

Nolato AB (publ) Annual Report 2009



2009 in brief

The severe recession that characterised the world economy in 2009 also had an impact on Nolato. Sales declined to SEK 2,602 million, which is 8% lower than the previous year.

Of our three business areas, Nolato Medical defied the trend and had another good year. Nolato Industrial, however, struggled with a drop in demand up until the summer, after which demand was clearly more stable. As we had previously predicted and announced, Nolato Telecom experienced a weak first half of the year, although the second half was considerably stronger.

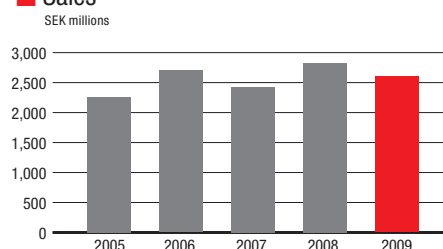
The advantages of a balanced Group based on three business areas became apparent in 2009. Together, our units coped with all the challenges of the recession which, combined with the Group's financial strength, brought security for our shareholders, ourselves and – not least – our customers.

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

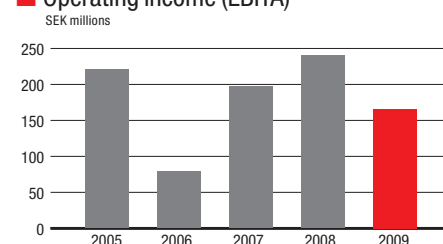
Financial key ratios

SEK millions (unless otherwise specified)	2009	2008
Net sales	2,602	2,824
Operating income (EBITA)	166	240
EBITA margin %	6.4	8.5
Operating income (EBIT)	158	232
Income after financial items	148	216
Net income	123	178
Cash flow after investments, excl. acquisitions and disposals	139	296
Return on capital employed, %	12.1	18.4
Return on shareholders' equity, %	11.5	18.4
Net debt	40	95
Equity/assets ratio, %	51	50
Earnings per share, SEK	4.68	6.77
Adjusted earnings per share, SEK	4.90	6.99
Average number of shares, thousands	26,307	26,307
Average number of employees	4,308	4,531

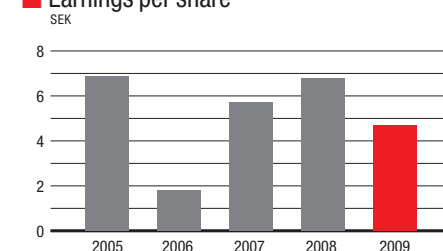
Sales



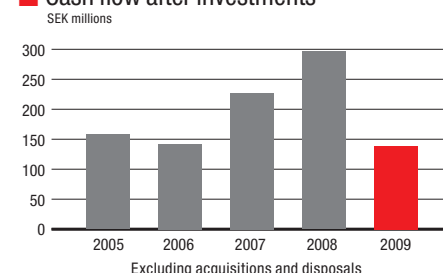
Operating income (EBITA)



Earnings per share



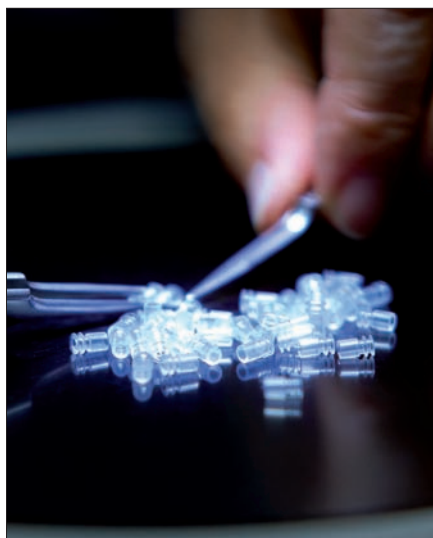
Cash flow after investments



Experience and innovation

Nolato in brief	4	Directors' report		Financial reports		Shares and corporate governance		Key highlights	
The CEO's comments	6	Shared values	24	Consolidated reports	36	Nolato's shares	70	Five-year overview	82
Nolato Group	8	Sustainable development	25	Parent Company reports	42	Corporate governance	72	Definitions	83
Nolato Medical	12	Social responsibility	30	Notes	45	Board and auditors	78	Nolato terms	83
Nolato Telecom	16	Risks and risk management	32	Prop. distribution of earnings	68	Group Management	80		
Nolato Industrial	20	General information	34	Auditor's report	69	AGM and calendar	81		

The Nolato Group in brief



Nolato Medical

Sales: SEK 692 million (632)
Operating income (EBITA): SEK 89 million (89)
EBITA margin: 12.9% (14.1)
Employees (year average): 467 (415)

Leading developer and manufacturer of polymer products and product systems for medical technology and pharmaceutical customers.

Sales, development and production:

- Nolato Beijing, China
- Nolato Cerbo, Trollhättan, Sweden
- Nolato Hungary, Mosonmagyaróvár, Hungary
- Nolato MediTech, Hörby, Kristianstad, Lomma and Torekov, Sweden

Sales:

- Cerbo France, Paris, France
- Cerbo Norge, Skedsmokorset, Norway

Customers include:

Major pharmaceutical and medical technology companies, e.g. Astra Tech, Novo Nordisk, Nycomed and Phadia



Nolato Telecom

Sales: SEK 1,090 million (1,243)
Operating income (EBITA): SEK 86 million (114)
EBITA margin: 7.9% (9.2)
Employees (year average): 3,295 (3,549)

A global developer and manufacturer of subsystems, primarily for customers within the mobile phone sector.

Sales, development and production:

- Nolato Alpha, Kristianstad, Sweden
- Nolato Beijing, China
- Nolato Lovepac Converting Beijing, Beijing and Shenzhen, China
- Nolato Lovepac Converting India, Chennai, India
- Nolato Silikonteknik, Hallsberg, Sweden and Shanghai, China

Customers include:

Ericsson, Huawei, Motorola, Nokia, Nokia Siemens, RIM and Sony Ericsson



Nolato Industrial

Sales: SEK 824 million (950)
Operating income (EBITA): SEK 19 million (55)
EBITA margin: 2.3% (5.8)
Employees (year average): 541 (562)

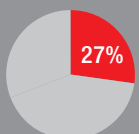
A market-leading developer and manufacturer of polymer products and product systems for customers working in fields such as the automotive industry, white goods, gardening/forestry and furniture, as well as other selected customer areas.

Sales, development and production:

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

Customers include:

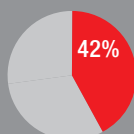
Electrolux, Haldex, Husqvarna, Ikea, Kinnarps, Lear, Lindab, MCT Brattberg, Sanitec, Scania, SKF, Volvo and Whirlpool



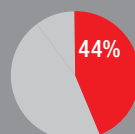
Share of the Group's net sales



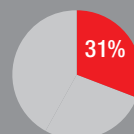
Share of the Group's operating income (EBITA)



Share of the Group's net sales



Share of the Group's operating income (EBITA)



Share of the Group's net sales



Share of the Group's operating income (EBITA)

Our history

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

Our shares

Nolato was first listed on the stock exchange in 1984, and its B shares are now listed on the NASDAQ OMX Nordic in the Stockholm Small Cap segment, where they are included in the information technology sector.

Our business mission

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

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

Our vision

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

Our world

Nolato operates wholly-owned subsidiaries with sales, development and production in Sweden, China, Hungary and India, together with sales offices in France and Norway.

Our operations

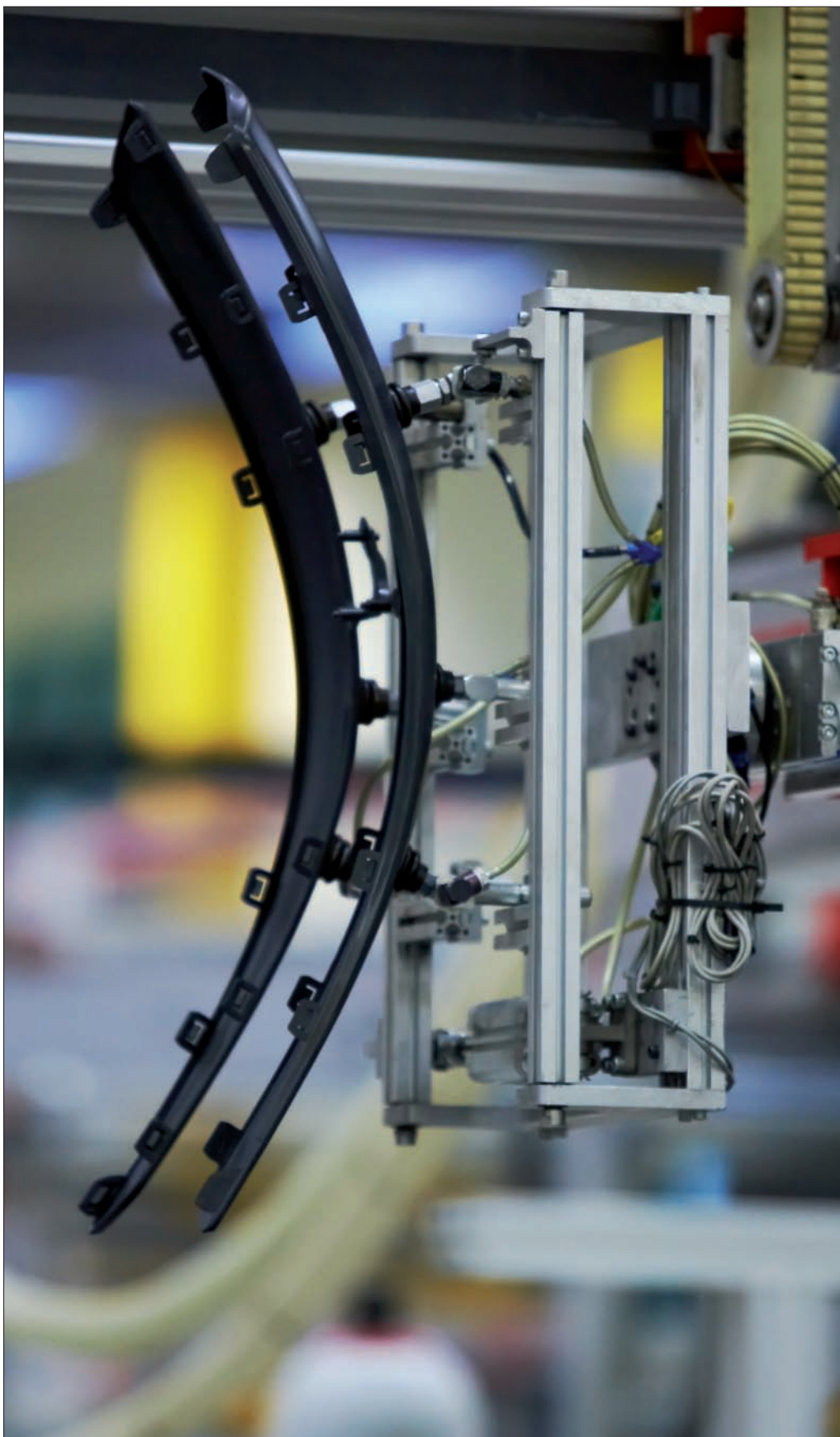
Our operations are based on close, long-term, innovative cooperation with our customers. By contributing with our expertise in materials and processes at an early stage in their development, we increase the opportunities for an optimal process, thus boosting our customers’ profitability.

Our employees

The average number of employees in 2009 was 4,308. Of these, 74 % were based in China and the remainder in Europe.

Our values

Core values in our operations include professionalism, profitability, customer focus, knowledge, innovative thinking, decentralisation, good organisation, sustainable development, social responsibility and integrity.



A balanced Group with stable financials

Dear shareholders,

The severe recession that characterised the world economy during 2009 also had an impact on Nolato. Sales dropped to SEK 2,602 million, which is 8% lower than the previous year.

Of our three business areas, Nolato Medical defied the trend and had another good year. Nolato Industrial, however, struggled with a drop in demand up until the summer, after which demand was clearly more stable. As we had previously predicted and announced, Nolato Telecom experienced a weak first half of the year, although the second half was considerably stronger.

Together we are strong

The advantages of a balanced Group based on three business areas became apparent in 2009. Together, our units coped with all the challenges of the recession which, combined with the Group's financial strength, brought security for our shareholders, ourselves and – not least – our customers.

At the same time, we must not forget that we have been very much on our home turf during this recession. As a subcontractor we are used to not allowing ourselves any extravagances – anything that does not ultimately benefit our customers must be eliminated early on in the process.

Our decentralised organisation, in which decisions are made in close cooperation with our customers, also means that we can quickly adapt our resources in line with anticipated levels of demand.

Supplier of the Year

Although we never allow ourselves to rest on our laurels, we cannot ignore the fact that a year like 2009 revitalises us even more. Creativity thrives in tough times, and there is an even greater focus on eliminating activities that do not create value, reviewing our costs once again and optimising our processes even further.

The fact that our customers appreciate our

efforts can be seen not least in the awards as Supplier of the Year that Nolato received during the year from Sony Ericsson, Astra Tech and SKF Mekan despite tough competition from these companies' other suppliers. We are proud and grateful, and have been spurred on to become even better.

Broad expertise

As mentioned above, the Group's operations are divided up into three customer-oriented business areas: Nolato Medical, Nolato Telecom and Nolato Industrial. With the common denominator of broad expertise in polymer technology, project management and production efficiency, dividing the Group up into business areas means that our employees can concentrate on the industry-specific conditions that apply to each customer segment.

