work actually started in 1938 when the company was founded. Since then, we have taken many large and small steps with ever-increasing ambitions. Nowadays the Group goals are an important incentive, but equally important is meeting the expectations of society and our stakeholders. A very positive aspect is that much of the work on sustainability has its origin in committed managers and employees.

It is clear that requirements on environmental and social responsibility are growing among Nolato's customers and we are expected to pass on these requirements to our suppliers.

Sustainable Development Strategy

Nolato's sustainable development strategy includes:

- ▶ Reducing risks, minimising the impact on people and the environment, and reducing costs. We do this through prevention, risk analysis and investment in modern technology.
- ▶ Work systematically with continuous improvement. International standards regarding the environment and health and safety are important tools in systematic improvement work. In addition to this, concepts such as lean manufacturing and the 5Ss contribute to a better environment and health and safety.
- ▶ Improve competitiveness and increase customer trust. Many of Nolato's customers have high ambitions for sustainable development, which are consistent with our own business strategy.
- ▶ Motivate and engage our employees. Questions concerning health, safety and employees' social situation are given priority.

We want to be an attractive company for both new and current employees.

- ▶ Being a good citizen. Partnerships with universities and schools, the employment of people with disabilities and support to sports activities are some examples of our social commitment.
- ▶ Apply sound business principles. We have zero tolerance when it comes to corruption and illegal business competition.
- ▶ Being open in our communication. This makes it easier for customers, investors and other stakeholders to follow up their demands and evaluate our work.
- ▶ Adherence to international guidelines. Nolato is affiliated to the UN Global Compact and reports on sustainability in compliance with the guidelines in the Global Reporting Initiative (GRI).
- ▶ Integration of sustainable development. Our approach includes sustainability issues in a natural way. This involves investment, follow-up work, external communication, acquisitions, crisis and risk management, procedures, reporting and training.

Sustainability work is governed like this:

The overall focus of sustainability work is stated in Nolato's Basic Principles, Code of Conduct and policies. Operational responsibility for activities is delegated to the CEO of each company. The Group Management regularly monitors sustainability work and the issues are integrated into strategic planning. A representative of Nolato's Board has a special responsibility to monitor issues related to sustainable development.

The activities are monitored through dialogues with management and through internal and external audits. In connection with the annual sustainability report there is an in-depth analysis of compliance with the law, the fulfilment of Group goals, and how performance indicators developed during the year.

Shared Group goals

Management by objectives in the environmental field is a requirement of the environ-

mental management standard ISO 14001, so the Group units have been working with local environmental objectives for many years. To coordinate the activities introduced in 2010, shared long-term goals in the Group were introduced for sustainable development. The goals have gradually been made more stringent and individual units are also free to draw up their own local goals.

Environment

In 2014 Nolato's units worked with many different environmental issues. The first priority was obviously to ensure compliance with laws, regulations and customer requirements, but the overall goal is to continuously reduce environmental impact. In the strategy for sustainable development, shared Group goals for the environment are supplemented by local goals for the various units.

ISO 14001 is an important tool in environmental management and the system is in place at all units. Regular environmental audits, evaluations and sustainability reports will help us to do the right things in the right way. Resource issues such as energy, material use and waste are important for the Group's units. Emissions to air and water are small, but climate impact through carbon dioxide emissions is an issue that is considered at all levels in Nolato. A large number of activities in recent years regarding the efficient use of energy have reduced energy consumption and climate impact.

During the year, a large investment was made in purification equipment to reduce solvent emissions from the painting of mobile phones. This measure will have its full effect in 2015 and will contribute to better air quality in Beijing. Another environmental aspect that affects most of our units is the demand from customers that products must not contain any hazardous chemical substances. A number of chemicals were replaced during the year and more are on the list to be replaced during 2015.

In 2014 there were no incidents that breached any applicable laws. The authorities carried out environmental and health and safety inspections at around ten units and no serious deviations were found.

Customer's demands on the Group's companies regarding environmental, social and ethical issues are gradually becoming

Key guidelines

The Nolato Spirit

The Nolato Spirit is the fundamental values and policy document that conveys the principles and attitudes that constitute Nolato's values. An update of The Nolato Spirit was started in 2014 and courses for employees will be arranged in 2015.

Global Compact

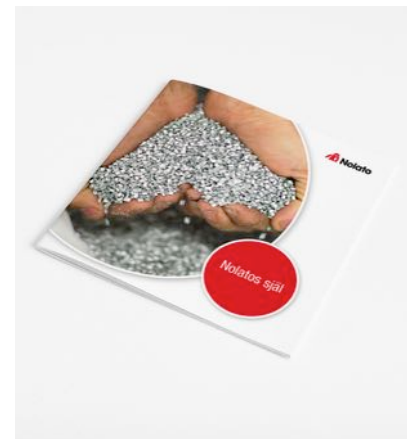
Nolato is affiliated to the UN Global Compact, which encompasses ten principles on the environment, human rights, working conditions and anti-corruption. Annual reports are prepared in accordance with UN guidelines (Communication on Progress, COP).

GRI

We report Nolato's sustainability work under the guidelines of the Global Reporting Initiative (GRI G4). The report includes indicators for environmental responsibility, social responsibility, ethics and financial responsibility.

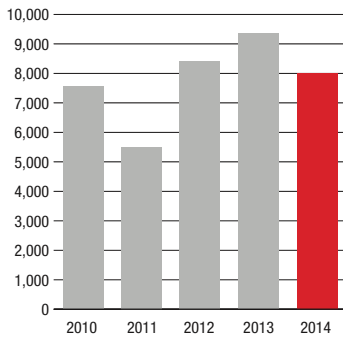
Certified management systems

We work according to international standards relating to the environment (ISO 14001) and health and safety (OHSAS 18001). The standard for social responsibility (ISO 26000) gives us guidance in overall sustainability work.

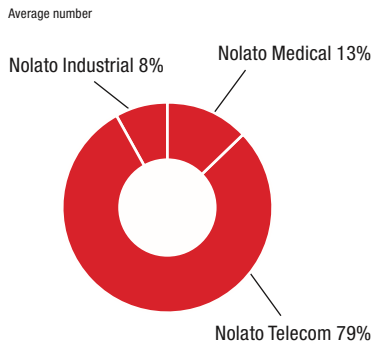


- ▶ The Nolato Spirit is available for download on the Group's website, www.nolato.com/sustainability

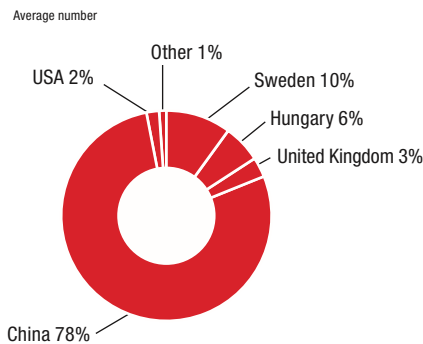
Average number of employees



Employees by business area



Employees by country



stricter. In many cases, Nolato is expected to pass on these requirements along our supply chains, which we do through information on Nolato's Code of Conduct and our specifications, as well as various types of monitoring. During the year, 12 of the Group's units were inspected by customers and the outcome was generally very good. We conducted more than 150 audits of suppliers with a focus on sustainable development. Here too, the outcome was good but two of the suppliers were not approved by Nolato.

Social responsibility

Nolato has a long tradition of corporate responsibility. It lies deep in our soul that the company should act as a good neighbour and a caring global citizen, take responsibility for what we do and always apply good business ethics. We are convinced that this approach will help us to attract, recruit, develop and keep committed and skilled employees.

We work with leadership development, training of employees, diversity, and issues related to health and safety. In 2014 our employees participated in courses totalling approximately 230,000 hours. Training activities were particularly extensive in China, Hungary and Sweden.

Employees in many countries

In 2014, the average number of employees was 8,020 (9,357). Almost 80% of our employees are at Nolato's units in China. Other countries where we have a significant number of employees are Sweden and Hungary. Just over half (51%) of our employees are women.

All companies are wholly owned by Nolato and the guidelines in Nolato's Code of Conduct apply in the same way worldwide. The daily work with personnel and health and safety issues is decentralised. Each individual company is responsible for dealing with these issues in a manner consistent with the Group's guidelines and with each country's legislation and culture.

All employees in Nolato have the right to be represented by unions, as well as the right to collective bargaining. In Sweden and China most of the employees are covered by collective bargaining agreements. There are no unions or collective bargaining agreements at units in the other countries, reflecting the normal situation in those countries.

We make special efforts in China to attract, keep and develop both permanent and temporary staff. The activities are grouped under the term Employee Care Program and the program includes activities related to health, safety, lifestyle,



Nolato has a long tradition of corporate responsibility.

The Group's key sustainability targets and outcomes 2012–2014

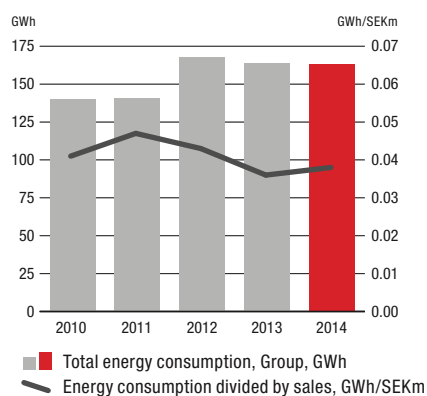
Environmental Responsibility	2012	2013	2014	How we performed
Reduced energy consumption in relation to net sales. For the period 2014–2016 the target is a reduction of 10% compared to the average for 2011–2012, measured as GWh/net sales.	See chart below			▶ Energy efficiency measures were implemented. Despite the increase in production and size of premises at several units, total energy consumption decreased.
Reduced emissions of greenhouse gases in relation to net sales. For the period 2014 - 2016 the goal is a reduction of 10% compared to the average for 2011–2012.	See chart below			▶ Reduced consumption of fossil fuels, and energy efficiency improvements resulted in reduced emissions of carbon dioxide.
Reduced waste quantities in relation to net sales.	See chart below			▶ Continued focus on issues related to scrap and waste resulted in reduced waste volume.
All plants must be certified to ISO 14001.	86 ¹	100	100	▲ All units are certified.
Social responsibility				
Minimise work-related accidents and illnesses. Introduce systems for reporting incidents.	64 ² 0.007 ³	34 0.004	43 0.005	▶ Systems to report incidents are now in place at all plants, and nearly 500 incidents were recorded and measures taken. The accident rate remains largely unchanged.
There must be no cases of human rights violations, discrimination or forced labour. Continued active information to employees and new employees.	0 ⁴	0	0	▲ Nolato's Basic Principles are included in courses for new employees and different types of refresher courses.
Business partners and other stakeholders				
There must be no cases of bribery, corruption or building of cartels. Continued active information to employees.	0 ⁴	0	0	▲ The whistleblowing system has been implemented throughout the Group. The Nolato Spirit and Code of Conduct are updated and new training programmes will be implemented.
Improved evaluation of suppliers' sustainability work.	90 ⁵	>90	>95	▶ The number of suppliers audited for environmental, health and safety and social responsibility increased by 50% compared to 2013.

▲ Target achieved. ▶ Positive trend, but efforts needed to reach the target. ▼ Negative trend.

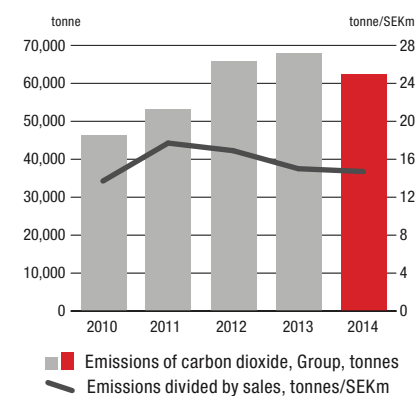
¹ % of the total number of certified facilities; ² Number of cases with >1 day absence; ³ Number of cases per employee;

⁴ Number of reported cases; ⁵ % of the number of plants that give out information about Nolato's values, place demands and carry out assessments of suppliers' environmental/social responsibility

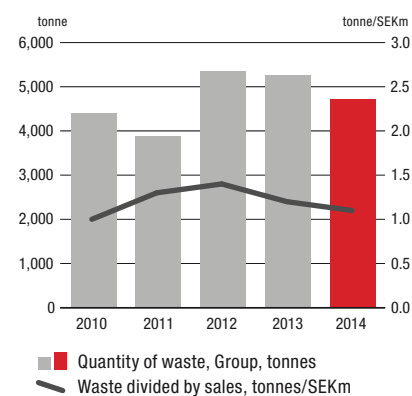
Energy consumption



Emissions of carbon dioxide CO₂



Quantity of waste



▶ All Group targets are stated in our detailed sustainability report (see www.nolato.com/sustainability)



A large number of Nolato's employees in Beijing are on temporary agency work, due to short product cycles and widely varying production volumes. These employees are covered by the same principles as permanent employees.

opportunities to participate in language learning and employee surveys supplemented by a forum where employees can discuss issues with the company President. In 2014, the program was supplemented by:

- ▶ Employees' involvement in dialogue groups with company management has been encouraged. In total there were seven meetings at which about 140 people attended.
- ▶ Health examinations have been extended and for those employees who are interested, courses are offered in traditional Chinese medicine.
- ▶ Leisure time is made more interesting for employees through competitions in handicrafts, sports, and First Aid.
- ▶ The system of compensation for overtime has been made more beneficial for employees and the amount paid into life insurance policies has been increased. Another initiative related to the financial situation for temporary staff is that the monthly administrative fee they previously paid to agencies has now been removed.

In addition to this, there are various bonus schemes and competitions that are aimed at groups of employees or individual employees, such as work with improvement and quality.

Health and Safety

Preventive health and safety work is targeted and systematic. We identify risks, take appropriate measures and implement technical improvements and training courses. An important part of this systematic work is the introduction of a management system for health and safety (OHSAS 18001).

Five units are currently certified and four others are preparing for certification in the near future.

In 2014, there were 43 (34) occupational accidents, resulting in a total absence of 929 (381) days. The most common causes were injuries by machinery or equipment and accidents through falling, which in most cases only resulted in one or two days' absence. Some cases of cuts and muscle injuries resulted in long-term absence. The registration of incidents has been further improved and a total of 475 were reported during the year which were investigated and corrective and preventive actions were taken.