At the same time, we can benefit from each other's design ideas, production solutions and experiences to find the optimum solutions for each customer.

One current example of this is Nolato Medical's entry into major system projects. By cross-pollinating our medical technology expertise with knowledge from major mobile phone projects, we are creating unique opportunities to offer our medical customers support in the development of advanced system products. These products can then be manufactured using automated high-volume production – another speciality resulting from our close cooperation with the mobile phone industry.

Nolato Medical shows strong growth

Nolato Medical's operations have shown extremely strong growth in recent years, with sales currently six times higher than when expansion began in 2003.

This business area has grown from relatively regional operations to become a global player in just a few years.

And this growth is continuing. By combining the business area's resources in southern Sweden and forming Nolato MediTech, we have created the ideal conditions for carrying out major system projects, with advanced development and large-scale production.

Flexibility at Nolato Telecom

Back in autumn 2008 we announced that changes made in customer projects would result in lower sales for Nolato Telecom during the first six months of 2009, but that the business area still had a strong project portfolio that was due to go into production during the second half of the year.

Looking back, we can now see that the year was as we had predicted, with significant cut-backs in terms of production resources at the beginning of the year and large-scale recovery after the summer. Now that all our mobile phone-related production is based in Asia, we have a high degree of flexibility and can deal with such fluctuations in a cost-effective manner.

In 2009 we decided to set up a unit in Chennai in southeast India, one of the world's largest mobile phone centres. The unit started up as planned in January 2010, and will produce small adhesive-based products, primarily for mobile phones.

Nolato Telecom has also continued to invest in ImageTech, with the aim of increasing our focus and expertise in design and cosmetic features – an area that will become increasingly important in the future.

Firm grasp for Nolato Industrial

Our third business area, Nolato Industrial, operates mainly in Scandinavia and Central Europe, leaving us exposed to the industrial business cycle in Northern Europe.

For the Swedish companies belonging to Nolato Industrial, 2009 was a year of significant reductions in volumes during the first half of the year. Demand dropped off from most of our customers, and the companies within the business area were therefore forced to reduce both their capacity and the number of employees.

However, by taking a firm grasp from the outset and through skilled employees, far-reaching efficiency improvement measures and a real fighting spirit, the downturn was dealt with extremely well.

The companies in this business area have also taken advantage of the opportunities arising for a strong player during a recession.

sion and have won additional market shares during the year. New projects have therefore gone some way towards compensating for the generally weak levels of demand.

Sustainable development and social responsibility

Issues relating to sustainable development and social responsibility are of increasing importance to us. At Nolato, these issues have been on the agenda ever since the company was founded in 1938, in the form of a focus on the environment, ethics and compassionate principles.

Our stakeholders have appreciated the enhanced sustainability report included in last year's annual report. Since clear reporting on our environmental impact is important to us, we have raised the bar even further and now report in accordance with GRI level B. We have also adopted the obligations relating to human rights, the environment and anti-corruption measures included in the UN's Global Compact.

Social responsibility and a philosophy of sustainability permeate our operations – not only in theory, but also in our everyday dealings with customers, suppliers and employees. This year, we have therefore compiled our core values and guidelines in a publication called *The Nolato Spirit*. We then reviewed this publication with all our employees in all our operations, both in Europe and in Asia.

Ready for the future

Predicting the future is never easy, but I believe that there will be a long, drawn-out process before demand returns to the same levels as before the downturn. In terms of costs, we have adapted in line with current levels and are well prepared in case the upturn comes earlier or proves to be more powerful than expected.

We have a low level of debt. At the end of the year our net debt stood at SEK 40 million, giving an equity/assets ratio of 51%. We have also ensured financing on favourable terms for the next few years, thus creating the right conditions for making the most of future business opportunities.

Our financial targets remain the same, and we will continue to implement our overall strategic priorities:

- Nolato Medical will continue to strengthen its development, project management and production resources. The aim is to grow both organically and by taking over



production from our customers (outsourcing projects). We also intend to expand geographically through acquisitions in Europe and North America.

- Nolato Telecom will continue to reinforce its customer offering with cutting-edge technology for the production of advanced mechanical subsystems with significant cosmetic features. Within the telecommunications sector, our ambition is not to be the biggest, but the best.

- Nolato Industrial will continue to work to offer its customers proximity to cost-effective technical solutions with highly-automated production. We will also continue to focus on winning market shares.

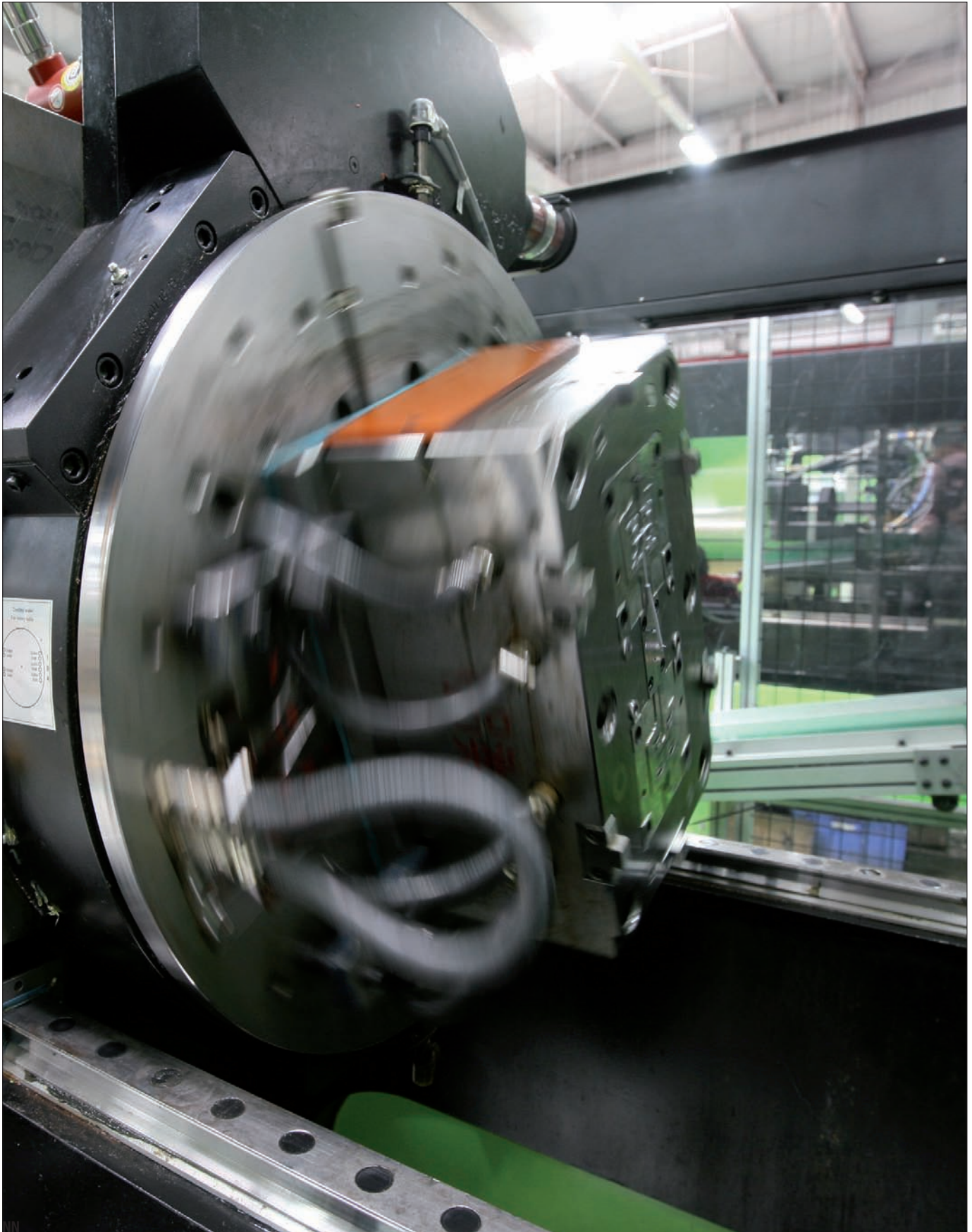
All in all, I am optimistic about the future. We have an effective business model, a strong

financial position, and highly motivated, skilled employees.

I would also like to take the opportunity to thank all my colleagues at Nolato for their fighting spirit and commitment in 2009. Together, we are ready to face an exciting 2010.

Torekov, March 2010

Hans Porat
President and CEO



The Nolato Group's business concept

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

Through early involvement in customers' projects we can optimise materials, design and production technology in order to simplify manufacturing and contribute towards improved profitability for our customers.

Broad customer offering

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

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

Our customer offering spans much of the value chain, encompassing product design, product development, prototypes, procurement of additional components, verification, production, painting, decoration, assembly, testing and logistics.

Some of the companies in the Group also develop, manufacture and sell their own products. This is particularly true of Nolato Cerbo (which produces pharmaceutical packaging) and Nolato Polymer (plugs and caps).

Nolato's business model

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

A key business strategy involves developing cooperation with our customers by focus-

ing on each customer's special circumstances and needs.

We constantly enhance and broaden our customer offering through investing proactively in the cutting-edge technology demanded by our customers and gaining a better insight into the needs of our customers' customers.

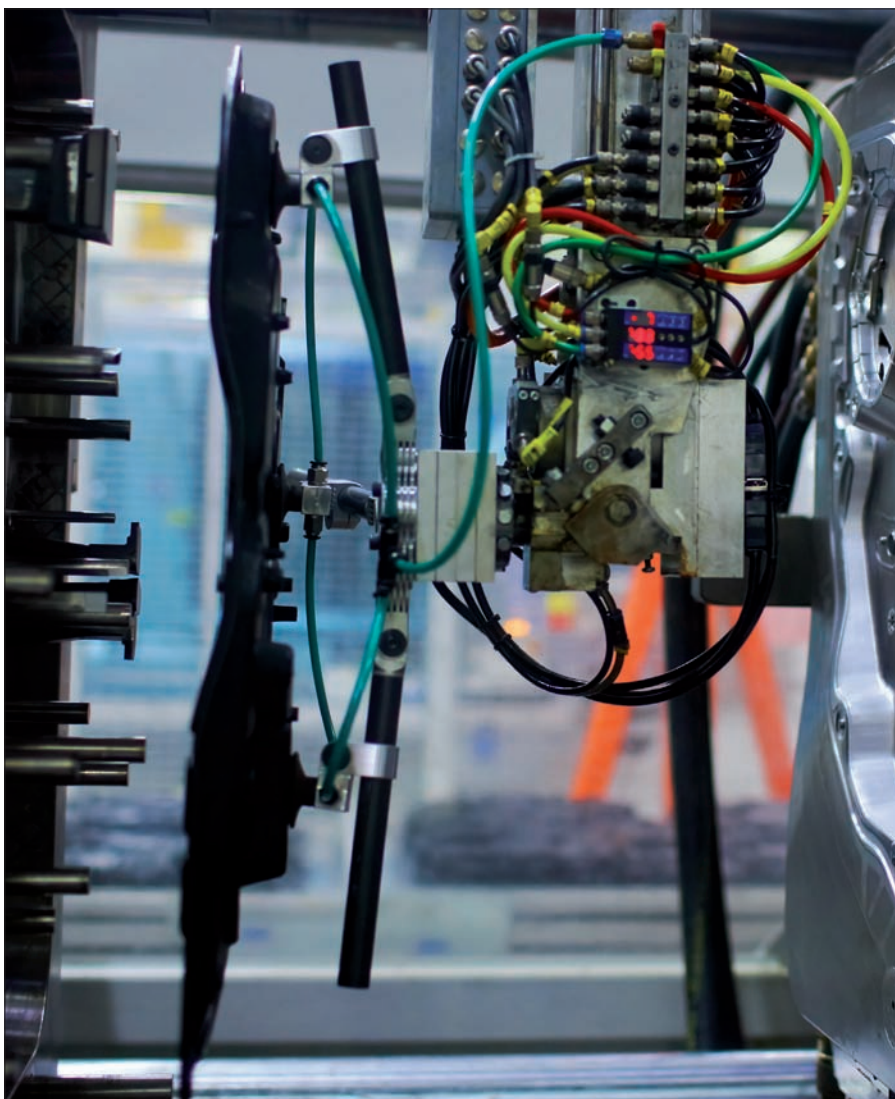
Today, Nolato has a strong financial position, in-depth and broad expertise, and advanced technology. Our production structure is both effective and flexible which, combined with our decentralised organisation in

which decisions are made close to the market, gives us good opportunities to deal effectively with changes in the world around us.

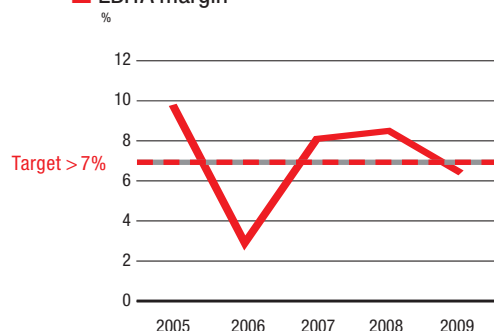
Decentralised organisation

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

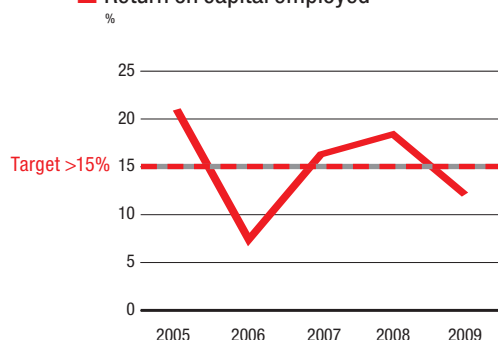
In order to ensure optimal conditions for specialisation and close cooperation with our customers, the Group is divided into three



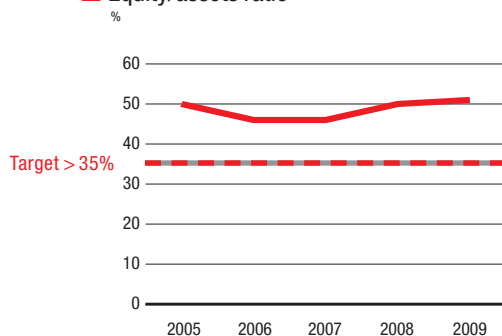
■ EBITA margin



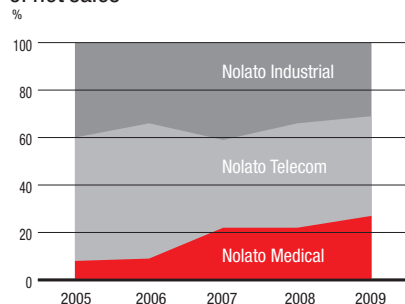
■ Return on capital employed



■ Equity/assets ratio



■ The Business Areas' share of net sales



business areas: Nolato Medical, Nolato Telecom and Nolato Industrial.

All Nolato's business areas boast in-depth expertise within polymer technology. With thorough knowledge of its customers' specific circumstances and needs, each business area is able to provide exactly the kind of cutting-edge expertise, working methods and applications skills that its customers require.

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

Social responsibility

Ever since Nolato was founded in 1938, its operations have featured a down-to-earth combination of professionalism, ethics and environmental awareness.

This means that the growing focus on sustainability issues and social responsibility that has now become so important to both society and business is nothing new to us – it has always been a fundamental element of our Basic Principles.

A presentation of our sustainability efforts can be found on pages 24–29, and a report on our social responsibility can be found on pages 30–31.

Quality

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

All the Group's operations must be quality certified in accordance with ISO 9000 and/or industry-specific certifications. We also require that our suppliers have effective quality systems and share our views when it comes to quality.

In 2009, all Nolato's units were certified in accordance with the requirements of the ISO 9001 quality management system. A number of units are also certified in accordance with ISO standards for the automotive industry (ISO 16949) or medical technology (ISO 13485).

Our quality performance is evaluated on an ongoing basis by taking measurements, recording deviations and undergoing external audits.

Nolato's financial targets

For 2010, the Board has decided that Nolato's financial targets should continue to be:

- An EBITA margin in excess of 7%
- A return on capital employed in excess of 15%
- An equity/assets ratio in excess of 35%

These targets should be seen as average figures over the course of a business cycle. The equity/assets ratio target for 2009 has been achieved, but not the other two targets. The EBITA margin was 6.4%, which is 0.6 percentage points below the target. The return on capital employed was 12.1%, which is 2.9 percentage points below the target.

Two of the business areas – Nolato Medical and Nolato Telecom – recorded EBITA margins that exceeded the Group's target, while Nolato Industrial's margin was below target.

The Group's growth targets

Nolato aims to achieve growth at least in line with growth in the relevant market segment.

In 2009, Nolato Medical continued to grow, although Nolato Telecom and Nolato Industrial suffered as a result of the market downturn.

Nolato Medical's sales were up 9% compared with 2008. According to estimates, growth in those market segments in which Nolato Medical operates is 5–10%.

Nolato Telecom's sales were down 12% compared with 2008. According to IDC, the mobile phone market was extremely polarised in 2009, with two of the five largest manufacturers experiencing growth of around 16% and the other three sustaining falls of between 8% and 45% compared with 2008.

Nolato Industrial's sales were down 13% compared with 2008. According to Statistics Sweden, Swedish industrial production fell by 19.3% in 2009 and automotive production was down by 49.1% compared with 2008.

Growth strategy

Nolato's growth strategy is based on creating organic growth within all business areas and increasing Nolato Medical's presence in Europe and North America through acquisitions.

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



Nolato Medical:

Continued growth with good profitability

A focus on resources and expertise



■ Nolato Medical in brief

Operations:

Leading developer and manufacturer of polymer products and product systems for medical technology and pharmaceutical customers.

Customer offering:

Product development, design, injection moulding, blow moulding, extrusion, dipping, decoration and assembly. Production is carried out in hygiene rooms and clean rooms.

Market:

The market consists of large, global customers, and is characterised by demanding development work, long product life-cycles, and strict quality and safety requirements. Nolato Medical boasts a strong position in the Nordic region and a growing position in Europe.

Customers include:

Major pharmaceutical and medical technology companies, e.g. Astra Tech, Novo Nordisk, Nycomed and Phadia.

Competitors include:

Nypro, Gerresheimer/Wilden, West Pharma and Medisize.

Geographic information:

Development and production in Sweden, Hungary and China. Sales offices in France and Norway.

Units with operations in this business area:

- Nolato Beijing
Beijing, China. MD Jörgen Karlsson
- Nolato Cerbo
Trollhättan, Sweden. MD Glenn Svedberg
- Nolato Hungary
Mosonmagyaróvár, Hungary. MD Johan Arvidsson
- Nolato MediTech
Hörby, Kristianstad, Lomma and Torekov, Sweden.
MD Johan Iveberg
(Magnus Emeus until 28 February 2010)

The future:

Continued globalisation and growth, both organically and through acquisitions. Continued focus on systematically building up resources and expertise.

Sales: SEK 692 million (632)

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

EBITA margin: 12.9% (14.1)

Employees (year average): 467 (415)

Nolato Medical offers medical technology and pharmaceutical companies customer-specific, flexible and effective development and production of products and product systems in plastic, silicone rubber, latex and TPE. With good levels of profitability and strong growth (six times bigger today than in 2003), the business area accounted for 27% (22%) of the Group's sales and 46% (34%) of the Group's earnings in 2009.

In-depth knowledge of the specific circumstances and requirements which determine its customers' needs, such as risk analyses, quality assurance, sound expertise and an understanding of complex medical processes, enables Nolato Medical to work closely with its customers as a development and production partner.

Nolato Medical's broad customer offering includes product development, design, injection moulding, blow moulding, extrusion and dipping, as well as decoration, assembly, other forms of post-processing and logistics solutions.

Production is carried out in hygiene rooms and clean rooms, with controlled conditions.

Operations can mainly be divided into two different customer areas:

- Medical technology
- Pharmaceutical packaging

Medical technology

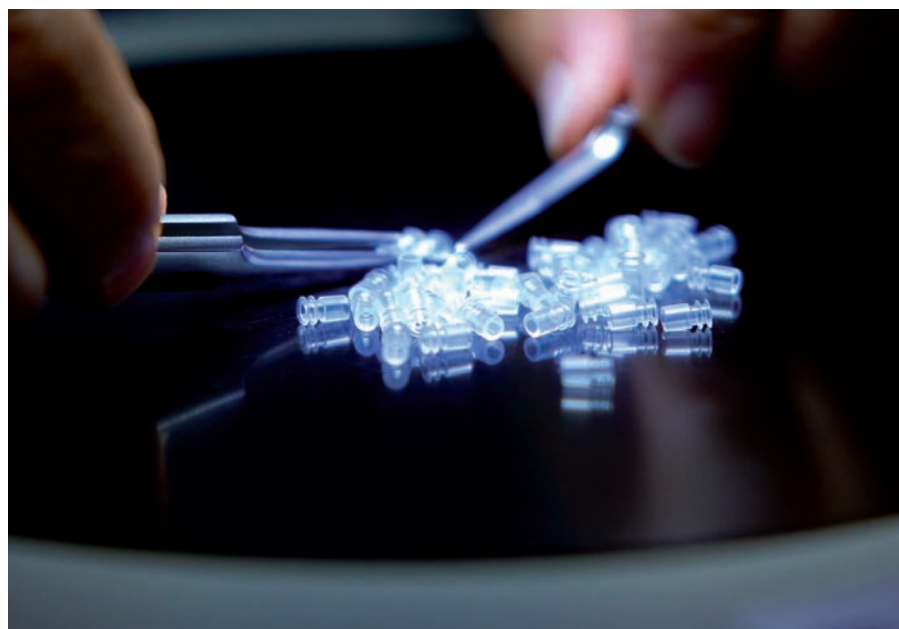
This area includes the development and production of polymer products and systems for applications such as drug delivery, diabetes and asthma treatment, analysis/diagnostics and self-care.

The segment is characterised by stable customer relationships, long product lifecycles and extremely high quality requirements. As a result of increasing home healthcare, there has been an ever sharper focus on issues relating to design and functionality.

The products are often made up of advanced systems, whereby Nolato Medical provides its customers with complete, assembled units. The techniques used include injection moulding, dipping and extrusion.

Development and production are carried out in Sweden, Hungary and China.

Nolato Medical is the Nordic market



President:
Christer Wahlquist

leader within injection moulding of medical devices, and has strengthened its position in the rest of Europe in recent years. Significant volumes of injection-moulded silicone rubber are also delivered to the USA.

The specialist area of dipped products includes manufacturing catheter balloons, an area in which Nolato Medical is one of the leading suppliers in the world.

Pharmaceutical packaging

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

Operations include both a range of own-brand standard products and customer-specific packaging.

Nolato's customers have strict requirements in terms of the technical properties of the packaging, relating to air-tightness, light transmission and anti-tampering protection. Another key customer requirement is that the lid should be easy to open and close for those with reduced hand functionality, whilst still being child-safe in certain cases.

This segment is characterised by increased polarisation between simple standard packaging and more advanced solutions.

The products are relatively bulky, a fact that gives rise to geographic restrictions in terms of the ability to transport packaging over longer distances in a competitive manner.

Development, production and sales

Nolato Medical has modern and efficient development and production units in Sweden, China and Hungary. Production is carried out in hygiene rooms and clean rooms, with strictly controlled conditions. In the medical devices segment, sales work is mainly carried out at business area level in order to ensure effective coordination with our customers.

Market trends

Nolato Medical's market is characterised by sound levels of growth due to a global aging population combined with various lifestyle-related diseases. At the same time, there are growing demands within the field of healthcare to reduce costs, leading to an ever greater proportion of home healthcare. As a result, hospitals are becoming emergency and diag-

nostic centres, while the actual care increasingly takes place in the home.

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

These products are also becoming increasingly advanced. This brings new requirements, but also creates new opportunities for suppliers such as Nolato Medical to broaden their business by also offering customers additional support during the product development phase.

Healthcare system demands to reduce costs



An easy-to-use and cost-effective alternative to blood transfusions

Sangvia is a closed blood salvage system which collects, filters and reinfuses blood during an operation.

The system, which was developed by Astra Tech, is an easy-to-use and cost-effective alternative to blood transfusions during various surgical procedures, such as knee operations. It consists of a number of all-in-one units for use during and after operations, as well as vacuum tubing and suction sets.

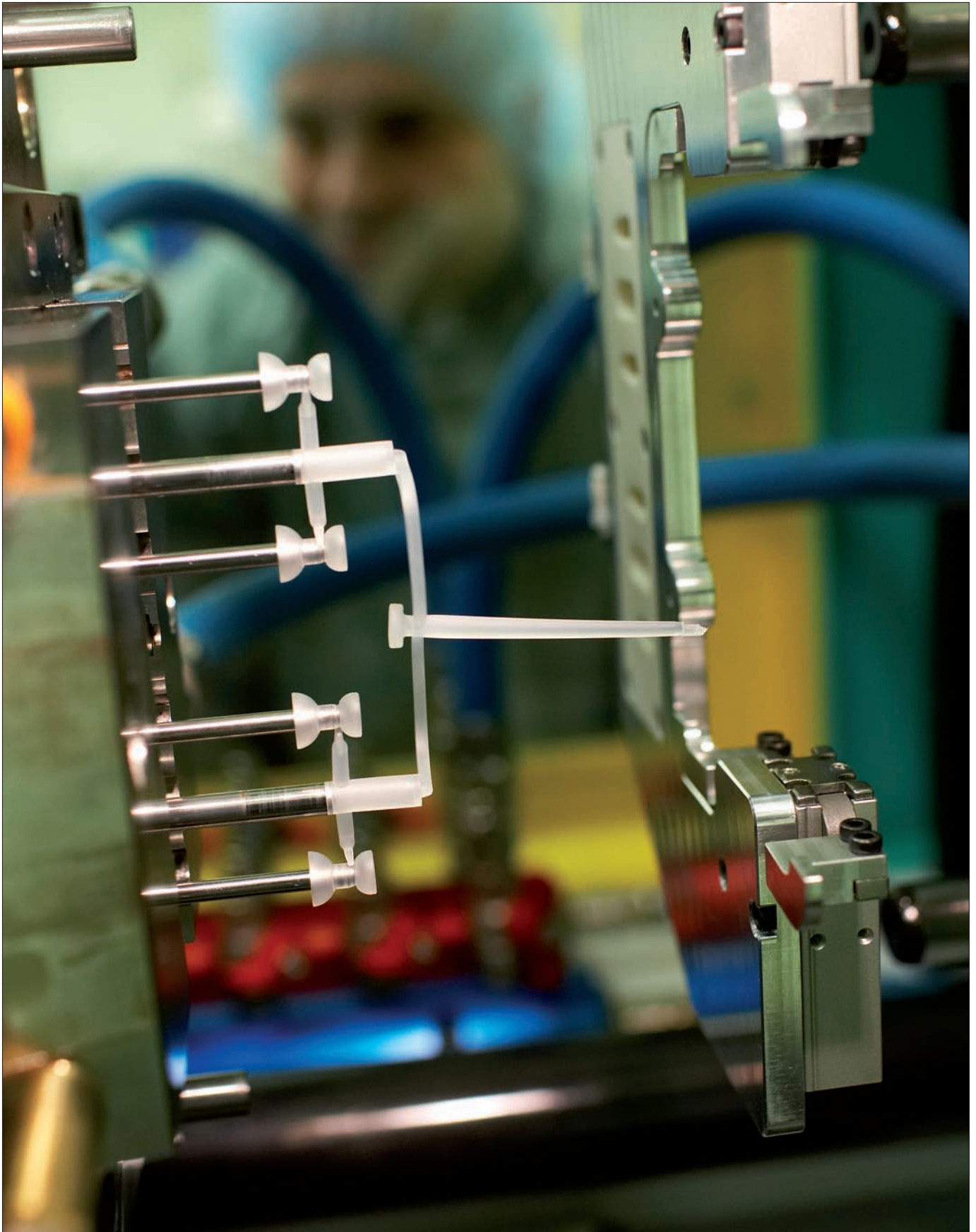
The system has been specially designed to be easy to learn and to use by medical staff.