Training courses in the environment and health and safety are one part of the preventive work, and on average 4.5 hours per employee are spent on this per year. 700 employees in China participated in first aid training.

Nolato and society

We work together with the surrounding communities in the locations where we operate. For Nolato it is important to

maintain contact with universities and schools. This involves study visits, dissertations, placements and development projects. Our local units often contribute to sports, culture and health activities.

Special efforts in Hungary and China

In Hungary, the employment of people with different types of disability has been extended, and this has received continued appreciation from governments and society in the form of awards. Through employment, blind or deaf people have a better quality of life and they carry out excellent work in the company's production units. In China, too, a number of people with disabilities have been employed.

The project Building Hope Together in China has continued to involve senior management and employees. For some years now, Nolato has participated in a long-term project to provide financial and practical support to a school in a poor, cold, rural area outside Beijing. This year's contribution included warm jackets and backpacks for the pupils.

Business Ethics

From time to time, Nolato comes across viewpoints on business ethics and business practices that are unacceptable. When this happens, we find support in our Code of Conduct that is our ethical compass. By spreading and discussing our values, we

govern and monitor the ways of doing business in the Group companies. We pay particular attention to ethical issues in relationships with our business partners. Normal business practice in each country must be observed, but if business practices are not consistent with Nolato's Code of Conduct we must refrain from operations or take other relevant measures. We have zero tolerance on bribery, corruption and the building of cartels. We make annual assessments in this area using check-lists from the UN Global Compact. So far, no cases involving violations of the Code of Conduct have been identified and the companies continue with their active efforts to combat corruption.

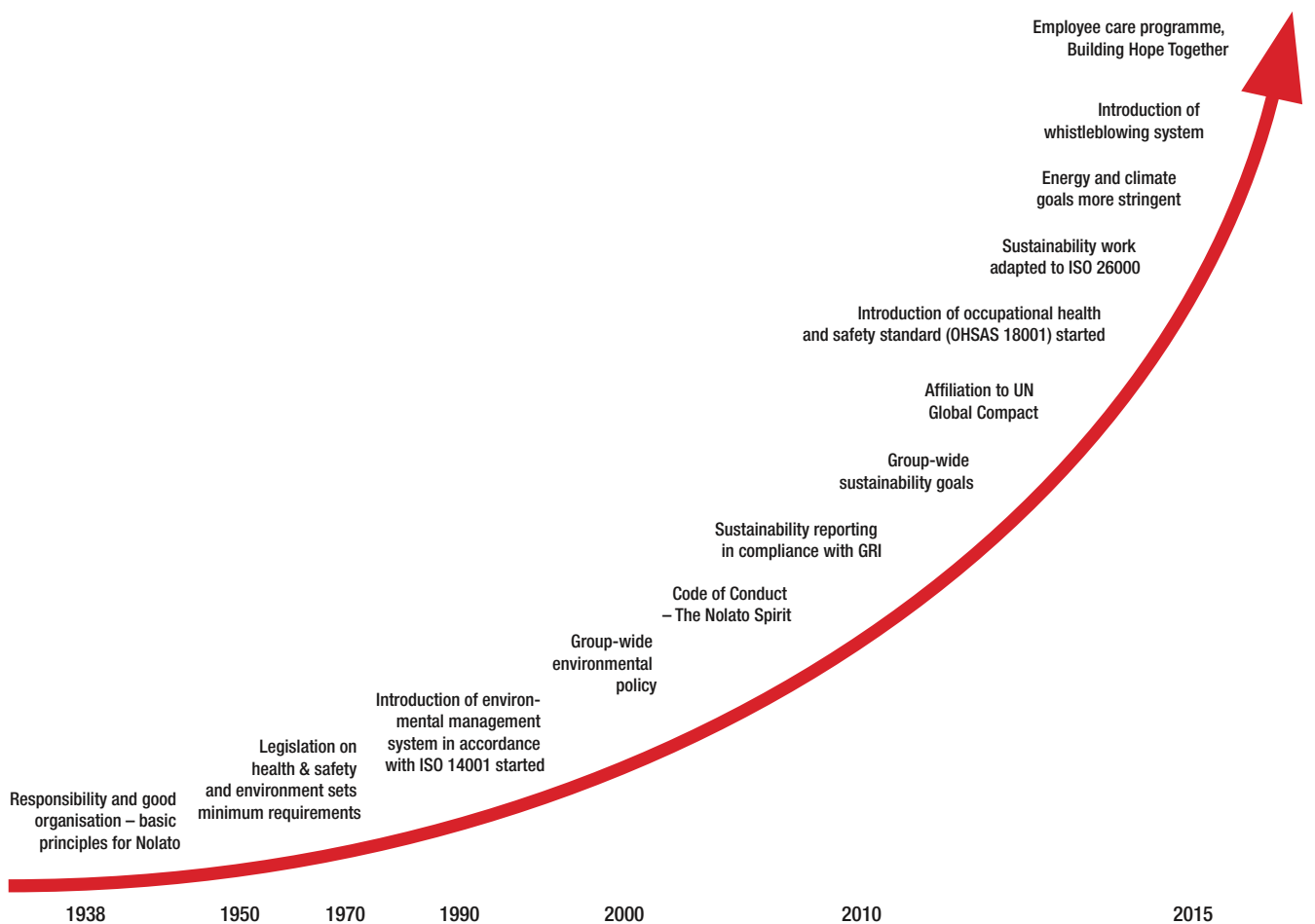
During the year, the system of whistleblowing has been more deeply anchored in the Group. The system means that an employee can sound the alarm about any questionable practices via a third party, without fear of reprisals or pressure.

Continued work

Among other things, in 2015 we will be working with:

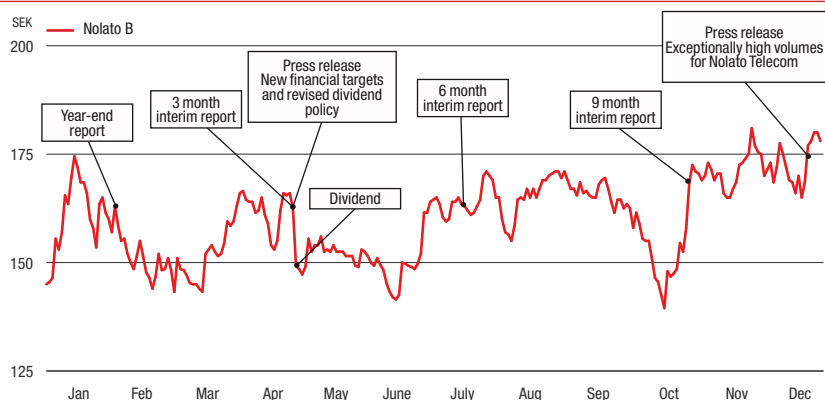
- ◆ Information about the updated version of Nolato Spirit, which includes our Code of Conduct.
- ◆ Further measures that help energy efficiency, reduce climate impact and cause less waste.
- ◆ Activities related to health and safety, including the introduction of the OHSAS 18001 standard at more of our production units.
- ◆ Start the adaptation process for the new version of the environmental management system – ISO 14001:2015.
- ◆ Social commitment and social responsibility, including projects such as the Employee Care Program and Building Hope Together.

Some milestones in Nolato's sustainability work

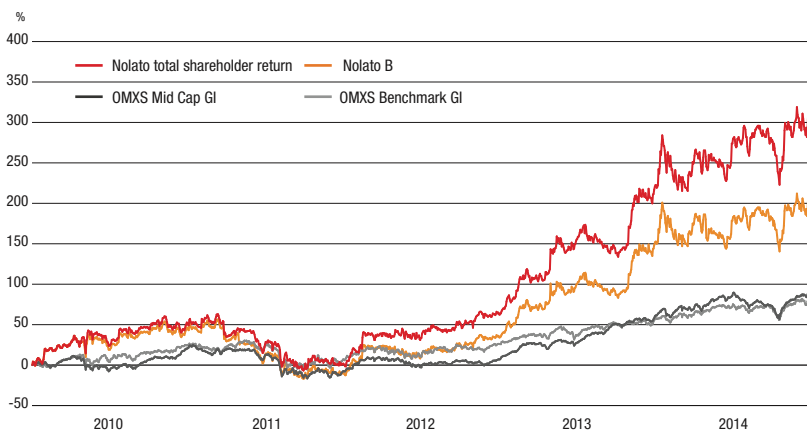


Nolato shares and shareholders

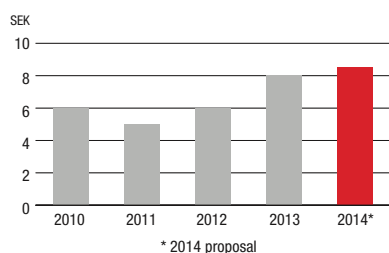
Share price performance in 2014



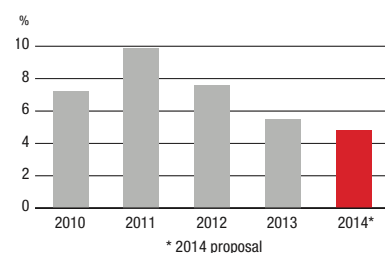
Total shareholder return and share price performance 2010 – 2014



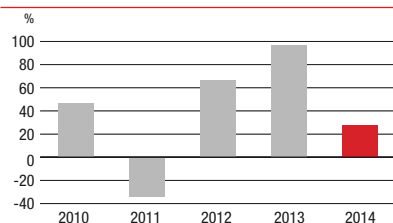
Dividend 2010 – 2014



Dividend yield 2010 – 2014



Annual total shareholder return 2010 – 2014



Total shareholder return:

5 year 305.1% (annual average 32.3%)
 3 year 318.3% (annual average 61.2%)
 2 year 151.4% (annual average 58.7%)

Listing

Nolato AB was listed on the Stockholm Stock Exchange in 1984 and the B share is listed on NASDAQ Stockholm, where Nolato is a Mid Cap company in the Industrials sector.

Trading in shares also took place in Burgundy and Chi-X BXTR in 2014.

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

Share price performance

Nolato's B shares rose during the year by 22% (87), which is 11 percentage points better than the average performance on the Stockholm Stock Exchange (OMXS). At the end of 2014 the shares were listed at SEK 178.00 (146.50).

The highest closing price on NASDAQ Stockholm in 2014 was SEK 181.00 (25/11/2014) and the lowest closing price was SEK 139.50 (16/10/2014). The highest price paid during the year was SEK 183.00 (19/12/2014) and the lowest paid was SEK 135.00 (16/10/2014).

The share market value at 31 December 2014 was SEK 4,683 million (3,854).

In 2014, 11.0 million Nolato shares (14.5) were traded, of which 11.0 million (13.9) on NASDAQ Stockholm, 0.0 million (0.1) on Burgundy and 0.0 million (0.5) on Chi-X BXTR. The turnover rate, or degree of liquidity, was 47% (62).

The number of shareholders increased by 12% and on 31 December it was 9,409 (8,373).

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 shares 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 has no ongoing programme of financial instruments which involves dilution of the shares.

Dividend policy and dividends

The Board revised its dividend policy in 2014.

Under the policy, the Board intends to propose a dividend annually that exceeds 50% of the net profit with regard to Nolato's long-term prospects, financial position and investment needs (an increase compared with the previous policy of no less than 35%).

For 2014, the Board proposes an increased dividend of SEK 8.50 per share (ordinary dividend of SEK 4.00, extraordinary dividend of SEK 4.00, total of SEK 8.00), corresponding to SEK 224 million (210).

The payout ratio, or dividend in relation to earnings after tax, amounted to 61% (67).

The dividend yield relative to the stock exchange price on 31 December 2014 was 4.8%. Over the past five years, Nolato's shares have had an average yield of 7.0%.

Transferability

There is no limitation regarding the transferability of the shares by law or in the Articles of Association.

Analysts

The Nolato share has been monitored and analysed during the year by the following analysts:

- ▶ ABG Sundal Collier – Per Lindberg
+46 8 566 286 25
- ▶ Carnegie – Mikael Laséen
+46 8 588 687 21
- ▶ Redeye – Greger Johansson
+46 8 545 013 30
- ▶ Remium – Claes Vikbladh
+46 8 454 32 94

Financial information

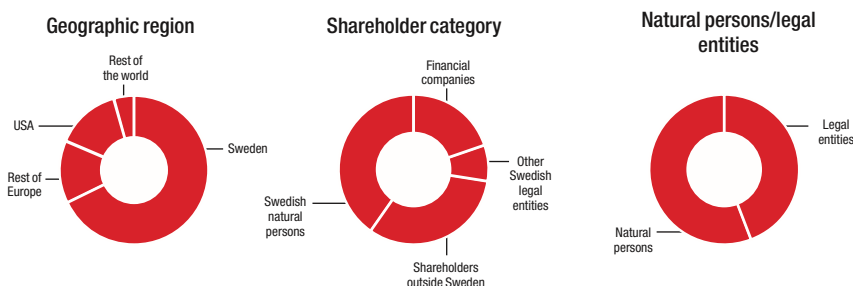
Nolato's management works continuously to develop and improve financial information, in order to provide the market with good conditions for determining the value of the company as fairly as possible.

This includes participating actively when dealing with analysts, shareholders and the media.

On our website www.nolato.com you will find information about B-shares' current and historical price performance and monthly updates of the largest shareholders of Nolato.

You will also find all interim reports, annual reports and press releases since 1998 on the same website.