Nolato Medical was chosen as the development and production partner when developing Sangvia, as the business area was able to offer all the desired skills and

technologies within a single organisation: medical technology specialisation, product development expertise, quality assurance, plastic and silicone component injection moulding, extrusion, ultrasonic welding, decoration, assembly and final packaging of the various items in the Sangvia product range.

The development work was carried out in close partnership between Nolato's engineers and Astra Tech's development group in Sweden.

Nolato Medical's plant in Hungary was selected for the production of the various components, and now carries out the entire process from manufacturing the individual components through to ready-packed, complete products.



are leading to a need for improved efficiency throughout the entire process. Medical technology companies are therefore increasingly choosing to concentrate on their core expertise, resulting in the outsourcing of some of their product development, production and assembly to subcontractors.

This trend is also leading to a reduction in the number of suppliers and the desire to carry out production on different continents, as well as parallel production flows. This means greater demand for those suppliers who are willing and able to follow customers in their global expansion. For Nolato Medical, with its stated strategy of global growth, this brings new business opportunities.

Operations in 2009

Nolato Medical saw sales rise to SEK 692 million (632). This corresponds to an increase of 9% compared with the same period during the previous year. Excluding currency conversion effects, sales rose by 7%. Sales accounted for 27% (22%) of the Group's total sales.

Operating income (EBITA) stood at SEK 89 million (89). The EBITA margin was 12.9% (14.1%). Nolato Medical is continuing to invest in being able to offer new and existing customers a wider range of project management and technical resources, as well as systems deliveries. These investments explain the slightly lower margin compared with the corresponding period during the previous year.

Future strategy

Nolato Medical's strategic plan involves the business area continuing to expand, both organically and through acquisitions.

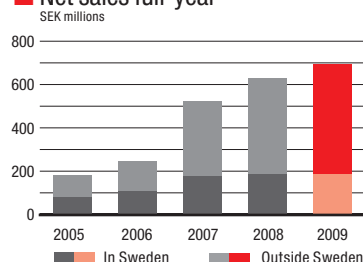
The process of systematically building up resources, skills and expertise is continuing, with the goal of attracting selected global customers as a development and production partner through a high degree of industry-oriented expertise and a broad customer offering.

Expansion should occur organically, including taking over customer production, increasing production capacity in low-cost countries, improving efficiency and continuing to increase capacity at existing plants, as well as through acquisitions in Europe and North America.

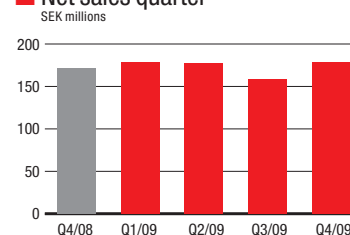
→ Read more about Nolato Medical at www.nolato.com/medical

Nolato Medical: five-year review

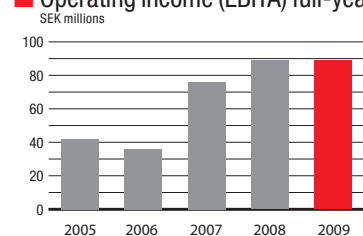
Net sales full-year



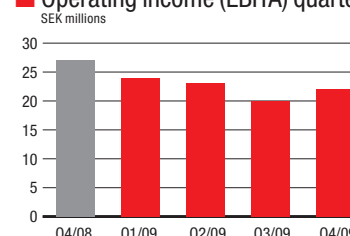
Net sales quarter



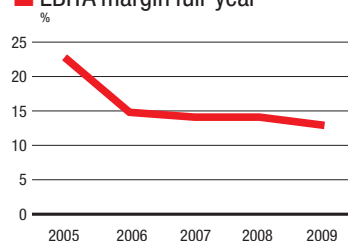
Operating income (EBITA) full-year



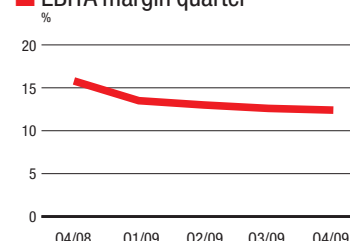
Operating income (EBITA) quarter



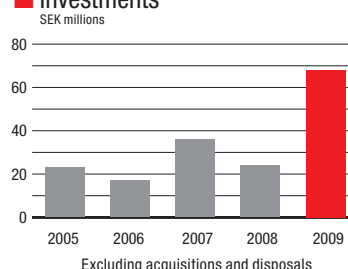
EBITA margin full-year



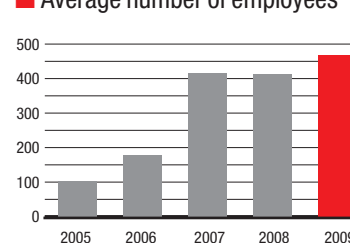
EBITA margin quarter



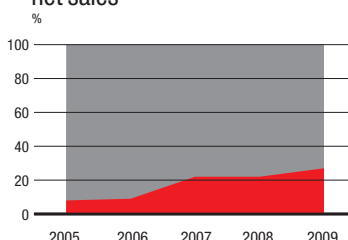
Investments



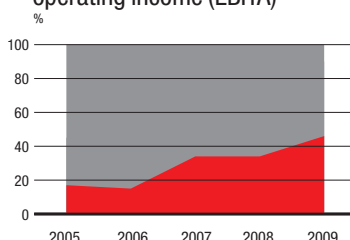
Average number of employees



Share of Group's net sales



Share of Group's operating income (EBITA)



Nolato Telecom: Significant drop in volumes followed by strong recovery



■ Nolato Telecom in brief

Operations:

A global developer and manufacturer of subsystems, primarily for customers within the mobile phone sector.

Customer offering:

Cutting-edge technology with significant customer value. Development support, manufacturing plastic and metal components, cosmetic processing (metallisation, painting and decoration), assembly, testing and verification.

Market:

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

Customers include:

Ericsson, Huawei, Motorola, Nokia, Nokia Siemens, RIM and Sony Ericsson.

Competitors include:

Balda, Foxconn, HiP, Jabil Greenpoint and Lite On.

Geographic information:

Production and development in China, India and Sweden.

Units with operations within this business area:

- Nolato Alpha
Kristianstad, Sweden. MD Håkan Hillqvist
- Nolato Beijing
Beijing, China. MD Jörgen Karlsson
- Nolato Lovepac Converting Beijing
Beijing and Shenzhen, China. MD Dan Wong
- Nolato Lovepac Converting India
Chennai, India. MD Per Olofsson
- Nolato Silikonteknik
Hallsberg, Sweden and Shanghai, China.
MD Anders Ericsson

The future:

Continued focus on cutting-edge technology with significant customer value.

Sales: SEK 1,090 million (1,243)

Operating income (EBITA): SEK 86 million (114)

EBITA margin: 7.9% (9.2)

Employees (year average): 3,295 (3,549)



President:
Jörgen Karlsson

Nolato Telecom is a leading developer and manufacturer of subsystems for customers within the mobile phone sector.

In 2009, the business area accounted for 42% (44%) of the Group's sales and 44% (44%) of the Group's earnings.

With specialised knowledge of the specific conditions that apply to the mobile phone sector, Nolato Telecom works closely with its customers, offering them both expert development support and cost-effective, high-quality production.

Operations can be divided into four different customer areas:

- Mechanical modules
- Converting
- Shielding
- Networks

Mechanical modules

Mechanical modules operations – the business area's principal operational area – are aimed at manufacturers of mobile phones and similar hand-held electronic products.

A mechanical module can be described in simple terms as the external, visible part of a mobile phone. Electronics, a battery,

an antenna and software are then added to the mechanical module during the manufacturer's final assembly to create a complete phone.

This segment is characterised by short product life spans, high demands in terms of quality, flexible management of varying production volumes and fast technology changeovers with extremely short lead times.

In recent years, Nolato Telecom has evolved from being a more traditional sub-supplier of plastic components to become a developer of advanced mechanical subsystems with significant cosmetic features, leading the way in terms of technology.

The customer offering is based on cutting-edge technology with significant customer value. This includes development support, injection moulding of plastic components, manufacturing metal components, cosmetic processing (metallisation, painting and decoration), assembly, testing and verification.

The Nolato ImageTech concept brings together technical solutions that create the opportunity for producing customised short series of a special design in a flexible manner for a local market or specific purposes, for example.



The Nolato ClearTech brand offers the production of mobile phone screens, for example, that feature a unique combination of optical and mechanical properties, appearance and cost-effectiveness.

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

Production takes place at Nolato Telecom's plants in Beijing, China.

Converting

In this area, Nolato Telecom focuses on developing and manufacturing small adhesive-based products with mechanical functions or cosmetic features.

Typical products include die-cut, self-adhesive metal or plastic components with strict quality requirements, such as logos, design elements and speaker protection. The products are die-cut on a supporting tape and delivered direct to the mobile phone manufacturer's assembly line as a roll.

The development work is carried out together with our customers around the world. Production is carried out in China and, since January 2010, has also been carried out in Chennai in southeast India.

Shielding

This area involves developing process solutions and material solutions for shielding electronics from electromagnetic induction.

The actual applications are carried out by local Nolato-licensed EMC Production Centres, which purchase expertise, materials, production equipment and testing equipment from Nolato. These companies then sell the actual application work to end-customers in industries such as telecommunications and electronics.

Product development and manufacturing of shielding materials takes place mostly in Sweden, while the sales work is mainly focused on the markets in India and Asia.

Networks

Until now, network production has been concentrated in Sweden, and has consisted primarily of components for 3G network base stations. In December 2009, Nolato announced its intention to concentrate all its telecommunications operations to Asia, gradually winding down production at Nolato Alpha in Kristianstad, Sweden, by the beginning of 2011.

Development, production and sales

Mechanical modules for mobile phones are developed and manufactured in Beijing, China, where Nolato Telecom has modern facilities run under our own management.

Converting takes place in Beijing and Shenzhen, China, and – from 2010 – also in Chennai, India.

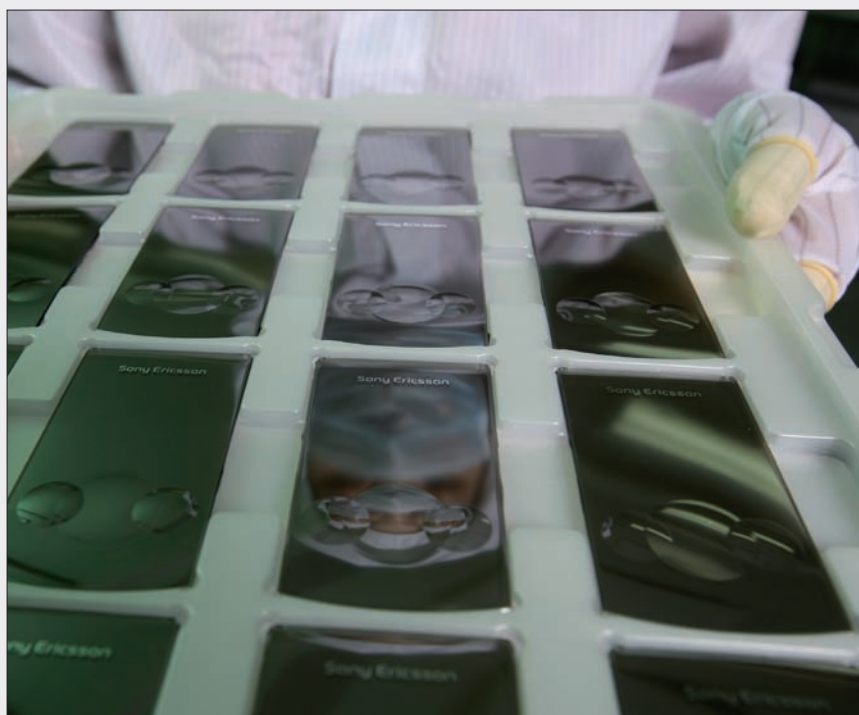
There are also smaller development and

production units in Sweden for shielding and networks.

The related sales work is global, and is organised within each customer segment.

Market trends

Nolato Telecom's main market, the mobile phone sector, is characterised by constant product development, sensitivity to trends



Maximum flexibility and freedom of design for display screens

Not so long ago, screens on mobile phones and other electronic equipment were small and fragile.

Today, thanks to the Nolato ClearTech concept, Nolato Telecom can offer display screens, lenses and other mobile phone components in countless sizes and shapes, and with various mechanical and cosmetic features.

For example, we manufacture flat, milled screens using high-precision CNC processing and with CCD vision control for monitoring the extreme tolerances required.

These screens can also be produced using one- or two-component injection mould-

ing, which can be used to create high-quality integrated lenses and 3D shapes with unique mechanical properties, for example.

These can then be processed using a variety of different methods. The screens can also be treated with a layer of Nolato's patented hard coating, which provides an extremely tough surface without affecting the transparency of the screen. This coating also reduces surface irregularities, thereby improving the screen's optical properties.

By combining these various techniques, Nolato ClearTech offers a great deal of flexibility and maximum freedom of design.

and short life spans for each model. The market window for a mobile phone is between 6 and 18 months.

Mobile phones now have new applications, with functions for gaming, music, films, TV, GPS, internet access and cameras becoming increasingly common, even in simpler models.

A new breed of phone – the smartphone, which is approaching the level of functionality of a small computer – has quickly won a significant share of the market. Large displays with high optical requirements for mul-

timedia use are becoming increasingly common. Touch screens are also showing strong growth at the expense of keypads.

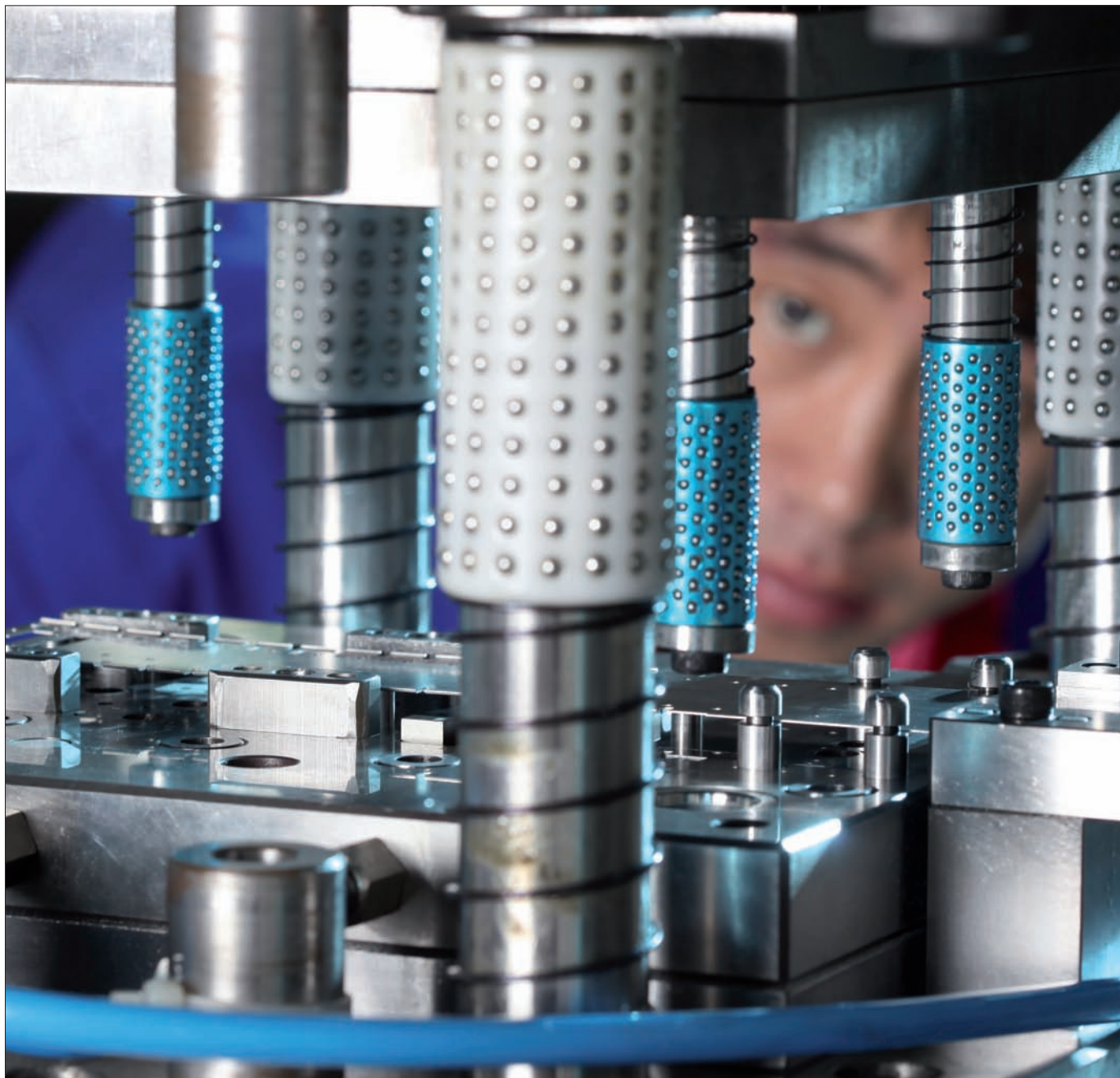
The design of mobile phones is becoming even more refined, with more metallic and metal-like materials in combination with natural materials such as leather and wood. There is a growing demand for appearance and finish, which is why the cosmetic features of all visible surfaces are becoming more and more important.

As a more widespread approach to sustainability comes into play, environmentally

friendly materials are also becoming more popular, for example, water-based paints and recycled plastics.

Knowledge and a feeling for future trends are crucial for a successful product launch. This results in demands for ever-shorter lead times when developing new models.

The trend of replacing the traditional display and keypad with a touch screen has led to a greater focus on the design and cosmetic features of other visible components. This works well with Nolato Telecom's focus on cutting-edge technology within design and



cosmetic features, close development cooperation and flexible, cost-effective production.

Operations in 2009

Nolato Telecom's sales totalled SEK 1,090 million (1,243), a drop of 12% compared with the same period during the previous year. Excluding currency conversion effects, sales fell by 24%.

Operating income (EBITA) was SEK 86 million (114). The EBITA margin was 7.9% (9.2%). Excluding the bankruptcy payment from BenQ and non-recurring items relating to transferring network product manufacturing to Asia, the EBITA margin was 6.5% (9.2%).

The results for 2009 were in line with the information issued in the autumn of 2008. One of the business area's main customers made changes to its product range, leading to a significant drop in volumes during the first half of the year. Volumes picked up after the summer, and the second half of the year saw a strong recovery.

Production resources were reduced sharply at the beginning of the year, while development and technical resources were maintained and even strengthened ahead of the anticipated upturn. The focus on cutting-edge technology continued during the year, including building up resources, skills and expertise even further within functional and cosmetic metals, vacuum metallisation, tooling and design.

A small converting unit was set up during the second half of 2009 in Chennai, India. Customer deliveries began during the first quarter of 2010. The investment is expected to total around SEK 10 million over a period of three years.

At Sony Ericsson's Supplier Conference in Beijing, which was attended by 170 suppliers from all over the world, Nolato Telecom was named both best supplier within mechanical components and best supplier in all categories.

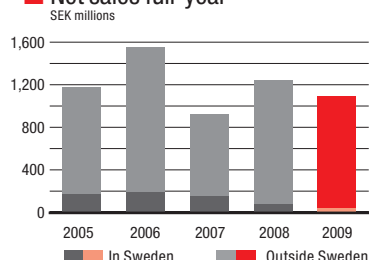
Future strategy

Nolato Telecom's strategy involves a continued focus on the customer offering by developing and marketing technologies with significant cosmetic features, as well as offering a wider range of technologies in-house.

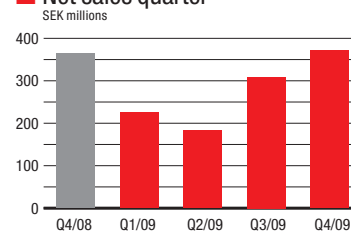
→ Read more about Nolato Telecom at www.nolato.com/telecom

Nolato Telecom: five-year review

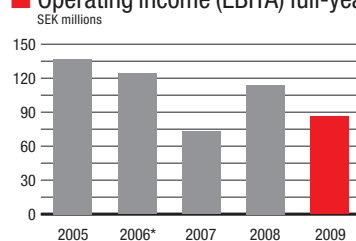
Net sales full-year



Net sales quarter

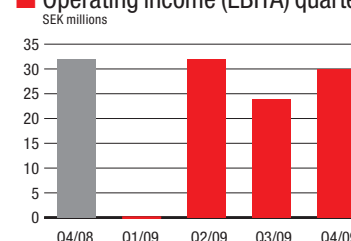


Operating income (EBITA) full-year

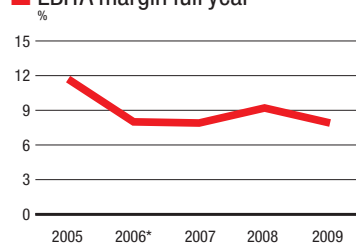


* Excluding non-recurring item BenQ

Operating income (EBITA) quarter

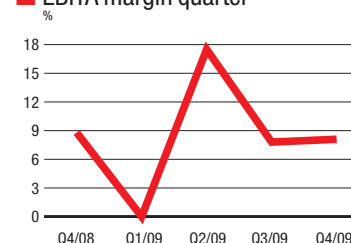


EBITA margin full year

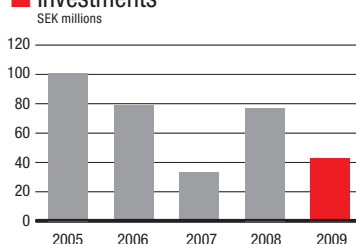


* Excluding non-recurring item BenQ

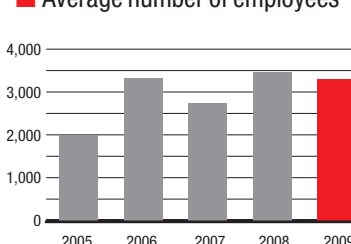
EBITA margin quarter



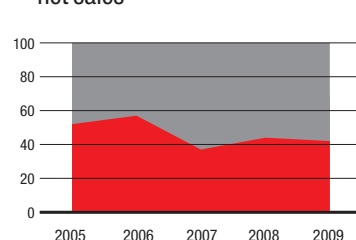
Investments



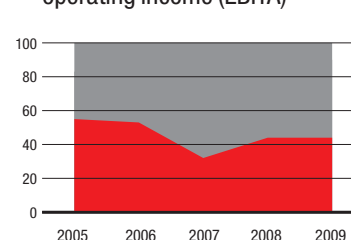
Average number of employees



Share of Group's net sales



Share of Group's operating income (EBITA)



Nolato Industrial: New market shares and products help to counter weak levels of demand



■ Nolato Industrial in brief

Operations:

A market-leading developer and manufacturer of polymer products and product systems for customers working in fields such as the automotive industry, white goods, gardening/forestry and furniture, as well as other selected customer areas.

Customer offering:

Development and production in hard and soft polymers and in combinations of these and other materials, such as metals.

Market:

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

Customers include:

Electrolux, Haldex, Husqvarna, IKEA, Kinnarps, Lear, MCT Brattberg, Sanitec, Scania, SKF, Volvo and Whirlpool.

Competitors include:

Bladhs, Euroform, Flextronics, Nypro and Konstruktions-Bakelit.

Geographic information:

Development and production in Sweden and Hungary.

Units with operations in this business area:

- Nolato Gota
Göteborg, Sweden. MD Anders Wallgren
- Nolato Lövepac
Skånes Fagerhult, Sweden. MD Peter Åkerblom
- Nolato Plastteknik
Göteborg, Sweden. MD Magnus Hettne
- Nolato Polymer
Torekov, Åstorp and Ängelholm, Sweden.
MD Anders Willman
- Nolato Sunne
Sunne, Sweden. MD Bo Norlin
- Nolato Hungary
Mosonmagyaróvár, Hungary. MD Johan Arvidsson

The future:

Continued focus on technology development and efficient production, and on winning additional market shares in existing customer segments.

Sales: SEK 824 million (950)

Operating income (EBITA): SEK 19 million (55)

EBITA margin: 2.3% (5.8)

Employees (year average): 541 (562)



President:
Hans Porat

Nolato Industrial is a market-leading developer and manufacturer of polymer products and product systems for industrial customers working within fields such as the automotive industry, white goods, gardening/forestry and furniture, as well as other selected customer areas.

The market is fragmented and diversified, with a large number of customers and suppliers. Nolato Industrial has a strong position in the Nordic markets and in parts of Central Europe.

The business area consists of six companies, five of which are in Sweden and one in Hungary, and accounted for 31% (34%) of Group sales and 10% (22%) of Group earnings in 2009.