Share distribution 31/12/2014



The 15 largest shareholders 31/12/2014

Shareholders	Share of capital (%)		Share of votes (%)	
	31/12/2014	Change*	31/12/2014	Change*
Jorlén family	9.9	0.0 ↗	24.5	0.0 ↗
Boström family	9.4	0.0 ↗	19.6	0.0 ↗
Skandia funds	3.3	-0.9 ↘	1.7	-0.5 ↘
Paulsson family	3.1	0.0 ↗	16.0	0.0 ↗
Svolder	3.1	-1.6 ↘	1.6	-0.8 ↘
Odin funds	3.1	-1.3 ↘	1.6	-0.7 ↘
JPM Chase	2.8	-0.7 ↘	1.4	-0.4 ↘
DnB - Carlson funds	2.7	0.1 ↗	1.4	0.0 ↗
MPCS EQ SEC Client Seg	2.7	0.2 ↗	1.4	0.1 ↗
State Street Bank & Trust	2.4	0.2 ↗	1.2	0.1 ↗
Swedbank Robur funds	2.1	0.6 ↗	1.1	0.3 ↗
Citibank NA New York	1.8	1.8 ↗	0.9	0.9 ↗
Försäkringsaktiefbolaget, Avanza pension	1.6	-0.2 ↘	0.8	-0.1 ↘
Sijoitusrahasto Evli Eurooppa	1.3	1.3 ↗	0.6	0.6 ↗
SEB Investment Management	1.2	0.2 ↗	0.6	0.1 ↗
Total 15 largest shareholders	50.5		74.4	
Other shareholders	49.5		25.6	

*Change (percentage points) in shareholding compared with 31/12/2013

Per share data

	2014	2013	2012	2011	2010
Net earnings per share, SEK ¹⁾	13.84	11.94	7.68	5.02	7.11
Shareholders' equity per share, SEK ²⁾	60	51	44	44	45
Cash flow per share, SEK, excl. acquisitions and disposals	4.83	13.76	12.05	4.26	8.74
Share price at 31 December, SEK	178.00	146.50	78.50	50.75	83.00
Price/earnings ratio, times ³⁾	13	12	10	10	12
Turnover rate, %	47	62	19	34	47
Dividend (2014 proposal), SEK	8.50	8.00	6.00	5.00	6.00
Yield (2014 proposal), % ⁴⁾	4.8	5.5	7.6	9.9	7.2
Dividend as % of earnings per share (2014 proposal)	61	67	78	100	84
Average number of shares, thousand	26,307	26,307	26,307	26,307	26,307
Price/equity ratio per share, times	3.0	2.9	1.7	1.2	1.8
Market capitalisation 31 December, SEK million	4,683	3,854	2,065	1,335	2,183

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 systems and routines for receiving and processing employees' reports of 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 Stockholm, 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 two of the points in 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 holding around 60% 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 elected by the shareholders

At the 2014 AGM, authorised public accountant Alf Svensson, KPMG, was re-elected as auditor of Nolato and authorised public accountant Camilla Alm Andersson, KPMG, was re-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, Lindégruppen and Nibe.

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 Kjell o Company.

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, 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, makes decisions about the dividend and directors' fees and adopts the annual report. By registering a matter in writing with the Board within certain time frames, shareholders have the right to have a matter addressed by the AGM.

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

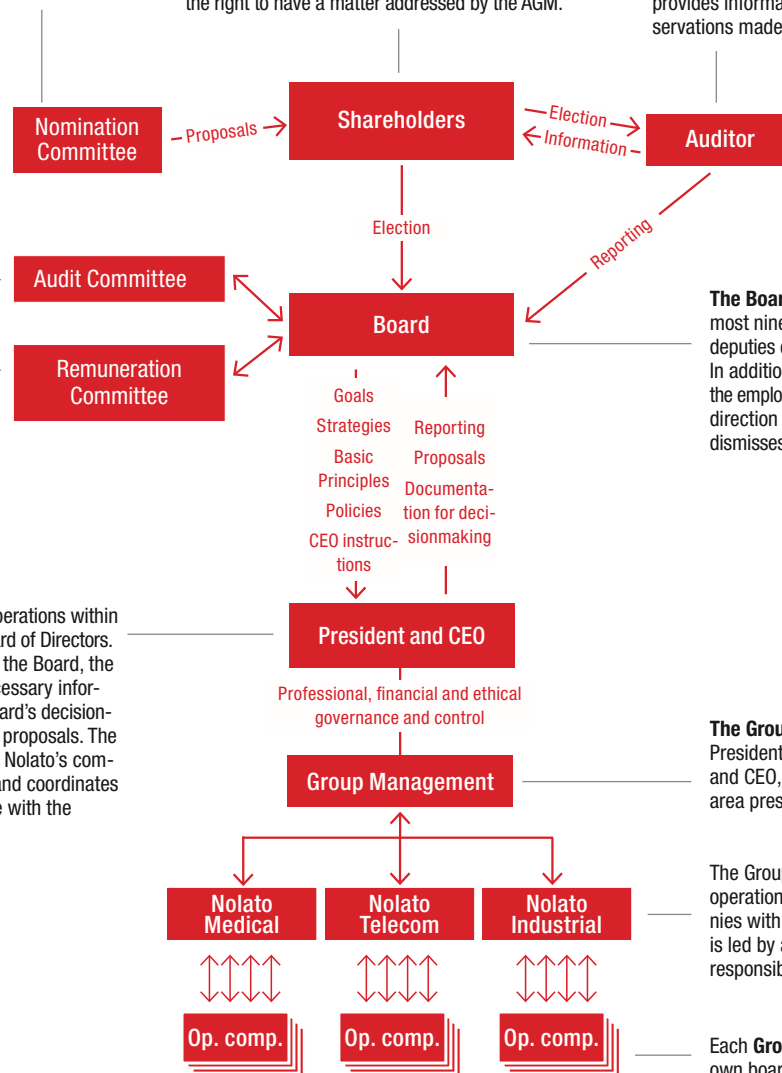
The President and CEO manages operations within the framework established by the Board of Directors. In consultation with the Chairman of the Board, the President and CEO draws up the necessary information and documentation for the Board's decision-making, presents items and justifies proposals. The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

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 two members elected by the employees. The Board decides on the strategic direction of Nolato's operations. It appoints, dismisses and oversees the President and CEO.

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 Group's three **business areas** coordinate operations within a number of group companies with a similar focus. Each business area is led by a business area president with overall responsibility for operations.

Each **Group company** has an MD. 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 takes place 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 submitted to the Board on an ongoing basis. The Board reads and approves financial reports such as monthly reports, forecasts, interim reports and the Annual Report.

Nolato's Board

					
Name	Fredrik Arp	Dag Andersson	Sven Boström-Svensson	Åsa Hedin	Henrik Jorlén
Year elected	2009 (also member between 1998 - 1999)	2014	2013	2014	1974
Position	Chairman of the Board and Chairman of the Remuneration Committee.	Board member	Board member	Board member	Board member and member of the Remuneration and Audit Committees.
Born	1953	1961	1983	1962	1948
Education	Bachelor of Science (econ.) and Ec. Doctor h.c.	Bachelor of Science (econ.) Stockholm School of Economics. MBA Insead.	Bachelor of Science in Chemistry	Master of Science in Biophysics, Bachelor of Arts in Physics	Commercial school
Other assignments	Chairman of the Board of Mediplast and Parques Reunidas. Board member of Technogym and Vattenfall	Board member of Diaverum AB and other boards within Diaverum incl. JV companies.	—	Swedish Space Cooperation AB	—
Background	CEO of Volvo Cars, Trelleborg, PLM.	CEO and President Diaverum AB. Vice President Mölnlycke Health Care, various positions SKF.	—	Vice President Elekta AB. Leading positions at Siemens Healthcare and Gambro AB.	Management positions within the Nolato Group.
Attendance	6 of 6 meetings	4 of 6 meetings (elected at the AGM)	6 of 6 meetings	4 of 6 meetings (elected at the AGM)	6 of 6 meetings
Remuneration ¹⁾ (SEK)	455,000	175,000	175,000	175,000	210,000
Shareholding ²⁾	3,000 B (3,000 B)	1,000 B	255,870 B (255,870 B)	0	294,000 A + 47,950 B (294,000 A + 47,950 B)
Dependence	Independent of the company and major shareholders.	Independent of the company and 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 2014 (31 December 2013) incl. family and companies, according to Euroclear Sweden. For current information see www.nolato.com.






				
Name	Hans Porat	Lars-Åke Rydh	Ingegerd Andersson	Håkan Svensson
Year elected	2008	2005	2013 Deputy 2004 – 2013	2014 Deputy 2009–2014
Position	Board member President and CEO of Nolato AB.	Board member and Chairman of the Audit Committee.	Employee representative LO.	Employee representative PTK.
Born	1955	1953	1951	1960
Education	Master of Science (metallurgy)	Master of Science (eng.)	Upper secondary school	Upper secondary school. Certified Member of the Board PTK.
Other assignments	Board member of Lindab International and Nefab.	Chairman of OEM Interna- tional, Nefab, Plastprint and Schuchardt Maskin. Board member of HL Display, Olja ek.för. and Investment AB Vitriren.	—	—
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 Cerbo.
Attendance	6 of 6 meetings	6 of 6 meetings	6 of 6 meetings	6 of 6 meetings
Remuneration¹⁾ (SEK)	0	230,000	0	0
Shareholding²⁾	20,000 B (20,000 B)	2,000 B (2,000 B)	0 (0)	0 (0)
Dependence	Not independent of the company but independent of major shareholders.	Independent of the com- pany and major share- holders.	—	—

Deputies for employee representatives: Björn Jacobsson (LO), Arif Mislmi (LO) and Jonny Petersson (PTK).

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

²⁾ Shareholding in Nolato at 31 December 2014 (31 December 2013) incl. family and companies, according to Euroclear Sweden. For current information see www.nolato.com.

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 (eng.) MBA	Polymer engineering	Master of Science (eng.)
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
Shareholding¹⁾	20,000 B (20,000 B)	14,084 B (20,154 B)	15,712 B (15,712 B)	0 (0)	5,000 B (5,000 B)

¹⁾ Shareholding in Nolato at 31 December 2014 (31 December 2013) incl. family and companies, according to Euroclear Sweden. For current information see www.nolato.com.

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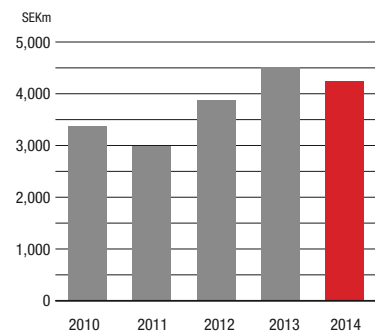
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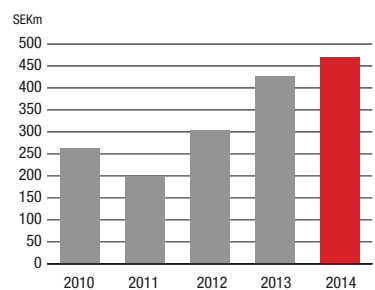
* The content of pages 43 – 79 has been audited.

Directors' report

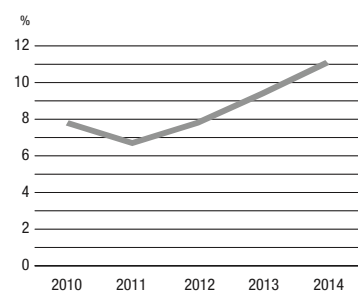
Sales



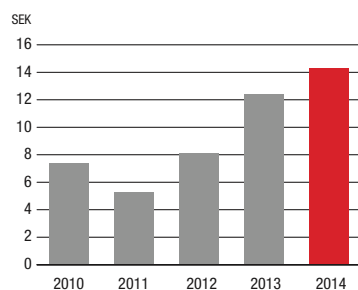
Operating profit (EBITA)



EBITA margin



Adjusted earnings per share



Operations in 2014

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 2014 financial year.

Nolato is a Swedish publicly listed group with 8,020 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 Stockholm Exchange in the 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 complex product systems and components in medical technology and advanced packaging solutions for pharmaceuticals and dietary supplements.

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

Nolato Industrial develops and manufactures products and product systems for customers in the automotive industry, hygiene, packaging, gardening/forestry, furniture 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. In between these two lies Nolato Industrial.

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

Financial summary

The 2014 financial year resulted in the best operating profit since Nolato was founded in 1938.

Sales, operating profit (EBITA) and EBITA margin by business area 2012 – 2014

SEKm	Sales			Operating profit (EBITA)			EBITA margin %		
	2014	2013	2012	2014	2013	2012	2014	2013	2012
Nolato Medical	1,333	1,274	1,159	176	165	133	13.2	13.0	11.5
Nolato Telecom	1,799	2,079	1,548	199	166	96	11.1	8.0	6.2
Nolato Industrial	1,106	1,170	1,170	118	119	105	10.7	10.2	9.0
Intra-Group adj., Parent Co.	-4	-1	-3	-23	-23	-31	—	—	—
Group total	4,234	4,522	3,874	470	427	303	11.1	9.4	7.8

◆ Group sales amounted to SEK 4,234 million (4,522), a decrease of 6%. Adjusted for currency, acquisitions and disposals, the decrease was 8%. Consolidated operating profit (EBITA) amounted to SEK 470 million (427), giving an EBITA margin of 11.1% (9.4). Consolidated profit after tax rose to SEK 364 million (314). Earnings per share, basic and diluted, were SEK 13.84 (11.94).

◆ Nolato Medical saw sales rise by 5% to SEK 1,333 million (1,274). Adjusted for currency, sales remained unchanged.

Operating profit (EBITA) rose to SEK 176 million (165) and the EBITA margin was 13.2% (13.0). The margin was positively affected by high productivity.

Increased capacity in the form of new buildings and extensions has been added in both China and Hungary during the year, with a view to future growth.

◆ Nolato Telecom's sales fell by 13% to SEK 1,799 million (2,079). Adjusted for currency, sales decreased by 18%. Sales increased sequentially during the year and volumes in the fourth quarter were exceptionally high. The positive trend in the second half of the year was due to the success of many customers' phone models on the consumer market, as well as continued good development for Nolato's operations within electromagnetic shielding (EMC). The high volumes on the consumer market are judged to be temporary, however, and a return to more normal levels is expected during the first quarter of 2015.

Operating profit (EBITA) increased to SEK 199 million (166) and the EBITA margin rose to 11.1% (8.0). High efficiency and long production runs due to the very high volumes, together with a positive development for EMC operations, resulted in an exceptionally high margin in the fourth quarter. During the year, a new production unit for EMC was established in Malaysia.

◆ Nolato Industrial's sales amounted to SEK 1,106 million (1,170). Adjusted for currency and disposals, sales rose by 3%. Demand in the automotive segment was good and most of the other segments were stable. Increased market share gives a positive effect.