Nolato Industrial's business concept is based on strong, individual entrepreneurial companies which create business opportunities both individually and in cooperation with other companies within the Group.

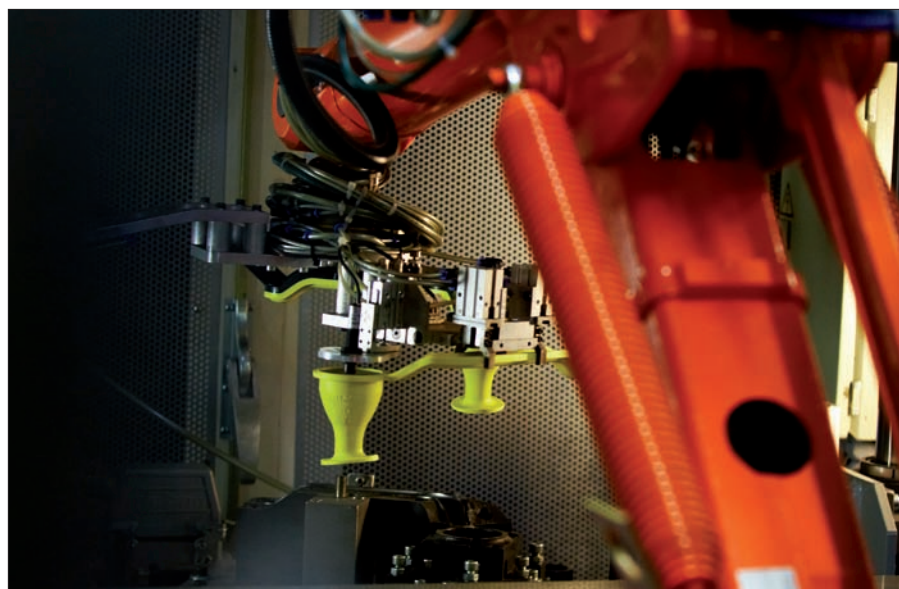
A high level of technological expertise, with the opportunity for close cooperation with the customer on development and production solutions, is an important factor for the companies in this business area. Since these products are often bulky in comparison

with their value, proximity to the customer is important in order to reduce the impact of logistics costs on the price.

The customer offering includes development and production using both hard and soft polymers (plastic, TPE and rubber), as well as combinations of these and other materials, such as metals. Operations are aimed mainly at large and medium-sized industrial companies, which attach great importance to development expertise, accurate deliveries, production capacity, quality and turnkey solutions.

Nolato Industrial has a combined customer offering for the automotive industry, whereby the companies cooperate under the name Nolato Automotive. The cooperation also benefits other larger customers who need products from more than one Nolato company.

A high degree of automation and production efficiency means that Nolato Industrial's competitiveness is constantly improving. The companies all have a functional organisation, with every employee contributing towards cost-effectiveness by taking a significant degree of personal responsibility, based on high levels of basic skills, ongoing training,



teamwork based on management by objectives, and a decentralised approach.

Operations can roughly be divided into two different customer areas with varying characteristics:

- Motor vehicles, white goods, gardening/forestry and packaging
- Other industries

Motor vehicles, white goods, gardening/forestry and packaging

This operational area is characterised by high volumes and long product runs. Its customers are global businesses with significant purchasing operations and a number of different suppliers. In the Nordic area, their operations and manufacturing processes are often integrated into larger, international organisations.

The automotive industry, for which Nolato Industrial is mainly a tier 2 supplier, but in certain cases also makes direct deliveries to vehicle manufacturers, accounts for just over a quarter of the business area's operations. Examples of products include gaskets, oil traps, membranes, filter holders, side valances, interior components and specialised fuel system tubes. Nolato Industrial's automotive industry customers are based both in Sweden and elsewhere in Europe.

Products delivered to white goods customers include refrigerator interiors and microwave oven components.

Gardening/forestry products include casings, gaskets and fuel system components for chainsaws.

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

Other industries

This area primarily includes customers located close to the company in question.

Here, too, there are large global customers with significant purchasing operations and large volumes, but there are also a number of medium-sized and small customers. Customer relationships tend to be long term, featuring joint technological development and ongoing production.

Development, production and sales

Nolato Industrial is characterised by modern, highly efficient development and production

units in Gothenburg (Nolato Plastteknik), Götene (Nolato Gota), Skånes Fagerhult (Nolato Lövepac), Sunne (Nolato Sunne), Torekov, Åstorp and Ängelholm (Nolato Polymer) in Sweden, and in Mosonmagyaróvár, Hungary (Nolato Hungary).

Each company is responsible for its own marketing and sales, sometimes in close cooperation with one or more other companies belonging to the Group.

Market trends

Just like Nolato Industrial's operations, the market in which the business area operates, are highly diversified, making it impossible to

provide a single overall description of market trends. In general, however, Northern European industry has been seriously affected by the market downturn, particularly during the first half of 2009.

The trend is towards increased use of plastic as a replacement for metal, particularly in the automotive industry, where the weight of each individual component is of great importance. Another trend is the replacement of non-recyclable rubber materials with thermoplastic elastomers (TPEs), which can be recycled.

Earlier and more in-depth involvement in product development is leading to customers



Complete product systems with many advantages

Nolato Industrial has supplied plastic and rubber components for Husqvarna chainsaws for many years. Components are enhanced continuously, resulting in improved properties, and the proactive search for new, cost-effective manufacturing methods and materials is always on the agenda.

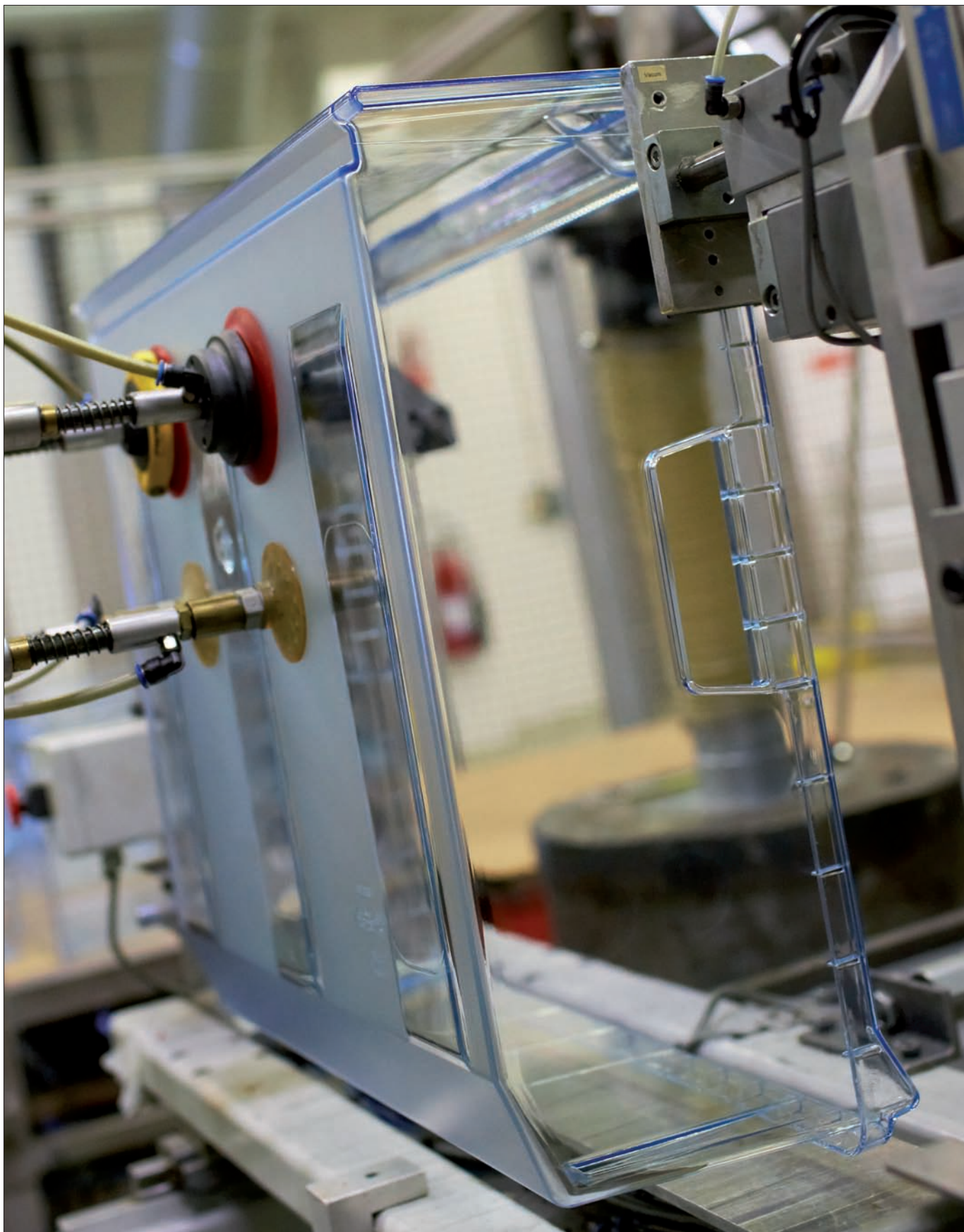
Take, for example, a component such as the induction manifold, which has the primary role of transporting the fuel-air mixture from the carburettor to the cylinders. This apparently simple component was previously just a simple tube.

It has now evolved into a complete product system, with an integrated air tube for

a cleaner combustion process, components for connecting to other motor parts, and a protective shield to prevent heat transmission in the small motor housing.

All this is manufactured using combinations of materials that can withstand a quick change from -30°C out in the forest on a cold winter's day to a high motor temperature during heavy duty operation.

Nolato delivers a complete assembled product system which is the equivalent of more than ten individual components, making the customer's end-assembly process quicker and simpler, and hence also cheaper.



reducing the number of suppliers. This often benefits large manufacturers, such as Nolato, who have significant development and technology resources and who can live up to customers' increasingly high expectations. These companies often also have a stronger financial base than smaller competitors.

Operations in 2009

Nolato Industrial's sales dropped by 13% to SEK 824 million (950). Sales accounted for 31% (34%) of the Group's total sales.

Nolato Industrial continued to win market shares in 2009, and new project start-ups have gone some way towards countering the generally weak levels of demand.

Operating income (EBITA) was SEK 19 million (55). The EBITA margin was 2.3% (5.8%). Non-recurring items connected with efficiency improvement measures totalling SEK 12 million were charged to income. Excluding these costs, the EBITA margin stood at 3.8% (5.8%). The measures in question have been carried out, and had a positive effect from the second quarter onwards.

Nolato Industrial follows the Northern European industrial business cycle, which featured dramatic reductions in volumes in 2009. The downturn began in the autumn of 2008, gradually worsening up until late summer 2009, when a levelling out of the market and a stronger belief in the future could be discerned.

Since their market structure was heavily affected by the recession, the business area's Swedish companies began to cut their costs back in mid-2008. These cut-backs continued during the first part of 2009, and in total the number of employees has been reduced by just over a quarter since summer 2008.

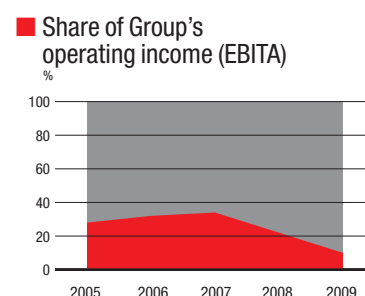
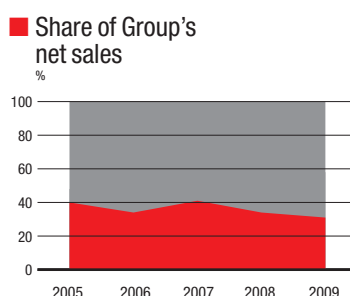
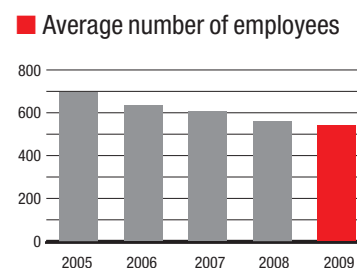
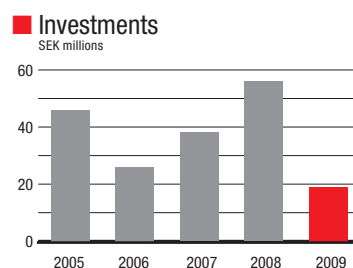
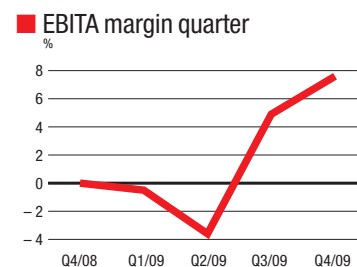
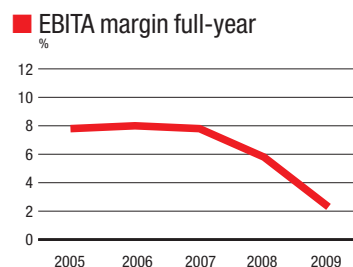
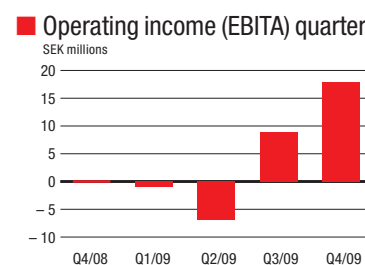
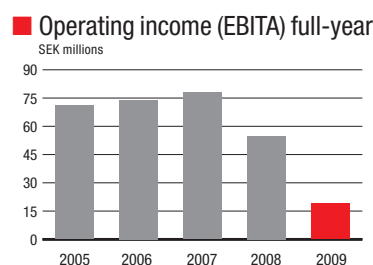
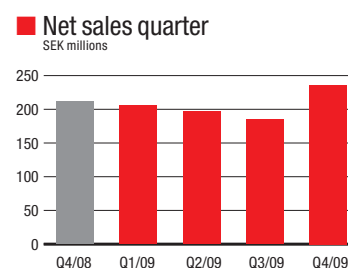
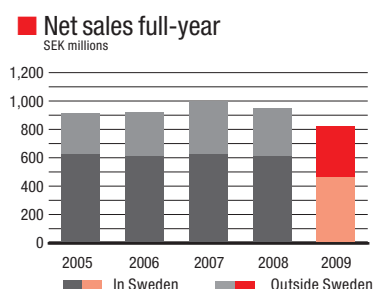
The Hungarian operations were less affected by the recession than the Swedish companies, with a number of new products going into production during the year.

Future strategy

Nolato Industrial's strategy includes winning market shares within existing customer segments through a continued focus on technology development and efficient production. Selective acquisitions may be of potential interest if these bring new technologies or new customer segments.

→ Read more about Nolato Industrial at www.nolato.com/industrial

Nolato Industrial: five-year review



Directors' report

Our operations are based on shared values

Nolato's Basic Principles

We are professional

- *We are professional, and we strive for long-term profitability.*

Nolato's long-term profitability is important for our future. We must all be professional and focus on profitability – whatever we do, and wherever we work.

- *We combine skill and experience with new ways of thinking.*

Since our customers are the foundation of our business, their needs and wishes must always come first. We want to join their projects at an early stage, so that we can contribute with our skill.

- *We combine skill and experience with new ways of thinking.*

Combining our experience and expertise in polymers with new ways of thinking will bring us closer to our vision of being the customer's first choice of partner.

We are well organised

- *We build our operations on a shared foundation.*

Nolato's operations are based on a shared foundation of commitment, skill, technology and values. Active cooperation between all our units will build a Group which is greater than the sum of its parts.

- *We take opportunities and solve problems when they arise.*

Allocating responsibility and authority, with a focus on our goals, helps us to meet the needs and wishes of our customers. This also allows all employees to develop based on their own terms and goals, and those of the company.

- *We make sure our operations are well organised.*

All our operations are well-organised, right down to the smallest detail. Getting things right from the start, as well as making continuous improvements, forms a natural part of our day-to-day work.

We are responsible

- *We work actively towards sustainable development.*

We work actively to make sure that our operations have as little effect on the environment as possible. We therefore follow the guiding principles of our Environmental Policy and work towards sustainable development.

- *We focus on social responsibility, integrity and openness.*

We believe that following the ethical and human principles of our Code of Conduct is a natural part of what we do.

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

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

In 2009, these were carefully revised in order to reflect today's circumstances and conditions in terms of professionalism, sustainable development, responsibility, quality and information.

The content of these documents and policies acts as the guiding force for all our employees, wherever they are in the world and wherever they work within the organisation. During autumn 2009 the five values documents were brought together in the publication *The Nolato Spirit*, which we reviewed with all our employees at all the Group's units.

The Nolato Spirit

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

Nolato's Basic Principles make up the common values platform for all Group operations.

The Code of Conduct formalises the content of the Basic Principles in terms of Nolato's ethical and compassionate principles.

The Environmental Policy formalises the guidelines for sustainable development in the Basic Principles.

The Quality Policy outlines the underlying focus of our quality work.

The Information Policy governs the dissemination of information by the Group, including the way this relates to exchange listing requirements.

→ Read more about the Nolato Spirit at www.nolato.com/spirit



Our sustainability work

We are responsible is one of Nolato's Basic Principles. By this, we mean that our operations should contribute towards sustainable development through our environmental awareness, our respect for human rights and the application of sound business methods. This commitment can be summarised as "corporate responsibility", and has guided Nolato's work ever since the Group was founded more than 70 years ago.

Higher GRI level and adopting the UN's Global Compact

Nolato has stepped up its sustainability work in recent years. In 2008 we adapted our reporting system in line with GRI (Global Reporting Initiative) indicators. We have raised our level of ambition this year, and now report in accordance with level B.

In 2009, we adopted the UN's Global Compact. In this way, we are taking a clear position on key issues relating to human rights, employment law conditions, business ethics and environmental responsibility – areas with a strong foundation in Nolato's Basic Principles, Code of Conduct and Environmental Policy.

Management of sustainability issues

Nolato's sustainability efforts are decen-

tralised, which means that every company belonging to the Group is responsible for its own sustainability issues. The Group management's basic requirement is that the ISO 14001 environmental management system should be introduced at all manufacturing units, and that Nolato's Basic Principles, Code of Conduct and Environmental Policy should be adhered to.

In order to ensure that Nolato lives up to both its own commitments and the commitments of the UN's Global Compact, training in Nolato's values is mandatory for all employees. We also review the Group's performance each year in areas relating to the environment, the working environment and social issues. Within the framework of our environmental management system, internal and external environmental audits are carried out.

Issues relating to the environment, the working environment and social responsibility are also included in our contact with – and evaluations of – our suppliers.

➔ *A detailed description of the way in which Nolato complies with the UN's Global Compact and a report in accordance with the GRI G3 guidelines can be found at www.nolato.com/sustainability*

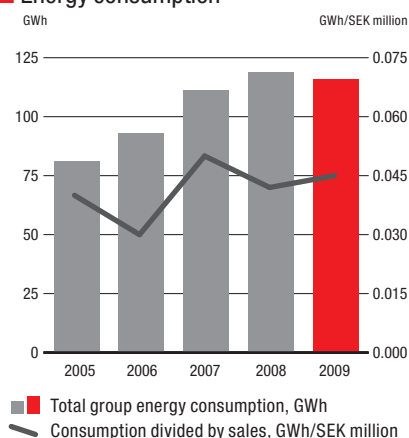
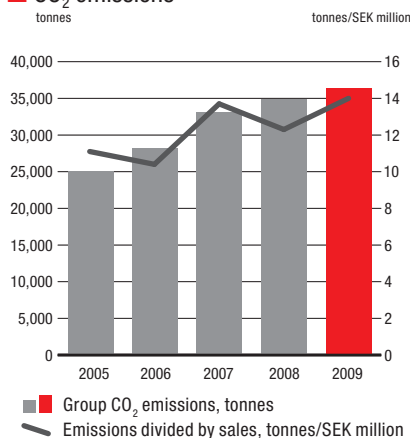
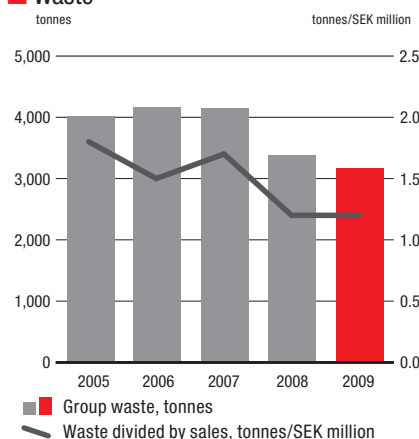
Dialogue with stakeholders

Nolato engages in ongoing communication and dialogue with various stakeholders in relation to both financial matters and sustainable development. At Group level, this communication is directed primarily at the capital market, employees and authorities. Within the individual companies, the emphasis is on communication with customers, suppliers, employees, local authorities and the local community.

Nolato's website is an important tool in this communication. The following are a few examples of how Nolato engages in communication and dialogue with various stakeholders in relation to sustainability issues.

■ **Employees:** Dialogue on sustainability issues is a natural element of the units' environmental management systems.

■ **Shareholders and investors:** Nolato's management works continuously to develop information relating to sustainability issues, in order to ensure good conditions for evaluating the Company as fairly as possible. In recent years, Nolato has been audited on matters relating to sustainable development by Robur Fonder, Folksam and Amnesty Business Group. An active dialogue was conducted during the year with some of the ethical investors.

Energy consumption**CO₂ emissions****Waste**

In 2009, Nolato was included in the business newspaper Veckans Affärer's portfolio of ten shares which "have a high environmental and ethical standard, and that are worth investing in over a three to five year period".

■ **Customers:** The most important channel is the direct contact we have with our customers in connection with project work and development work. Sustainability issues are also communicated via Nolato Magazine and the Group's website.

■ **Suppliers:** Requirements and preferences in relation to sustainability are presented via the individual units' environmental management systems. These requirements are followed up via supplier visits and evaluations.

■ **Society:** The individual units interact with the local community and engage in active communication with authorities, neighbours and other stakeholders.

Environmental reporting

In 2009, Nolato was engaged in production at 12 plants in Sweden, one in Hungary and three in China. A production plant also began operating in southeast India in January 2010. As background for the year's sustainability reporting, quantitative and qualitative information has been gathered in from all plants other than the Indian plant, and from Group-wide activities.

Large-scale production is carried out, consisting primarily of manufacturing products and product systems using various forms of polymer materials. Common manufacturing methods include injection moulding, compression moulding and assembly. Painting is also carried out at some plants.

At the Sunne plant, rubber compounds are produced both for Nolato's own production and that of external customers. At other plants, ready-made polymers and other input materials are bought in. The end-products consist mainly of one or more polymer materials, sometimes combined with other materials, such as metals.

Nolato's main environmental aspects relate to energy consumption, the use of raw materials based on fossil resources (such as plastics and synthetic rubber), the handling of chemicals, the emission of pollutants and greenhouse gasses into the atmosphere, and the generation of waste.

Indirect environmental aspects include supplier activities, the transportation of raw materials and finished products, and the way in which our products are used. Our environmental work over the course of the year has been successful, resulting in both reduced environmental impact and cost savings.

Over time, issues relating to sustainable development have been increasingly integrated into our business operations. One exam-



ple is the development of environmentally friendly products that bring concrete business opportunities for Nolato.

Environmental management systems

All production units except the one in India are certified in accordance with the requirements of the ISO 14001 environmental management standard.

In 2009, around 55 internal environmental audits and around 20 audits by external certification bodies were carried out.

Nolato Medical Rubber in Hörby was certified during the year.

At Nolato MediTech, which was formed at the end of 2009 by merging Nolato Medevo and Nolato Medical Rubber, work is currently being carried out to introduce a joint quality and environmental management system. This certification will be carried out in 2010.

At the Beijing unit in China, work is underway to introduce the occupational health and safety management standard OHSAS 18001, with certification planned for 2010.

All Nolato units are certified in accordance with the requirements of the ISO 9001 quality management system. The majority of the units are also certified in accordance with ISO standards for the automotive industry (ISO 16949) or medical technology (ISO 13485).

Nolato Cerbo is certified in accordance with the standard for pharmaceutical packaging (ISO 15378).

Continuous improvements

Continuous improvements are an important element of the environmental management systems. The most common environmental targets at the units relate to reducing energy consumption and waste. Activities are carried out continuously to make our products more environmentally friendly.

During the financial year, most units achieved their environmental targets.

Energy consumption

Around 90% of Nolato's energy consumption consists of indirect energy in the form of electricity. The remainder comes from fuel oil, natural gas, district heating and geothermal heating used for heating buildings.

Nolato's overall energy consumption was 115 GWh (119). The highest levels of energy consumption were reported from the plants in China, where increased production levels, a new painting line and metal working equip-



The mobile phone with a green heart and a clear conscience

Sony Ericsson's new GreenHeart range of mobile phones has been designed to be less harmful to the environment – not only while in use, but also during the design, manufacturing, shipping and recycling processes.

In other words, throughout the entire life cycle of the product.

Making the phone from recycled plastic reduces carbon dioxide emissions from production considerably, and requires less energy.

Another way of saving the environment is by using water-based paints for the plastic. This results in a significant reduction in exposure to volatile organic compounds (VOCs).

The use of local water in production also eliminates the carbon dioxide emis-

sions that transporting solvents would otherwise have generated.

For Nolato Telecom, being involved in the development of the new Elm GreenHeart phone was an innovative, exciting challenge that involved showing how an environmentally friendly mobile phone can feel just as good as any other phone.

The look and feel of a phone is an important part of the user experience, and so the meticulous testing and verification of materials and production methods were important aspects of the development process.

Every new GreenHeart phone also contributes towards the development of future phones. These new green experiences and innovations will have a real impact for years to come.

ment have contributed towards additional energy consumption.

Around two thirds of the plants showed reduced or unchanged levels of energy consumption compared with the last three years, and most of the plants are implementing energy efficiency measures. For example, these include investing in free cooling systems and replacing hydraulic injection moulding machines with electric versions. Energy-saving projects are also being carried out at a number of plants, with initiatives addressing energy measurements, the use of lighting, ventilation and cooling. In addition, educational measures have been undertaken to improve staff awareness of energy-saving issues.

The Group's total energy costs for 2009 were approximately SEK 82 million (73). Some of this increase is due to the impact of exchange rates when converting the energy costs of units outside Sweden.

Water consumption

Water is used primarily for cleaning, sanitary purposes and cooling. At Nolato MediTech in Torekov, water is used in the process for producing latex rubber. A number of Nolato's facilities have closed cooling water systems for presses and other equipment, thereby reducing water consumption. In 2009, 111,100 m³ of water (94,300) were used.