Operating profit (EBITA) amounted to SEK 118 million (119), with a strong EBITA margin of 10.7% (10.2). Successful lean work had a positive effect on the margin.

Acquisitions

The Group did not make any acquisitions in 2014. The acquisitions focus is unchanged, though, meaning that the Group's strategic planning includes acquisitions, primarily in medical technology in western Europe and North America. Acquisitions are also planned in the EMC area.

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

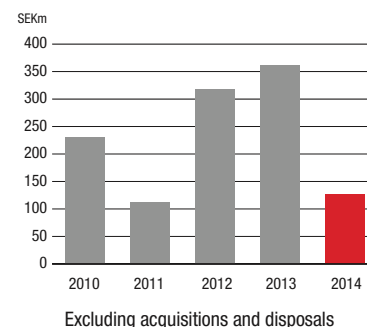
◆ We have been signatories to the UN Global Compact since 2008 and we follow the ten principles concerning the environment, human rights and action against corruption.

◆ We report sustainability work in accordance with the guidelines in the Global Reporting Initiative (GRI). The Group is currently adapting to the G4 guidelines.

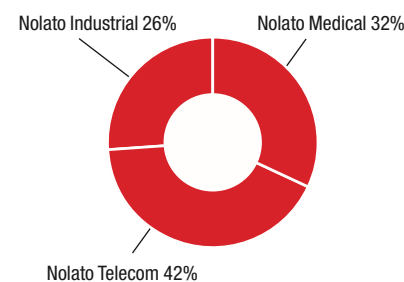
◆ All production units are certified under the environment management standard ISO 14001.

◆ The ISO 26000 standard for social responsibility provides a guideline for our sustainability work.

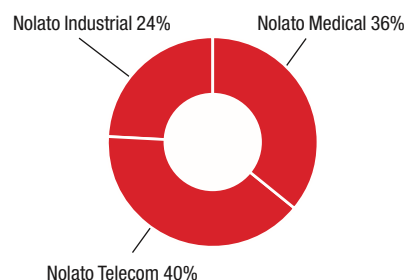
Cash flow after investments



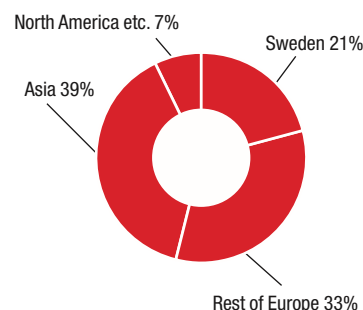
Share of sales



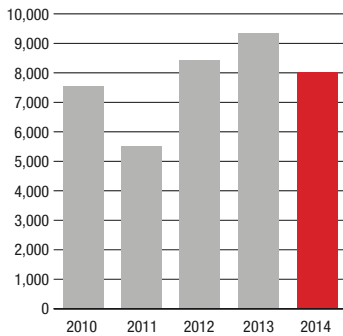
Share of operating profit (EBITA)



Sales by geographic markets

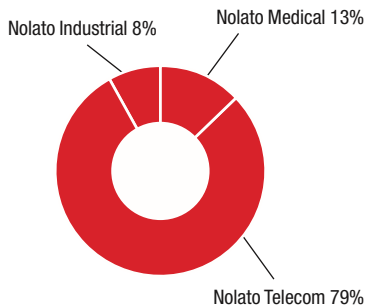


Average number of employees



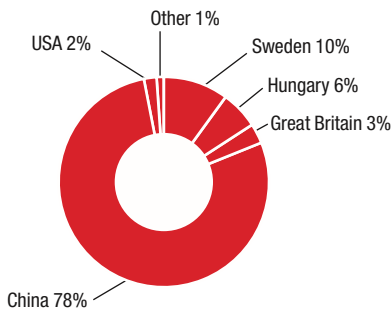
Employees per business area

Average number



Employees per country

Average number



Employees

The average number of employees at Nolato in 2014 was 8,020 (9,357). The decrease in the number of employees is mainly attributable to Nolato Telecom's operations in China and was due to lower volumes at the beginning of the year.

51% (57) of all the Group's 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 the normal situation in these countries.

In Beijing, China, where the Group has its largest concentration of employees with around 76% of 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, there is a whistleblowing system. This enables members of staff to alert the company to any irregularities without risk of reprisal or pressure. No significant cases were reported in 2014.

The total figure for the average number of employees includes approximately 5,000 in China who are employed through staffing agencies. This form of employment has mainly been chosen to make it easier for the business to recruit a workforce for mobile phone projects and consequently avoid creating its own large recruitment organisation. In accordance with the Group's policy, these employees are covered by 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 2014.

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 30–35 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 2015.

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 2014.

Operational risks

An important aspect of Nolato's strategic planning is identifying potential operational risks, assessing their probability 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.

A health and safety management system (OHSAS 18001) is in place at several of Nolato's units.

A 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 Stockholm Exchange in the 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 2014, Nolato had 9,409 (8,373) shareholders. The six largest shareholders are the Jorlén family with 10%, the Boström family with 9%, Skandia funds with 3%, the Paulsson family with 3%, Svolder with 3% and Odin funds with 3% of the capital.

Only one individual shareholder, Backahill AB, with 16% 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 2015 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 29 million (23) and have increased due to higher costs charged to subsidiaries. Profit after financial income and expense was SEK 85 million (85).

Proposed appropriation of profits

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

Retained profit	SEK 363 million
Profit for the year	SEK 310 million
Total	SEK 673 million

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

Div. to shareh. of 8.50 SEK per share	SEK 224 million
To be carried forward	SEK 449 million
Total	SEK 673 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.

Operative risks	Risk exposure	Risk management
<p>A Business cycle risk The risk that an economic downturn could have a significant impact on Nolato's performance and earnings.</p>	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.
<p>B Subcontractor risk The risk that changes at customers could have a significant impact on Nolato's performance and earnings.</p>	As a subcontractor, Nolato is highly dependent on customers' internal decisions and commercial performance. Factors among customers that we cannot influence include postponed or cancelled projects, higher or lower sales volumes and longer or shorter product 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.
<p>C Customer dependence The risk that changes at individual customers could have a significant negative impact on Nolato's performance and earnings.</p>	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.
<p>D Supplier dependence The risk of a supplier being unable to deliver to Nolato on time or at the right quality.</p>	If a significant, strategic supplier does not fulfil its undertakings we could face problems supplying on time and at the right quality to our customers.	For input goods and machinery, this risk is limited by the fact that there are a number of alternative suppliers. In terms of components for system products, the choice of supplier is usually made in consultation with Nolato's customer.
<p>E Raw material price risk The risk of an important raw material increasing in price and having a significant negative effect on various projects. In Nolato, this mainly applies to various plastic raw materials.</p>	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% of the selling price on average, while the corresponding figure is around 20 – 25% for Nolato Medical and 25 – 30% 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.
<p>F Energy cost risk The risk of the cost of energy rising and having a significant negative impact on profitability. Within Nolato this mainly applies to the purchase of electricity.</p>	The Group's production operations are relatively electricity-intensive. In 2014 the Group spent SEK 118 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% of electricity requirements for the next four to twelve quarters.
<p>G Production risks The risk of significant supply delays and/or quality issues.</p>	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).
<p>H Property damage and disruptions The risk of a negative impact on earnings and customer confidence as a result of a fire, explosion, natural disaster, damage to machinery, etc.</p>	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.
<p>I Legal risks The risk of significant disputes with different external stakeholders.</p>	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.

<p>J Product liability risk The risk of faults in a product manufactured by Nolato leading to significant financial claims on the Group.</p>	<p>Design liability for products and components usually lies with customers. Nolato's risk is therefore normally limited solely to manufacturing faults.</p>	<p>The Group follows an advanced concept involving competent staff, quality assurance systems and checklists. In many cases, in-line monitoring takes place using automated vision systems. All production units are certified in accordance with ISO 9001. Most are also certified in accordance with industry-specific standards such as ISO/TS 16949 (automotive) and ISO 13485 (medical technology).</p>
<p>K Environmental risks The risk of significant environmental damage, which could lead to costs or have a negative impact on Nolato's reputation.</p>	<p>Nolato's operations do not involve any significant environmental impact as a result of a risk of emissions to air or water or a risk of ground pollution.</p>	<p>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.</p>
<p>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.</p>	<p>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.</p>	<p>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.</p>

Financial risks*	Risk exposure	Risk management
<p>M Customer credit risk The risk of a major customer becoming insolvent and being unable to pay for orders made.</p>	<p>In terms of customers within 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 755 million at year-end (all receivables from all customers).</p>	<p>The Group's revenues are mostly derived from medium-sized and large global customer groups, which reduces the risk of credit losses but does not eliminate them. Nolato continually monitors the development of overdue receivables and the financial position of large customers.</p>
<p>N Foreign exchange risk The risk 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.</p>	<p>Estimated net flows in foreign currency amounted to SEK 320 million at year-end, 50% of which was hedged. This means that SEK 160 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 8 million on Group profit. The Group has SEK 727 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 37 million on the net assets in the Group.</p>	<p>Nolato carries out short-term currency hedging for part of the Group's estimated net exposure in foreign currencies in order to even out fluctuations in earnings. See the table in Note 4 on page 59.</p>
<p>O Interest rate risk The risk that the Group's net interest expense will significantly increase in the event of changes to market interest rates.</p>	<p>Interest-bearing liabilities amounted to SEK 197 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 59 million.</p>	<p>In order to limit interest rate risk, the portion of those interest-bearing liabilities exceeding SEK 400 million must have a fixed interest term maturity structure as follows: Loans with a maturity of up to one year 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>
<p>P Financing and liquidity risk The risk of the Group having problems accessing capital.</p>	<p>Nolato has total loan agreements of SEK 900 million, of which SEK 450 million matures on 31 December 2015 and SEK 450 million matures in July 2017.</p>	<p>In order to maintain financial flexibility and meet the Group's capital requirements, loan facilities are continuously agreed.</p>

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

Consolidated income statement

SEKm	Note	2014	2013
Net sales	5	4,234	4,522
Cost of goods sold	6	- 3,520	- 3,868
Gross profit		714	654
Other operating income	7	5	19
Selling expenses		- 101	- 89
Administrative expenses	8	- 162	- 165
Other operating expenses	9	- 2	- 8
		- 260	- 243
Operating profit	10, 14	454	411
Financial income	11	18	3
Financial expenses	11	- 10	- 11
		8	- 8
Profit after financial income and expenses		462	403
Tax	12	- 98	- 89
Profit for the year attributable to Parent Company shareholders		364	314
Depreciation/amortisation and impairment included at	13	165	157
Earnings per share, basic and diluted (SEK)		13.84	11.94
Number of shares at 31 December (thousand)		26,307	26,307
Average number of shares (thousand)		26,307	26,307

Consolidated comprehensive income

SEKm	2014	2013
Profit for the year attributable to Parent Company shareholders	364	314
Other comprehensive income		
<i>Items that cannot be transferred to profit for the period</i>		
Revaluations of defined benefit pension plans	- 20	9
Tax attributable to items that cannot be reversed to profit for the period	4	- 2
	- 16	7
<i>Items transferred or that could be transferred to profit for the period</i>		
Translation differences for the year on translation of foreign operations	84	15
Changes in the fair value of cash flow hedges for the year	- 4	—
Tax attributable to changes in the fair value of cash flow hedges for the year	1	—
	81	15
Total other comprehensive income, net	65	22
Comprehensive income for the year attributable to Parent Company shareholders	429	336

Comments on the consolidated income statement

Net sales

Consolidated net sales for 2014 totalled SEK 4,234 million (4,522), a drop of 6%. Adjusted for currency, acquisitions and disposals, sales fell by 8%.

Nolato Medical sales rose by 5% to SEK 1,333 million (1,274). Adjusted for currency, sales remained unchanged. Volumes were lower in Packaging, affected by lower demand in eastern Europe. Other segments were positive.

Nolato Telecom's sales fell by 13% to SEK 1,799 million (2,079). Adjusted for currency, sales decreased by 18%. Sales increased sequentially during the year and volumes in the fourth quarter were exceptionally high. The positive trend in the second half of the year was due to the success of many customers' phone models on the consumer market, as well as continued good development for Nolato's operations within electromagnetic shielding (EMC). The high volumes on the consumer market are judged to be temporary, however, and a return to more normal levels is expected during the first quarter of 2015. The expansion of 3G/4G networks contributes to increased sales in EMC.

Nolato Industrial's sales were SEK 1,106 million (1,170). Adjusted for currency and disposals, sales rose by 3%. Demand in the automotive segment was good and most of the other segments were stable. Increased market share gives a positive effect.

Gross profit

Gross profit was SEK 714 million (654) and increased through improved margins in all business areas, mainly at Nolato Telecom, which showed the largest increase in margin. Gross profit is sales minus the cost of goods sold. The cost of goods sold consists of production costs for materials and manufacturing salaries, as well as other production expenses.

As a percentage of sales, the gross margin was 2.4 percentage points higher than in 2013, chiefly due to higher capacity utilisation, but also as a result of continuous improvement and greater efficiency. This contributed to increased profitability.

Total depreciation increased to SEK 165 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 145 million (136).

Other operating income

Other operating income decreased mainly owing to a one-off item in year 2013 of SEK 12 million for an allocation payment from a previous bankruptcy.

Selling and administrative expenses

Selling and administrative expenses increased compared to 2013 and amounted to SEK 263 million (254). 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 a value in the acquisition analysis in connection with acquisitions.

Other operating expenses

These decreased due to a one-off item in year 2013 of SEK 8 million for a capital loss from the sale of a subsidiary.

Operating profit

Operating profit rose to SEK 454 million (411). The increase was achieved by sharply improved earnings for Nolato Telecom, improved earnings for Nolato Medical and essentially unchanged results for Nolato Industrial.

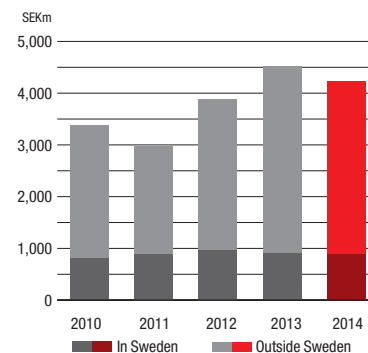
Net financial income/expense

Net financial income/expense improved dramatically. Among the financial revenues is a one-off item of SEK 8 million (0) from the reversal of a previous debt relating to an acquisition in 2012 in England. Net interest income also improved due to lower average debt compared to 2013. In addition, the net exchange differences on financial items were more advantageous. Profit after net financial income/expense was SEK 462 million (403).

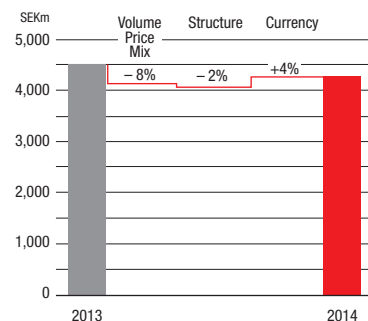
Profit after tax

Profit after tax rose to SEK 364 million (314), with earnings per share of SEK 13.84 (11.94). The effective tax rate was 21% (22). The lower tax rate was mainly due to an increased share of earnings in countries with lower tax rates.

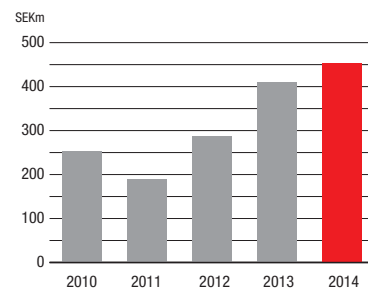
Sales



Changes in sales



Operating profit (EBIT)



Consolidated balance sheet

SEKm	Note	2014	2013
Assets			
Non-current assets			
Intangible non-current assets	15	549	538
Property, plant and equipment	16	894	733
Non-current financial assets	17	2	2
Other non-current receivables		1	2
Deferred tax assets	12	45	36
Total non-current assets		1,491	1,311
Current assets			
Inventories	18	264	259
Accounts receivable	17	755	598
Current tax assets		18	3
Other current assets	19	130	81
Other current financial assets	17	—	3
Cash and bank balances	17	256	318
Total current assets		1,423	1,262
Total assets		2,914	2,573
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	20	132	132
Other capital contributed		228	228
Other reserves	21	100	19
Retained earnings		1,107	969
Total shareholders' equity		1,567	1,348
Non-current liabilities			
Provisions for pensions and similar obligations	23	128	111
Deferred tax liabilities	12	61	84
Other provisions	24	29	30
Total non-current liabilities		218	225
Current liabilities			
Accounts payable	22	589	524
Current tax liabilities		41	7
Other current financial liabilities	22	79	85
Other current liabilities	25	420	384
Total current liabilities		1,129	1,000
Total liabilities		1,347	1,225
Total liabilities and shareholders' equity		2,914	2,573
Pledged assets		—	—
Contingent liabilities	26	3	3

Comments on the consolidated balance sheet

Assets

Non-current assets increased, as net investments were higher than depreciation/amortisation of SEK 165 million for the year. Net investments amounted to SEK 215 million. During the year, investments were primarily for expansion in China, Hungary and Malaysia where production plants were expanded along with increased industrial capacity. Other changes in assets consist of translation effects of assets in foreign companies.

Cash and bank balances decreased to SEK 256 million (318).

Shareholders' equity

Total comprehensive income for 2014 of SEK 429 million, which consists of net income and currency effects from exchange rate differences and revaluation of defined benefit pension plans, has increased in shareholders' equity. Dividends to the amount of SEK 210 million were paid, thereby reducing shareholders' equity. The return on shareholders' equity was essentially unchanged at 25.0% (24.9).

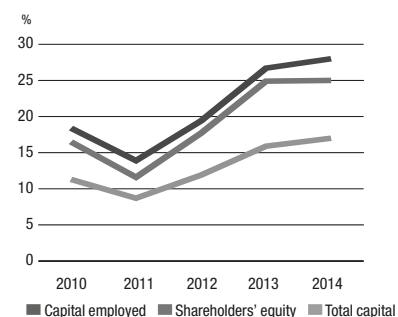
Liabilities

Accounts payable increased slightly compared with 2013. The average total working capital requirement in relation to sales was a low 1.6% (1.3). The improvement in earnings meant that, despite an increase in average capital employed, the return on capital employed rose to a strong 28.4% (26.7).

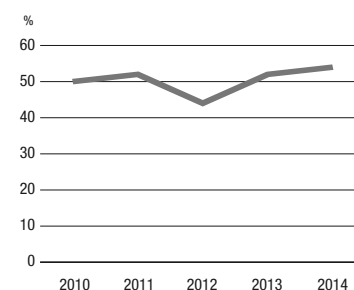
Interest-bearing liabilities were unchanged at SEK 197 million (196). Interest-bearing assets decreased to SEK 256 million (318), thus decreasing the financial net asset to SEK 59 million (122).

Nolato has loan agreements of SEK 900 million, of which SEK 450 million matures at the turn of 2015/2016 and SEK 450 million matures in July 2017. Of these amounts, SEK 831 million was unutilised at the close of 2014. The loan agreements' credit frameworks mainly provide capacity for capital requirements in the event of future acquisitions.

Return



Equity/assets ratio



Financial position SEKm	31/12/2014	31/12/2013
Interest-bearing liabilities, credit institutions	-69	-85
Interest-bearing pension liabilities	-128	-111
Total borrowings	-197	-196
Cash and bank balances	256	318
Net financial assets (+) / net financial liabilities (-)	59	122
Working capital	107	29
As a percentage of sales (avg.) (%)	1.6	1.3
Capital employed	1,764	1,544
Return on capital employed (avg.) (%)	28.4	26.7
Shareholders' equity	1,567	1,348
Return on shareholders' equity (avg.) (%)	25.0	24.9

Changes in consolidated shareholders' equity SEKm

	Attributable to Parent Company shareholders					Total shareh. equity
	Share-capital	Other capital contributed	Hedging reserves	Translation reserves	Retained earnings	
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
Opening balance, 1 January 2014	132	228	1	18	969	1,348
Profit for the year	—	—	—	—	364	364
Other comprehensive income for the year	—	—	-3	84	-16	65
Comprehensive income for the year	—	—	-3	84	348	429
Dividend for 2013	—	—	—	—	-210	-210
Closing balance, 31 December 2014	132	228	-2	102	1,107	1,567

Consolidated cash flow statement

SEKm	Note	2014	2013
	28		
Operating activities			
Operating profit		454	411
<i>Adjustments for items not included in cash flow:</i>			
Depreciation/amortisation and impairment		165	157
Provisions		12	12
Unrealised exchange rate differences		29	2
Other items		—	8
Pension payments		– 5	– 5
Interest received		4	3
Interest paid		– 8	– 11
Realised exchange rate differences		– 25	– 3
Income tax paid		– 88	– 123
Cash flow from operating activities before changes in working capital		538	451
Cash flow from changes in working capital			
Changes in inventories		13	20
Changes in accounts receivable		– 126	69
Changes in accounts payable		– 40	– 1
Other changes in working capital		– 55	– 27
		– 208	61
Cash flow from operating activities		330	512
Investment activities			
Acquisition of property, plant and equipment		– 204	– 151
Sale of property, plant and equipment		1	1
Sale of operations, net of cash and cash equivalents		—	6
Cash flow from investment activities		– 203	– 144
Cash flow before financing activities		127	368
Financing activities			
Borrowings		19	—
Repayment of loans		– 36	– 169
Dividend paid		– 210	– 158
Cash flow from financing activities		– 227	– 327
Cash flow for the year		– 100	41
Cash and cash equivalents, opening balance		318	272
Exchange rate difference in cash and cash equivalents		38	5
Cash and cash equivalents, closing balance		256	318

Comments on the consolidated cash flow statement

Cash flow from operating activities

Cash flow before investments and disposals fell to SEK 330 million (512). Increased activity and a positive sales trend in the fourth quarter resulted in increased customer and project receivables during 2014. The change in working capital was negative at SEK 208 million (+61).

Cash flow from investment activities

Net investments affecting cash flow totalled SEK 203 million (SEK 144 million in the previous year, of which the sale of the company Nolato Sunne accounted for SEK 6 million).

In 2014, net investments in property, plant and equipment were SEK 203 million (150, excluding companies sold). The investments in property, plant and equipment chiefly comprised machinery and equipment, as well as construction in progress, but also investments in buildings and land in connection with construction and extensions of factories in China, Hungary and Malaysia.

Investments affecting cash flow excluding acquisitions and disposals are distributed across the Group's business areas as follows: SEK 78 million (49) for Nolato Medical, SEK 30 million (53) for Nolato Telecom and SEK 95 million (48) for Nolato Industrial.

For Nolato Medical, investments chiefly consisted of further machinery capacity in Sweden, UK, Hungary and USA, primarily for new customer projects. The extensions

to the factories in China are wholly for Nolato Medical and partially in Hungary (jointly with Nolato Industrial). Nolato Telecom's investments consisted mainly of technology initiatives, expansion of EMC production in Malaysia and investments in the replacement of machinery in China. Nolato Industrial has made investments in further machinery capacity for new projects, and partly in the factory extension in Hungary.

Investments (net)	2014	2013
Buildings and land	39	- 2
Machinery and equipment	132	88
Construction in progress	32	64
Total investments	203	150

Affecting cash flow, excluding acquisitions and disposals

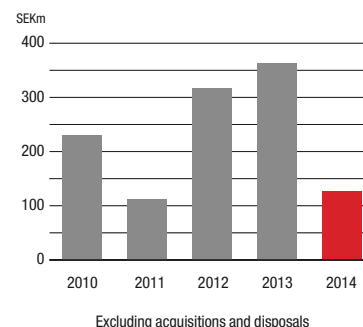
Cash flow after investment activities

Cash flow after investments was SEK 127 million (362, excluding the disposal of a subsidiary).

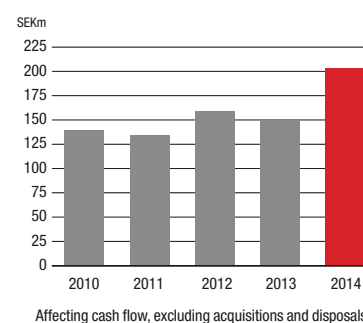
Cash flow from financing activities

Financing activities describe the Group's financing and dividends to shareholders, and totalled a net amount of SEK -227 million (-327). This consists of net amortised borrowings of SEK -17 million (-169) and paid dividends of SEK -210 million (-158).

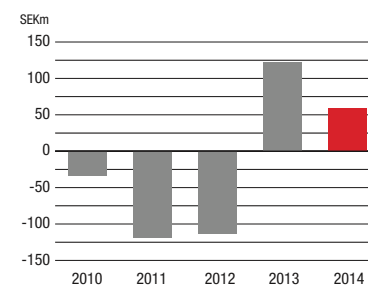
Cash flow after investments



Investments



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



The year 2010 is 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.

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 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 the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as adopted by the EU, and interpretations from the IFRS Interpretations Committee. 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 2014 have not materially affected the consolidated accounts.

New IFRS standards and interpretations not yet applied

IASB and IFRS Interpretations Committee have issued new standards and statements which come into force for financial years beginning on 1 January 2015 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 in 2015.

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 meas-

ured 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.

Judgements 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

Subsidiaries are companies in which Nolato AB has a direct or indirect controlling influence. Controlling influence exists if Nolato AB has influence over the investee, is exposed to or has the right to variable returns from its involvement and can use its influence over the investment in order to affect returns. In assessing whether controlling influence exists, potential voting shares are considered and whether de facto control exists.

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 reported 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, 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 be the functional currency.

Transactions in foreign currencies are translated into the functional currency at the rate in effect on the transaction date. Exchange rate gains and losses arising from the payment of such transactions and from the revaluation of monetary assets and liabilities denominated in foreign currencies at the rate on the balance date are reported 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 indeterminate useful life, goodwill, are not amortised but impairment-tested at least once a year or when there is an indication of a need for 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 reported amount may not be recoverable. An impairment is taken in the amount at which the reported 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 2014 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 had a share-based remuneration scheme in which payment would ultimately be made in cash. The scope and conditions of the programme are detailed in Note 10 under "Stock options programme". Remuneration was measured at fair value and recognised as an expense with a corresponding increase in liabilities.

Fair value was calculated initially at the time of issue and allocated over the vesting period. The fair value of cash-settled options was calculated according to the Black & Scholes model. At the date of measurement, the terms and conditions of the issued instruments were taken into account. The liability was revalued on each balance sheet date and at the time of

cash settlement. All changes in the fair value of the liability were recognised in the income statement as a personnel cost.

The basis for provisioning and expensing social security contributions in relation to share-based remuneration has been 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 128 million (111).

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 fi-

ancial 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 2014, Nolato's sales to countries outside Sweden accounted for 79% (80). 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% in the event that the currency flow has a countervalue exceeding SEK 1.5 million. The consolidated income statement includes exchange rate differences of SEK -2 (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 6 (0) million in net financial income/expense.

At the end of 2014, the Group had the following currency hedges in relation to anticipated payment flows in CNY, EUR, GBP and USD for 2015. 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 2014 was SEK -10 million (3). The market value of contracts identified as cash flow hedges that meet the conditions for hedge accounting was SEK -6 million (1).

	Nominal value in contract	Average rate (SEK)	Market value	Reported in income statement	Reported in other comprehensive income
CNY (net sales)	-7	1.13	-1	—	-1
EUR (net purch.)	44	9.16	-2	-1	-1
GBP (net sales)	-107	11.87	-1	-2	—
USD (net sales)	-246	7.42	-6	-5	-1
Total	-316		-10	-8	-3

Gains and losses in other comprehensive income in relation to currency forward contracts at 31 December 2014 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	Percentage	Average rate
CNY	14	7	50%	1.13
EUR	120	57	48%	9.01
USD	186	96	52%	7.16
Total	320	160	50%	

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 2014 the effect of the currency derivatives on operating profit was SEK -3 million (0).

Transaction exposure at end of year (cash flow hedging)

SEKm	12 month unhedged estimated net flows	Change in currency	Effect on earnings
CNY	7	+/- 5%	—
EUR	63	+/- 5%	3
USD	90	+/- 5%	5
Total	160		8

At the end of the year, the Group had SEK 160 million in unhedged assessed currency flows, including effects from currency hedges. A change in the value of the Swedish krona of +/-5% would have an impact of SEK 8 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, 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	-4	—
Nolato USA, USD	17	-1
Nolato Jaycare, GBP	113	-6
Nolato Beijing Automotive, CNY	-1	—
Nolato Beijing Medical, CNY	2	—
Nolato Beijing Mobile, CNY	313	-16
Nolato Lovepac Converting, CNY	56	-3
Nolato Lovepac Converting India, INR	-21	1
Nolato EMC Prod. Center, MYR	2	—
Nolato Hungary, EUR	248	-12
Cerbo Norge, NOK	2	—
Cerbo France, EUR	—	—
Total	727	-37

The Group has SEK 727 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 -37 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 197 million (196). 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%

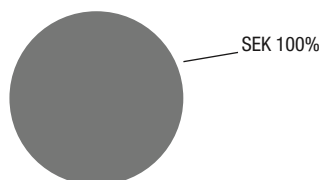
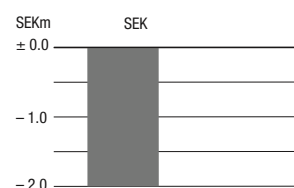
The average fixed interest term, including the effects of financial instruments, shall never exceed 3 years.

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 interestbearing securities or bank deposits. The term of the investments may not exceed three months.

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 900 million, of which SEK 450 million matures on 31 December 2015 and SEK 450 million matures on 21 July 2017.

Breakdown of interest-bearing liabilities by currency**Interest rate effect on interest-bearing liabilities at 31 December 2014**

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, SEK	-69	—	1	1	1.2
Pension liability, SEK	-128	—	—	—	3.5
Total	-197	—			2.3
Interest-bearing assets					
Cash and cash equivalents	256		—	—	1.9
Total financial net asset	59				

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	20 MUSD	7.5891	30/12/2015
Nolato Holdings UK Ltd, Storbritannien	9 MGBP	11.8683	30/12/2015
Nolato Hungary Kft, Hungary	2 MEUR	9.5020	30/12/2015

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 8 million/EUR 2 million at a rate of 4.5548 maturing on 30 December 2015.

On 31 December the Group's financial liabilities stood at SEK 796 million (720). 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	306	270	9	4	589

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 755 million (601), consisting essentially of SEK 755 million (598) of accounts receivable.

Accounts receivable are continually analysed at the 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 product systems and components for medical technology and advanced packaging solutions for pharmaceuticals and diet supplements. 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 designs, 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 2014, 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 components and product systems in plastic and TPE for customers in the automotive industry, hygiene, packaging, gardening/forestry, white goods and other selected industry segments. The market is frag-

mented and diversified, with a large number of customers and many 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, Romania and China. 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	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
External sales										
External sales	1,333	1,274	1,796	2,070	1,105	1,170	—	8	4,234	4,522
Internal sales	—	—	3	9	1	—	-4	-9	—	—
Net sales	1,333	1,274	1,799	2,079	1,106	1,170	-4	-1	4,234	4,522
Profit										
Operating profit (EBITA)	176	165	199	166	118	119	-23	-23	470	427
Amort. of intang. assets arising from company acq.	-13	-13	—	—	-3	-3	—	—	-16	-16
Operating profit	163	152	199	166	115	116	-23	-23	454	411
Financial income									18	3
Financial expenses									-10	-11
Tax expenses for the year									-98	-89
Profit for the year									364	314
Receivables and liabilities										
The segments' assets	1,259	1,104	763	611	819	667	-232	-170	2,609	2,212
Unallocated assets									305	361
Total assets	1,259	1,104	763	611	819	667	-232	-170	2,914	2,573
The segments' liabilities	382	298	616	560	261	239	-199	-182	1,060	915
Unallocated liabilities									287	310
Total liabilities	382	298	616	560	261	239	-199	-182	1,347	1,225
Other information										
Investments (activated)	105	52	34	53	123	46	-2	—	260	151
Depreciation and amortisation	76	75	42	39	44	43	—	—	162	157
Impairment	—	—	3	—	—	—	—	—	3	—
Significant items, other than depr./amort. with no offsetting payments, impairment and provisions	-26	-2	-3	2	-27	—	—	—	-56	—

Cash flow from operations, allocated by segment	2014				2013			
	Nolato Medical	Nolato Telecom	Nolato Industrial	Total	Nolato Medical	Nolato Telecom	Nolato Industrial	Total
Cash flow from operations before changes in working capital	239	244	159	642	226	205	158	589
Changes in working capital	- 14	- 62	- 72	- 148	12	41	4	57
Cash flow from operations	225	182	87	494	238	246	162	646
Unallocated items ¹⁾				- 164				- 134
Total cash flow from operations				330				512

Cash flow from investing activities, allocated by segment	2014				2013			
	Nolato Medical	Nolato Telecom	Nolato Industrial	Total	Nolato Medical	Nolato Telecom	Nolato Industrial	Total
Acquisition of non-current assets ²⁾	- 79	- 30	- 95	- 204	- 49	- 54	- 48	- 151
Sale of non-current assets	1	—	—	1	—	1	—	1
Sale of operation				—				6
Cash flow from investment activities	- 78	- 30	- 95	- 203	- 49	- 53	- 48	- 144

¹⁾ For 2014, the Group's change in working capital was SEK -208 million and, allocated by business area, according to the above is SEK -148 million. The difference of SEK -60 million is included in the amount of SEK -164 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 -88 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 56 million (1).

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 country		Other Europe		North America etc.		Asia		Group	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
External sales	872	882	177	166	1,222	1,145	330	333	1,633	1,996	4,234	4,522
Assets	1,198	1,102	—	—	635	543	200	163	881	765	2,914	2,573
Average number of employees	765	814	—	—	804	807	169	167	6,282	7,569	8,020	9,357
Investments (activated)	129	73	—	—	83	21	13	6	35	51	260	151

Note 6 Research and development

	2014	2013
Development expenditure for customer-specific products	227	211
Total	227	211

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

	2014	2013
Bankruptcy payment	—	12
Others	5	7
Total	5	19

Note 8 Information on remuneration to auditors

The company's auditing firm has received remuneration:

SEK thousand	2014	2013
<i>KPMG:</i>		
Auditing	2,720	2,534
Taxation duties	384	542
Other duties	1,957	255
Total	5,061	3,331

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

	2014	2013
Effect of exchange rate on receivables/liabilities, net	- 2	—
Capital loss on sale of subsidiary	—	- 8
Total	- 2	- 8

Note 10 Personnel

Average number of employees

	2014		2013	
	Number	Of which men	Number	Of which men
Parent Company				
Nolato AB, Torekov, Sweden	10	80%	11	82%
Group Company				
Cerbo France Sarl, France	1	0%	1	0%
Lövepac Converting Ltd, China	605	40%	675	35%
Lövepac Converting Private Ltd, India	—	—	3	100%
Nolato Beijing Ltd, China	5,593	46%	6,842	39%
Nolato Cerbo AB, Trollhättan, Sweden	109	59%	110	57%
Nolato Contour, Inc., USA	169	55%	167	57%
Nolato EMC Production Center SDN BHD, Malaysia	47	51%	49	24%
Nolato Gota AB, Götene, Sweden	128	71%	107	68%
Nolato Hertila AB, Åstorp, Sweden	24	63%	23	65%
Nolato Hungary Kft, Hungary	516	43%	506	47%
Nolato Jaycare Ltd, UK	259	79%	271	77%
Nolato Lövepac AB, Skånes Fagerhult, Sweden	41	59%	40	70%
Nolato Medical Device Co. Ltd, China	37	49%	—	—
Nolato MediTech AB, Hörby, Sweden	184	58%	175	54%
Nolato MediTor AB, Torekov, Sweden	53	53%	56	54%
Nolato Plastteknik AB, Göteborg, Sweden	105	70%	102	70%
Nolato Polymer AB, Torekov, Sweden	63	78%	72	76%
Nolato Romania Srl, Romania	28	39%	29	45%
Nolato Silikonteknik AB, Hallsberg, Sweden	48	73%	36	69%
Nolato Sunne AB, Sunne, Sweden	—	—	82	76%
Total	8,020	49%	9,357	43%

Costs for remuneration to employees

	2014	2013
Salaries and remuneration, etc.	873	850
Pension expenses, Note 23	78	81
Social security contributions	161	164
Total	1,112	1,095

There are 121 (134) senior executives within the Group. Expensed remuneration and benefits for the senior executives during the year totalled SEK 111 million (116), of which SEK 15 million (19) relates to bonus.

Gender distribution of senior executives

	2014		2013	
	Men	Women	Men	Women
Board members	43	2	50	3
Managing directors	15	—	16	—
Other senior executives	43	18	46	19
Total	101	20	112	22

Remuneration to the Board and senior executives

Remuneration and other benefits during 2014

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	455	—	—	—	—	—	455
Board member, Dag Andersson	175	—	—	—	—	—	175
Board member, Sven Boström Svensson	175	—	—	—	—	—	175
Board member, Åsa Hedin	175	—	—	—	—	—	175
Board member, Henrik Jorlén	210	—	—	—	—	—	210
Board member, Lars-Åke Rydh	230	—	—	—	—	—	230
President and CEO, Hans Porat	4,836	2,418	1,082	147	3,460	67	12,010
Other senior executives (4 people)	9,553	3,019	—	396	2,105	180	15,253
Total	15,809	5,437	1,082	543	5,565	247	28,683

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

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.

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 2014, 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 2014, the outcome for the President and CEO was 50% of base salary (50) and for senior executives it was 24-40% of base salary (24-40).

Stock options programme

Previously there was a cash-based synthetic stock options programme for the President and CEO. The programme covered the period 1 April 2011 to 31 March 2014. The agreement entitled the President and CEO to a stock yield-based bonus, the value of which amounted 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 was 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 could only be awarded to the President and CEO after the programme matured. The cost of the programme for the year was charged to profit in the amount of SEK 1,082 thousand (6,007). At the end of 2013, the total value of the bonus programme was deemed to be SEK 8,796 thousand including social security contributions. The programme ended on 31 March 2014.

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. There is an additional pension premium paid at a fixed amount of SEK 500 thousand per quarter to the President and CEO, according to a new agreement that runs from 1 April 2014 - 31 March 2017. The agreement requires the CEO remains in service during the period. Variable remuneration does not qualify as pensionable income. For 2014, the pension premium was 72% of the pensionable salary (40).

Other senior executives have defined contribution pension schemes. For 2014, 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. In the event of termination by the company, a notice period of 24 months applies. Other senior executives shall have 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 paid after the notice period.

Note 11 Financial income and expenses

	2014	2013
Interest income	4	3
Interest expenses	-6	-8
Net gains/losses		
Foreign exchange gains and losses, net	6	—
Other financial income	8	—
Other financial expenses	-4	-3
Net financial income/expense	8	-8
<i>Recognised as:</i>		
Financial income	18	3
Financial expenses	-10	-11
Net financial income/expense	8	-8

	2014				2013		
	Interest income	Interest expenses	Net gains/losses	Other	Interest income	Interest expenses	Net gains/losses
<i>Total net financial income/expense per category of financial instruments</i>							
Financial assets/liabilities valued at fair value in income statement							
Derivatives used to hedge intra-Group loans	—	—	-6	—	—	—	2
Bank deposits	4	—	—	—	3	—	—
PRI pension liability	—	-4	—	—	—	-4	—
Borrowings	—	-2	—	—	—	-4	—
Liquidation of subsidiary	—	—	—	-2	—	—	—
Reversal of previously provision for additional consideration for acquisitions in the UK	—	—	—	8	—	—	—
Other financial liabilities	—	-2	12	—	—	-3	-2
Total	4	-8	6	6	3	-11	—

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

Note 12 Tax

Recognised in the income statement

	2014	2013
Current tax expenses		
Tax expenses for the period	-118	-111
Adjustment for tax attributable to previous years	-1	3
	-119	-108
Deferred tax income/expense		
Deferred tax in relation to temporary differences	13	16
Deferred tax attributable to previous years	7	3
Deferred tax as a result of tax rate changes	1	—
	21	19
Total reported tax expense	-98	-89

Reconciliation of effective tax

	2014	2013
Profit before tax	462	403
Tax according to applicable Parent Company tax rate	-102	-89
Effect of other tax rates for foreign Group companies	-3	-2
Non-deductible expenses	-9	-2
Non-taxable revenues	10	—
Tax attributable to previous years	7	6
Effect of change in tax rates	1	—
Effect of non-capitalised deficits arising during the year	-1	-2
Standard interest on tax allocation reserve	-1	—
Recognised effective tax	-98	-89

Swedish corporation tax amounted to 22.0% (22.0) and the effective tax rate was 21.2% (22.1).

Recognised in the balance sheet

	Deferred tax assets		Deferred tax liabilities		Net	
	2014	2013	2014	2013	2014	2013
Intangible non-current assets	—	—	15	23	-15	-23
Property, plant and equipment	27	20	48	42	-21	-22
Inventories	9	6	—	—	9	6
Accounts receivable	4	1	—	—	4	1
Provisions for pensions	13	14	1	—	12	14
Tax allocation reserves	—	—	36	41	-36	-41
Others	35	22	4	5	31	17
Loss carry-forwards	—	—	—	—	—	—
Tax assets/liabilities	88	63	104	111	-16	-48
Offsetting	-43	-27	-43	-27	—	—
Tax assets/liabilities, net	45	36	61	84	-16	-48

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in the Group in relation to loss carry-forwards totalling SEK 26 million (49). These loss carry-forwards relate to the operations in India, and it is unlikely that they will be able to be used against future taxable gains. Loss carry-forwards in India can be utilised rolling for a maximum of 8 years from the year each deficits occurred.

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

	Balance as at 1 Jan 2013	Recognised in profit for the year	Recognised in 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

	Balance as at 1 Jan 2014	Recognised in profit for the year	Recognised in other compreh. income	Acquisitions of business	Disposal of business	Balance as at 31 Dec 2014
Intangible non-current assets	-23	8	—	—	—	-15
Property, plant and equipment	-22	1	—	—	—	-21
Inventories	6	3	—	—	—	9
Accounts receivable	1	3	—	—	—	4
Provisions for pensions	14	-6	4	—	—	12
Tax allocation reserves	-41	5	—	—	—	-36
Others	17	13	1	—	—	31
Loss carry-forwards	—	—	—	—	—	—
Total	-48	27	5	—	—	-16

Tax attributable to other comprehensive income

	2014	2013
Deferred tax attributable to pension provisions (PRI)	4	-3
Deferred tax on currency futures	1	1
Total	5	-2

Note 13 Depreciation, amortisation and impairment

Depreciation/amortisation and impairment is included in operating expenses as follows:

	2014	2013
Customer relations	16	16
Buildings and land	16	16
Machinery and other technical facilities	116	106
Equipment, tools, fixtures and fittings	15	16
Others	2	3
Total	165	157

Depreciation/amortisation and impairment has been allocated as follows:

	2014	2013
Cost of goods sold	145	136
Selling expenses	18	18
Administrative expenses	2	3
Total	165	157

Note 14 Expenses allocated by type of cost

	2014	2013
Raw materials and supplies	- 1,674	- 2,015
Costs for remuneration to employees	- 1,112	- 1,095
Energy costs	- 120	- 115
Other costs	- 714	- 748
Depreciation/amortisation and impairment	- 165	- 157
Total	- 3,785	- 4,130

Note 15 Intangible non-current assets

	Software	Tenancy rights	Customer rel. ¹⁾	Cap. dev. exp.	Goodwill ¹⁾	Total
ACQUISITION COST						
On 1 January 2013	12	5	128	3	483	631
Translation differences	—	—	1	—	2	3
On 1 January 2014	12	5	129	3	485	634
Translation differences	—	—	8	—	25	33
On 31 December 2014	12	5	137	3	510	667
ACCUMULATED DEPRECIATION/AMORTISATION						
On 1 January 2013	- 7	- 4	- 64	- 3	—	- 78
Depreciation/amortisation for the year	- 2	—	- 16	—	—	- 18
On 1 January 2014	- 9	- 4	- 80	- 3	—	- 96
Depreciation/amortisation for the year	- 2	—	- 16	—	—	- 18
Translation differences	—	—	- 4	—	—	- 4
On 31 December 2014	- 11	- 4	- 100	- 3	—	- 118
Book value 31 December 2013	3	1	49	—	485	538
Book value 31 December 2014	1	1	37	—	510	549

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. All 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. The forecasts correspond to historical experience and/or external sources of information.

Goodwill is allocated to Group segments as follows:

	2014	2013
Nolato Medical	407	382
Nolato Industrial		
Nolato Gota AB	41	41
Nolato Hertila AB	62	62
Total	510	485

Assumptions for establishing the discount rate

	2014	Nolato Medical		Nolato Industrial		
		2013	2014	2013	2013	
			Nolato Gota AB	Nolato Hertila AB	Nolato Gota AB	Nolato Hertila AB
Risk-free rate, %	1.3	2.5	1.1	1.1	2.4	2.4
Tax rate, %	24.8	23.2	22.0	22.0	22.0	22.0
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, %	8.4	9.2	9.1	9.1	10.0	10.0

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 need for 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 facilities	Equipment, tools, fixtures and fittings	Construction in progress and advance payments	Total
ACQUISITION COST					
On 1 January 2013	505	1,772	223	47	2,547
Investments	3	87	8	64	162
Grants received ¹⁾	-5	-6	—	—	-11
Subsidiaries sold	-41	-108	-29	—	-178
Sales/disposals	-39	-51	-3	—	-93
Reclassifications	—	49	5	-54	—
Translation differences	4	21	1	—	26
On 1 January 2014	427	1,764	205	57	2,453
Investments	39	124	9	88	260
Sales/disposals	—	-38	-7	—	-45
Reclassifications	12	36	3	-51	—
Translation differences	16	137	7	1	161
On 31 December 2014	494	2,023	217	95	2,829
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
On 1 January 2013	-268	-1,376	-168	—	-1,812
Depreciation for the year	-16	-107	-16	—	-139
Subsidiaries sold	28	99	26	—	153
Sales/disposals	39	50	3	—	92
Translation differences	-1	-12	-1	—	-14
On 1 January 2014	-218	-1,346	-156	—	-1,720
Depreciation and impairment for the year	-16	-115	-16	—	-147
Sales/disposals	—	38	7	—	45
Translation differences	-3	-106	-4	—	-113
On 31 December 2014	-237	-1,529	-169	—	-1,935
Book value 31 December 2013	209	418	49	57	733
Book value 31 December 2014	257	494	48	95	894

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

Note 17 Financial assets

	2014	2013
Accounts receivable	777	605
Deduction: Provision for decline in value of accounts receivable	- 22	- 7
Carrying amount	755	598

The average period of credit in 2014 was 58 days (52). Accounts receivable as a percentage of sales amounted to 17.8% (13.2%). During the year, the Group reversed SEK 6 million (6) of provisions for the decline in value of accounts receivable at 1 January. Provisions for the year totalled SEK 22 million (7). The credit quality of accounts receivable not due and not impaired, and of other financial receivables is deemed to be good.

Total accounts receivable

	Total	Not due	Due ≤15 days	Due 16–60 days	Due > 60 days
2014	777	703	62	11	1
2013	605	543	49	9	4

Accounts receivable, including provisions for decline in value

	Total	Not due	Due ≤15 days	Due 16–60 days	Due > 60 days
2014	755	685	59	10	1
2013	598	540	49	8	1

Other financial assets per category in 2014

	Loans receivable and accounts receivable ¹⁾	Assets available for sale ¹⁾	Derivatives used for hedging accounting	2014 Total
Other securities	—	2	—	2
Accounts receivable	755	—	—	755
Cash and bank balances	256	—	—	256
Derivatives (see Note 4)	—	—	—	—
Carrying amount	1,011	2	—	1,013
Fair value	1,011	2	—	1,013

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

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

	2014	2013
Raw materials and supplies	115	120
Products in manufacturing	42	39
Finished goods and goods for resale	107	100
Total	264	259

During the year, the Group impaired inventories by SEK 48 million (29). Impairment losses for the year are included in *Cost of goods sold* in the income statement.

During the year, reversed impairment losses reported in *Cost of goods sold* amounted to SEK 32 million (33). 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

	2014	2013
Other receivables	103	62
Accrued expenses and deferred income	27	19
Closing balance	130	81

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.:

	2014	2013
Share capital	132	132
Other capital contributed	228	228
Translation reserve	102	18
Hedging reserve	- 2	1
Retained earnings, incl. net income	1,107	969
Total capital	1,567	1,348

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 2014 is shown below.

	2014		2013	
	Financial targets	Outcome	Financial targets	Outcome
EBITA margin	>10%	11.1%	>8%	9.4%
Return on capital employed	N/A	N/A	>15%	26.7%
Cash conversion	>75%	28.0%	N/A	82.0%
Equity/assets ratio	>35%	54.0%	>35%	52.0%

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 50% of profit after tax. For 2014, the Board proposes a dividend of SEK 8.50 per share (ordinary dividend of 4.00 plus an extra dividend of SEK 4.00 per share, totalling SEK 8.00) or SEK 224 million (210). This corresponds to a payout ratio of 61% (67).

Note 21 Other reserves

	Hedging reserve	Transl. reserve	Total
Balance on 1 January 2013	1	3	4
<i>Cash flow hedges:</i>			
Gain from fair value measurement during the year	—	—	—
Translation differences	—	15	15
Balance on 31 December 2013	1	18	19
Opening balance on 1 January 2014	1	18	19
<i>Cash flow hedges:</i>			
Gain from fair value measurement during the year	-3	—	-3
Tax from fair value valuation	1	—	1
Transfers to the income statement	-2	—	-2
Tax on transfers to the income statement	1	—	1
Translation differences	—	83	83
Reversed translation difference from liquidation	—	1	1
Closing balance, 31 December 2014	-2	102	100

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	2014		2013	
		Carrying value	Fair value	Carrying value	Fair value
<i>Current financial liabilities</i>					
Accounts payable	2014-2015	589	589	524	524
Short-term bank loan in SEK (variable rate)	< 3 months	69	69	—	—
Short-term bank loan in USD (variable rate)	< 3 months	—	—	85	85
Derivatives for hedge accounting (see Note 4)		10	10	—	—
Subtotal of current financial liabilities		668	668	609	609
Total		668	668	609	609

Interest-bearing liabilities

At year-end, the Group's interest-bearing liabilities excluding pension liability amounted to SEK 69 million (85). The average interest rate was 1.2% (0.9). The average fixed-interest term was 1 month (1).

Terms and repayment periods

Total credit lines granted in the Group amount to SEK 900 million (800). Of this amount, SEK 450 million is available through 31 December 2015 and SEK 450 million through 21 July 2017. 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 52 million (48). 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

	Operating leases
<i>Non-cancellable lease agreements total:</i>	
Within 1 year	53
Between 1 and 5 years	62
Total	115

Note 23 Provisions for pensions and similar obligations

	2014	2013
Net present value of defined benefit pension plans	127	110
Other pension schemes	1	1
Total	128	111

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:

	2014	2013
Balance on 1 January	110	130
Benefits vested during the period	2	1
Interest expenses	4	4
Benefits redeemed	—	—
Pension payments	– 5	– 5
Actuarial gain (–) / loss (+)	16	– 7
Divested subsidiary	—	– 13
Total	127	110

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

	2014	2013
Expenses related to service during the financial year	2	1
Interest expense	4	4
Expense for special employer's contribution and tax on returns	1	1
Total expense for defined benefit pension schemes	7	6
Expense for defined contribution schemes	64	69
Expense for special employer's contribution	7	6
Total pension expense	78	81

Expenses for defined benefit pension schemes are recognised on the following lines in the income statement as follows:

	2014	2013
<i>Amounts charged to operating profit:</i>		
Cost of goods sold	2	2
Administrative expenses	1	1
<i>Amounts charged to financial expenses:</i>		
Interest expenses	4	4
Total	7	7

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

	2014	2013
Actuarial gains (+) / losses (–)	– 16	7
Special employer's contribution and tax on returns	– 4	2
Deferred income tax	4	– 2
Total	– 16	7

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

	2014	2013
Accumulated at 1 January	– 32	– 35
Divestment of subsidiaries	—	– 4
Recognised in the period	– 16	7
Accumulated at 31 December	– 48	– 32

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

%	2014	2013
Discount rate	2.85	3.80
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 2014 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 (4). Alecta's surplus can be allocated to policyholders and/or insured parties. On 31 December 2014, Alecta's surplus, in the form of the collective funding ratio, amounted to 143% (148). 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	30	30
Provisions for the year	7	7
Amounts claimed	– 8	– 8
Amount on 31 December	29	29

The amount utilised relates to the reversal of a previously allocated debt for consideration in acquisitions in England.

The amount at year-end refers to a provision for the restoration of leased property, SEK 11 million, a provision for special payroll tax in accordance with IAS 19 for PRI pension liability, SEK 10 million, and a provision for special employer's contribution in respect of an endowment insurance, SEK 8 million.

Note 25 Other current liabilities

	2014	2013
Customer advances	17	25
Other current liabilities	36	41
<i>Accrued expenses and deferred income</i>		
Salary liabilities	95	95
Social security contributions	37	37
Deliveries of goods received, not invoiced	104	87
Energy costs	14	13
Rents	12	9
Claims	13	9
Maintenance	36	11
Other items	56	57
Subtotal of accrued expenses and deferred income	367	318
Total	420	384

Note 26 Contingent liabilities

	2014	2013
Guarantee commitments, FPG/PRI	3	3
Total	3	3

Note 27 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 28 Cash flow

	2014	2013
<i>The following subcomp. are included in cash and cash equivalents:</i>		
Cash and bank balances	239	278
Credit balance on Group account in Parent Company	17	40
Total c.a.c.e. reported in the cash flow statement	256	318

Unutilised credit

At the balance sheet date, unutilised credit within the Group stood at SEK 831 million (715).

Parent Company income statement

SEKm	Note	2014	2013
Net sales	2	29	23
Other operating income	3	—	2
Selling expenses		-11	-8
Administrative expenses	4	-50	-48
Other operating expenses	5	-4	—
		-65	-54
Operating profit	2,6,12	-36	-31
Profit from participations in Group companies	7	91	113
Financial income	8	34	22
Financial expenses	9	-4	-19
		121	116
Profit after financial income and expenses		85	85
Appropriations	10	291	157
Tax	11	-66	-48
Profit for the year		310	194

Parent Company comprehensive income

SEKm	2014	2013
Profit for the year	310	194
Other comprehensive income		
<i>Items transf. or that could be transf. to profit for the period</i>		
Exchange rate diff. on monetary items in rel. to overseas net inv.	-2	—
Comprehensive income for the year	308	194

Parent Company balance sheet

SEKm	Note	2014	2013
Assets			
Non-current assets			
Intangible non-current assets		—	1
Property, plant and equipment		1	—
Participations in Group companies	13	733	609
Receivables from Group companies	16	392	419
Other non-current receivables		2	2
Deferred tax assets	11	6	4
Total non-current assets		1,134	1,035
Current assets			
Receivables from Group companies		424	346
Prepaid expenses and accrued income		4	3
		428	349
Cash and bank balances		17	40
Total assets		1,579	1,424
Shareholders' equity and liabilities			
Shareholders' equity			
<i>Restricted equity</i>			
Share capital (26,307,408 shares)	14	132	132
Statutory reserve		228	228
		360	360
<i>Unrestricted equity</i>			
Translation reserve		-3	-1
Retained earnings		366	382
Profit for the year		310	194
		673	575
Total shareholders' equity		1,033	935
Untaxed reserves	19	161	181
Other provisions	17	9	6
Current liabilities			
Liabilities to credit institutions	15	50	85
Accounts payable		3	1
Liabilities to Group companies		283	175
Current tax liabilities		26	4
Other liabilities		1	9
Accrued expenses and deferred income	18	13	28
Total current liabilities		376	302
Total shareholders' equity and liabilities		1,579	1,424
Pledged assets		—	—
Contingent liabilities	20	133	98

Parent Company changes in shareholders' equity

SEKm	Restricted equity		Translation reserve	Unrestricted equity	
	Share-capital	Statutory reserve		Retained earnings	Total sh. equity
Opening balance on 1 Jan 2013	132	228	-1	540	899
Profit for the year	—	—	—	194	194
Other comprehensive income for the year	—	—	—	—	—
Comprehensive income for the year	—	—	—	194	194
Dividend for 2012	—	—	—	-158	-158
Closing balance at 31 Dec 2013	132	228	-1	576	935
Opening balance on 1 Jan 2014	132	228	-1	576	935
Profit for the year	—	—	—	310	310
Other comprehensive income for the year	—	—	-2	—	-2
Comprehensive income for the year	—	—	-2	310	308
Dividend for 2013	—	—	—	-210	-210
Closing balance at 31 Dec 2014	132	228	-3	676	1,033

Parent Company cash flow statement

SEKm	Note	2014	2013
	22		
Operating activities			
Operating profit		-36	-31
Adjustments for items not included in cash flow		1	1
Dividends from subsidiaries		18	27
Liquidation profit from subsidiaries		—	5
Interest received		19	22
Interest paid		-4	-6
Other financial income		4	—
Realised exchange rate differences		-34	-3
Income tax paid		-42	-55
Cash flow from operating activities before changes in working capital		-74	-40
Changes in working capital			
Changes in operating receivables and operating liabilities		195	260
Cash flow from operating activities		121	220
Investment activities			
Acquisition of financial assets		-6	—
Shareholders' contribution		-118	-91
Sale of financial assets		—	21
Cash flow from investment activities		-124	-70
Cash flow before financing activities		-3	150
Financing activities			
Repayment of loans		-35	-169
Change in long-term intra-Group transactions		66	7
Dividend paid		-210	-158
Group contributions received		165	174
Group contributions paid		-6	-6
Cash flow from financing activities		-20	-152
Cash flow for the year		-23	-2
Cash and cash equivalents, opening balance		40	42
Cash and cash equivalents, closing balance		17	40

Notes to 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 2014 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 284 thousand (417).

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.

Recognition of 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

	2014	2013
Sales of services to subsidiaries	29	23
Purchase of services from subsidiaries	- 4	- 4

Note 3 Other operating income

	2014	2013
Exchange gains	—	2
Total	—	2

Note 4 Information on remuneration to auditors

The company's auditing firm has received remuneration:

SEK thousand	2014	2013
<i>KPMG:</i>		
Auditing	608	573
Taxation duties	107	330
Other duties	1,948	237
Total	2,663	1,140

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

	2014	2013
Effect of exchange rate on receivables/liabilities, net	- 4	—
Total	- 4	—

Note 6 Personnel

Average number of employees

	2014		2013	
	Number	Of which men	Number	Of which men
Nolato AB, Torekov	10	80%	11	82%

Costs for remuneration to employees

	2014	2013
Salaries and remuneration	28	32
Pension expenses, defined contribution plans	7	8
Social security contributions	8	10
Total	43	50

There are 5 (5) senior executives at the Parent Company. Expensed remuneration and benefits for senior executives at the Parent Company during the year totalled SEK 21 million (25), of which SEK 7 million (11) relates to bonuses. Of the Parent Company's pension expenses, SEK 3.5 million (1.9) 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

	2014		2013	
	Men	Women	Men	Women
Board members	7	2	7	3
CEO	1	—	1	—
Other senior executives	4	—	4	—

Note 7 Profit from participations in Group companies

	2014	2013
Dividend received from Group companies	18	27
Anticipated dividend from Group companies	70	92
Liquidation profit from Group companies	3	5
Capital loss on sale of subsidiary	—	- 11
Total	91	113

Note 8 Financial income

	2014	2013
Interest income, Group companies	19	22
Repayment of impaired non-current loan receivable, Group companies	4	—
Insurance recourse ¹⁾	3	—
Exchange rate differences	8	—
Total	34	22

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

¹⁾ Relates to a bankruptcy payment of a previously credit-insured customer.

Note 9 Financial expenses

	2014	2013
Interest expense, credit institutions	- 2	- 3
Other financial expenses	- 2	- 3
Insurance recourse ¹⁾	—	- 11
Exchange rate differences	—	- 2
Total	- 4	- 19

¹⁾ 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 10 Appropriations

	2014	2013
Group contributions received	276	165
Group contributions paid	- 6	- 6
Reversal of tax allocation reserve	21	45
Allocation to tax allocation reserve	—	- 47
Total	291	157

Note 11 Tax

Recognised in the income statement

	2014	2013
Current tax expense (-) / income (+)		
Tax expense for the period	- 68	- 33
Adjustment for tax attributable to previous years	—	- 15
	- 68	- 48
Deferred tax income/expense		
Deferred tax in relation to temporary differences	2	—
Total reported Parent Company tax expense	- 66	- 48

Reconciliation of effective tax

The tax rate applicable is 22%.

	2014	2013
Profit before tax	376	242
Tax according to applicable Parent Company tax rate	- 83	- 53
Non-deductible expenses	- 7	- 7
Non-taxable income	23	27
Tax attributable to previous years	—	- 15
Standard interest on tax allocation reserve	1	—
Recognised effective tax	- 66	- 48
Recognised in the balance sheet		
	2014	2013
Other provisions	2	1
Others	4	3
Total	6	4

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

	Balance as at 01/01/2013	Recognised in profit for the year	Recognised in equity	Balance as at 31/12/2013
Other provisions	1	—	—	1
Others	3	—	—	3
Total	4	—	—	4
	Balance as at 01/01/2014	Recognised in profit for the year	Recognised in equity	Balance as at 31/12/2014
Other provisions	1	1	—	2
Others	3	1	—	4
Total	4	2	—	6

Note 12 Expenses allocated by type of cost

	2014	2013
Costs for remuneration to employees	- 43	- 50
Insurance policies	- 5	- 3
Consultancy expenses	- 6	- 3
Effect of exchange rate on receivables/liabilities, net	- 4	—
Other costs	- 7	—
Total	- 65	- 56

Note 13 Participations in Group companies

	2014	2013
Acquisition cost on 1 January	964	905
Acquisitions	6	—
Shareholders' contribution	118	91
Disposals	—	- 32
Accumulated acquisition cost on 31 December	1,088	964
Accumulated impairment losses on 1 January	- 355	- 355
Impairment losses for the year	—	—
Accumulated impairment losses on 31 December	- 355	- 355
Carrying amount	733	609

	Particip. interest		Carr. amount	
	2014	2013	2014	2013
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%		
Kartongprodukter 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, USA	100%	100%	—	—
Nolato Contour Inc, USA	100%	100%		
Nolato Gota AB, Götene, Sweden	100%	100%	129	79
Nolato Hertila AB, Åstorp, Sweden	100%	100%	41	31
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%	—	—
Nolato Lövepac AB, Skånes Fagerhult, Sweden	100%	100%	10	10
Nolato Medical Device (Beijing) Co.,Ltd, China	100%	—	6	—
Nolato MediTech AB, Hörby, Sweden	100%	100%	115	80
Nolato MediTor AB, Torekov, Sweden	100%	100%	9	1
Nolato Mobile Comm.Polymers (Beijing) Ltd, China	100%	100%	91	91
Nolato Automotive Components (Beijing) Co.,Ltd, China	100%	100%	1	1
Nolato Plastteknik AB, Göteborg, Sweden	100%	100%	42	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%	18	8
Nolato Torekov AB, Torekov, Sweden	100%	100%	12	12
Carrying amount			733	609

Note 14 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 2013	26,307,408	5 SEK	SEK 131,537 k
Share capital, 31 Dec 2014	26,307,408	5 SEK	SEK 131,537 k

Note 15 Borrowings

	Due	2014	2013
Short-term bank loan in SEK (variable rate)	< 3 months	50	—
Short-term bank loan in USD (variable rate)	< 3 months	—	85
Total		50	85

Note 16 Receivables and liabilities, Group companies

Receivables from Group companies

On 1 January 2013	442
Change	- 23
On 1 January 2014	419
Change	- 27
On 31 December 2014	392

Liabilities to Group companies

On 1 January 2013	17
Change	- 17
On 1 January 2014	—
Change	—
On 31 December 2014	—

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 17 Other provisions

	Others	Total
Amount on 1 January	6	6
Provisions for the year	3	3
Amounts claimed	—	—
Amount on 31 December	9	9

The amount relates to future employer's contributions for endowment insurance.

Note 18 Accrued expenses and deferred income

	2014	2013
Salary liabilities	9	15
Social security contributions	4	6
Complaints	—	2
Other items	—	5
Total	13	28

Note 19 Untaxed reserves

	2014	2013
Tax allocation reserves 2010	—	20
Tax allocation reserves 2011	32	32
Tax allocation reserves 2012	35	35
Tax allocation reserves 2013	47	47
Tax allocation reserves 2014	47	47
Total	161	181

Note 20 Contingent liabilities

	2014	2013
Guarantees on behalf of subsidiaries	133	98
Total	133	98

Note 21 Related parties

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

When delivering goods and services between Group companies, business terms and conditions and market pricing are applied. The scope of internal invoicing for joint Group services amounts to SEK 29 million (23), 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 19 million (22) and interest expenses of SEK 0 million (0) have arisen in the Parent Company to the extent reported in Notes 8 and 9. Interest on loans receivable and liabilities is calculated on an ongoing basis in line with the market rate. There are no contractual regulated durations. Intra-Group receivables at the Parent Company amount to SEK 392 million (418) and liabilities to Group companies amount to SEK 0 million (0).

During the year, the Parent Company received dividends from subsidiaries in the amount of SEK 88 million (119), of which SEK 70 million (92) refers to anticipated dividends.

Note 22 Cash flow

	2014	2013
<i>The following subcomp. are included in cash and cash equivalents:</i>		
Credit balance on Group account in Parent Company	17	40
Total c.a.c.e. reported in the cash flow statement	17	40

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 2015. 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 29 April 2015.

Torekov, 6 March 2015



Fredrik Arp
Chairman of the Board



Sven Boström-Svensson
Board member



Henrik Jorlén
Board member



Dag Andersson
Board member



Åsa Hedin
Board member



Lars-Åke Rydh
Board member



Hans Porat
President and CEO

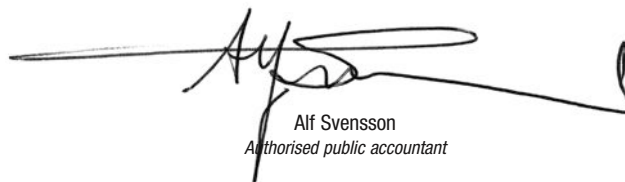


Ingegerd Andersson
Employee representative



Håkan Svensson
Employee representative

My auditor's report was submitted on 13 March 2015



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 2014. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 43 – 79.

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 judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

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 2014 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 2014 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 2014.

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 a 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 assess whether the proposal is in accordance with the Companies Act.

As a 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.

Opinion

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, 13 March 2015



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.

Cash conversion

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

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 (EBIT)

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 material

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. The mould is called the moulding tool.

Injection blow moulding

Production technique whereby a container is first injection-moulded and then inflated so that a receptacle is formed. 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

Method 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

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 compatibility (EMC). This is achieved using silicone gaskets containing silver or nickel particles.

Five-year review

	2014	2013	2012	2011	2010
Sales and profit					
Net sales (SEK million)	4,234	4,522	3,874	2,977	3,375
Sales growth (%)	-6	17	30	-12	30
Percentage of sales outside Sweden (%)	79	80	75	70	76
Operating profit (EBITA) (SEK million)	470	427	303	199	262
Operating profit (EBIT) (SEK million)	454	411	287	190	253
Financial income and expense (SEK million)	8	-8	-15	-7	-10
Profit after financial income and expense (SEK million)	462	403	272	183	243
Profit for the year (SEK million)	364	314	202	132	187
Financial position					
Total assets (SEK million)	2,914	2,573	2,634	2,144	2,350
Shareholders' equity (SEK million) ¹⁾	1,567	1,348	1,170	1,117	1,179
Interest-bearing assets (SEK million)	256	318	272	124	239
Interest-bearing liabilities and provisions (SEK million) ¹⁾	-197	-196	-385	-243	-273
Net financial assets (+) / net financial liabilities (-) (SEK million) ¹⁾	59	122	-113	-119	-34
Equity/assets ratio (%) ¹⁾	54	52	44	52	50
Liquidity (%)	126	126	109	123	120
Debt/equity ratio (times) ¹⁾	0.1	0.1	0.3	0.2	0.2
Cash flow					
Cash flow from operations (SEK million)	330	512	476	246	370
Investment activities (SEK million)	-203	-144	-335	-134	-286
Cash flow before financing activities (SEK million)	127	368	141	112	84
Cash conversion (%)	28	82	111	45	91
Profitability					
Return on total capital before tax (%)	17.1	15.9	11.9	8.7	11.3
Return on capital employed before tax (%) ¹⁾	28.4	26.7	19.4	13.9	18.4
Return on operating capital before tax (%) ¹⁾	33.0	32.6	22.6	15.5	21.6
Return on net shareholders' equity, after tax (%) ¹⁾	25.0	24.9	17.7	11.6	16.5
EBITA margin (%)	11.1	9.4	7.8	6.7	7.8
Profit margin (%)	10.9	8.9	7.0	6.1	7.2
Interest coverage ratio (times)	58	37	23	16	25
Share data (see also pages 36-37)					
Net earnings per share (SEK)	13.84	11.94	7.68	5.02	7.11
Shareholders' equity per share (SEK) ¹⁾	60	51	44	42	45
Cash flow from operating activities per share (SEK)	12.54	19.46	18.09	9.35	14.06
Cash flow before financing activities excl. acq. and disp. per share (SEK)	4.83	13.76	12.05	4.26	8.74
Yield (2014 proposal) (%)	4.8	5.5	7.6	9.9	7.2
Dividend per share (2014 proposal) (SEK)	8.50	8.00	6.00	5.00	6.00
Personnel					
Number of employees	8,020	9,357	8,421	5,496	7,563
Sales per employee (SEK thousand)	528	483	460	542	446
Profit after financial income and expense per employee (SEK thousand)	58	43	32	33	32

¹⁾ The year 2010 is 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.

The Nolato Annual Report was produced by Bysted AB.

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