The water consumption has increased in

recent years. One major reason for this is the expansion of operations in China. The costs incurred by the Group for water and cleaning wastewater totalled approximately SEK 1.2 million (1.0).

Raw materials and chemical products

Important raw materials used in Nolato's production processes include plastic and rubber polymers, metal components, paints and other constituent substances. In 2009, 15,400 tonnes (15,800) of plastic raw materials and 1,300 tonnes (1,540) of rubber raw materials were used. The majority of the plastic materials were virgin raw materials, which is a requirement in medical contexts, for example.

However, recycled plastics can be used in a number of applications, and around 175 tonnes (140) of recycled plastic materials were used in 2009.

In a project carried out together with Sony Ericsson (GreenHeart) at the Beijing plant, recycled plastic is used in the production of mobile phones. The phones are also painted with water-based paints, reducing both solvent use and atmospheric emissions.

Around 90% of the rubber is synthetic rubber, with the remainder consisting of natural rubber. When manufacturing rubber compounds, only process oils with a maximum of 3% PAHs (polycyclic aromatic hydrocarbons) are used. Other materials of note from

an environmental perspective include metals (approximately 380 tonnes) and solvents and paints (approximately 200 tonnes).

Activities to replace hazardous chemicals are an important feature of the environmental and working environment initiatives carried out at the production units. In 2009, for example, a project was carried out at Nolato MediTech to replace certain softening agents (DOP/DEHP) in PVC plastic. Work is also being carried out at the unit in Hungary to eliminate the use of adhesives in the production of a hygiene product.

Greenhouse gases

The greenhouse gas carbon dioxide is emitted as a result of the production plants' use of energy (fuel oil, natural gas, district heating and electricity). Energy efficiency measures are therefore important, and contribute to a reduction in both emissions and costs.

Overall carbon dioxide emissions for 2009 were approximately 36,500 tonnes (35,000). Of this, indirect carbon dioxide emissions through purchased electricity accounted for more than 85%, and this figure is dependent on the types of energy sources used to generate the electricity. Since the majority of electricity and district heating in China is generated by coal-burning power stations, Nolato's energy consumption at the plants in Beijing and Shenzhen produce significant emissions of greenhouse gases.

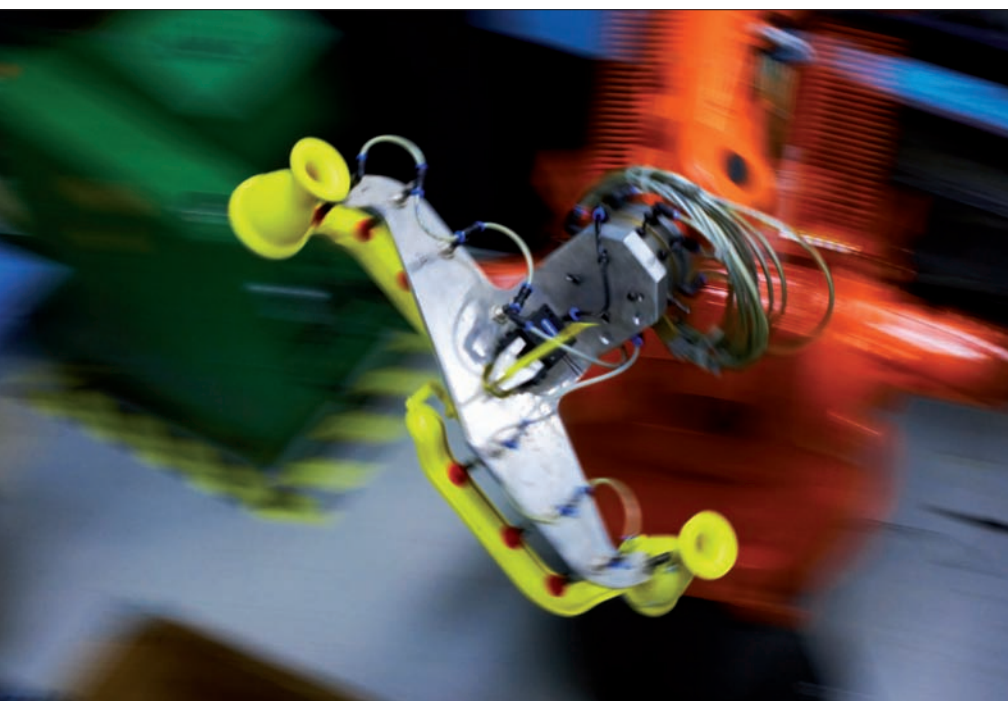
Transporting raw materials, products and staff also contributes towards carbon dioxide emissions. The extent of these emissions cannot currently be calculated. None of Nolato's facilities is affected by the EU Emissions Trading Directive.

Other atmospheric emissions

Nolato's atmospheric emissions of sulphur dioxide and nitric oxides are extremely limited, and account for less than 3 tonnes (5) each year in total. Thanks to efficient purification plants, emissions of VOCs (volatile organic compounds) are low, accounting for a total of less than 19 tonnes per year (10), despite the use of solvents.

One source of VOC emissions in the form of ethanol is the production of latex in Torekov, where emissions total around eight tonnes per year. Another source is the spray painting of mobile phones at the plant in China, where efficient purification plants limit emissions to around five tonnes per year.

Efficient purification plants also result in



low dust emissions. Any emissions of odorous substances at the unit in Torekov are recorded. No such emissions were noted in 2009.

At three of the production plants, leaks in cooling and air-conditioning units caused emissions of around 0.1 tonnes of substances that affect the ozone layer (HFCs and HCFCs).

Waste

Reducing the amount of waste produced and finding environmentally sound solutions for dealing with waste are a natural part of local environmental efforts.

The amount of waste, including waste sent to landfill, has fallen in recent years. One main reason for this is that the majority of the units carry out constant improvement work to reduce production waste.

The amount of waste that is recycled has increased, both in our own processes and in generating energy from waste.

At our Beijing plant, we have introduced a system whereby the packaging used to transport completed mobile phones to our customers is re-used up to five times. In addition to environmental benefits, this also results in significant savings.

The total amount of waste generated during the year was 3,170 tonnes (3,385), of which 177 tonnes (217) was hazardous waste. External waste processing costs amounted to SEK 3.1 million (2.5).

Discharges to water

Production at most of Nolato's units is designed so that the amounts of pollutants discharged to wastewater are very small.

Those wastewater discharges that do occur consist mainly of organic materials and nutrients from sanitation and cleaning premises. In addition, there are low-level emissions of cooling water.

The only significant discharge of process water occurs in connection with manufacturing latex rubber at the unit in Torekov. This is monitored by taking measurements regularly.

All our production facilities are connected to public sewage treatment plants.

Product development

Product development is mainly carried out in close cooperation with our customers. It has therefore become increasingly common for them to express specific requirements

or preferences in relation to matters affecting the environment and health. For example, these may relate to reducing the weight of a product or drawing up IMDS declarations and safety data sheets.

Nolato plays a proactive role in this development work, and often proposes new materials, designs and processes that reduce products' overall environmental impact.

Environmental requirements placed on suppliers

Nolato places requirements on suppliers in terms of environmental adaptation. This work is monitored via supplier assessments, questionnaires, site visits and audits.

The majority of Nolato Telecom's production takes place in China, and regular environmental and quality audits are carried out on its largest suppliers. No deficiencies in suppliers' environmental efforts that led to a termination of cooperation were noted in 2009.

In 2009, a procurement was carried out for transportation for the Swedish operations, with environmental requirements in accordance with the QIII system constituting a key parameter.

Environmental requirements relating to investments

A requirement was introduced during the year whereby all investments must also be evaluated from an environmental perspective. The Group's system for reporting environmental costs and investments has also been improved.

In 2009, Nolato invested SEK 2.9 million (3.5) in measures relating to the environment and the working environment. The biggest individual investments were carried out in China and Hungary, in the form of working environment improvements and better purification of atmospheric emissions from a painting plant.

Costs for the year totalled SEK 7.2 million (4.7), and consisted primarily of waste management costs and costs relating to the internal administration of environmental work and working environment initiatives.

A total of SEK 0.7 million (0.6) worth of savings were reported in relation to environmental work.

→ Read more about Nolato's sustainability efforts at www.nolato.se/sustainability



Our social responsibility – ethical and human principles



One extremely important factor in ensuring Nolato's development and profitability, whilst also fulfilling the commitments of our Code of Conduct, is our employees' efforts, knowledge and expertise. The Group therefore strives to create a positive working environment, which contributes towards our competitiveness and also promotes a view of Nolato as an attractive employer.

We also believe that the Group has an important role to play in the development of society. The individual units are important employers locally, and also generate significant levels of employment for subcontractors.

Employee information

The average number of employees at Nolato in 2009 was 4,308 (4,531), of which 3,199 (3,406) were in Asia, 798 (887) in Sweden and 311 (238) in the rest of Europe.

The number of employees at Nolato Medical was 467 (415), with 3,295 (3,549) at Nolato Telecom, 541 (562) at Nolato Industrial and 5 (5) in Group functions.

81% (80%) of the average number of employees in 2009 were outside Sweden.

Absence due to illness

The average level of absence due to illness in 2009 was 1.9% (1.9%). Of this, long-term absence due to illness made up 0.9 percentage points (0.9). The absence level in Hunga-

ry was 8.2% (6.8%). The average figure for the Swedish companies was 5.4% (6.7%).

The lowest levels of absence due to illness were in China, with 0.3% (0.4%). The employees in China receive full payment for the first twelve days of illness. After this, they receive half their basic salary, although this amount may not be less than the social minimum salary.

Occupational accidents and illnesses

Exposure to dust, chemicals, noise, heavy lifting, repetitive work and the risk of accidents are examples of working environment factors which need to be addressed in a preventive manner.

Offering a good working environment is one of Nolato's Basic Principles, and this is made clear in our Code of Conduct. In practice, we achieve this through preventive measures, training, safety rounds and monitoring. All units within the Group have safety committees or equivalent bodies.

At Nolato Beijing in China, the classification from standard OHSAS 18001 for working environment and safety is used as a tool in this work. A number of preventive working environment activities were carried out in 2009, and Nolato Beijing plans to be certified in accordance with OHSAS 18001 in 2010.

In 2009, 46 (26) occupational accidents resulting in more than one day's absence

were reported. Total absence due to illness caused by occupational accidents was 283 (430) days. The most common causes were injuries caused while working with machinery and equipment, heavy lifting, repetitive work, falls and slips.

No occupational accidents relating to contracting companies were reported in 2009.

A handful of work-related illnesses were noted during the year, including a few cases of allergies and stress.

Setting salaries and union membership

All of Nolato's production units are run under the Group's own management. The units in China and India are also wholly-owned, and are operated in accordance with the same rules and values as those which apply to Nolato's other units. Salaries are set in accordance with legislation, exceed social minimum salaries and are fully in line with the market.

Nolato's Code of Conduct recognises employees' rights to be represented by unions and other employee representatives, as well as the right to collective negotiations and agreements.

At most of Nolato's units, more than 90% of employees are covered by collective agreements.

At Nolato Beijing in China, there is a union in accordance with the rules which apply to all large Chinese companies. All staff members are provided with information about the union upon hiring, and can then make their own decision on membership. At the end of the year, all employees at Nolato Beijing were covered by collective agreements.

At the Hungarian unit, there are neither unions nor collective agreements. This circumstance is not specific to Nolato – it is representative of the normal situation at private-sector companies in Hungary. The management of Nolato Hungary uses a number of other internal channels for two-way communication with employees.

Training

The average number of training hours per employee at the Group's production units

in 2009 was 5.5 hours (3.9). Environmental, working environment and safety training was carried out at most units, and this involved an average of 1.9 hours (2.3) of training per employee.

Training with a focus on environmental issues was carried out at a number of units in 2009. One example of this is the training day on bioplastics arranged by the Chalmers University of Technology at Nolato Polymer.

Internal environmental auditor training was carried out at Nolato MediTech, for example.

In 2009, extensive informative work was carried out in relation to Nolato's Basic Principles, Code of Conduct and policies (The Nolato Spirit). The majority of units have reported that this information was passed on to all employees in various ways.

Human rights, diversity and gender equality

Adopting the UN's Global Compact and the content of Nolato's Code of Conduct mean that the Group supports and respects internationally-upheld human rights, encourages diversity, and distances itself from all forms of victimisation and discrimination. There was nothing to suggest that we breached these principles in 2009.

Our gender equality efforts are carried out on a decentralised basis at each unit, in accordance with the individual companies' gender equality plans. 68% (70%) of the Group's employees were women. This statistic is significantly affected by the large proportion of female employees in China – 78% (81%). The proportion of female employees at the Group's European facilities was 40% (35%).

Of the members of the Board of Nolato AB, 20% (20%) are women. The corresponding figures for the Group management and subsidiary management are 0% (0%) and 17% (21%), respectively.

Business ethics

In accordance with the principles of the UN's Global Compact and Nolato's Code of Conduct, Nolato's external relationships should be characterised by integrity and responsibility.

We do not offer customers, potential customers, authorities or other representatives of society any payments or advantages which would contravene applicable laws or violate reasonable and accepted business and mar-

keting practices. Nor do Nolato's employees accept gifts, benefits or payments which could affect, or give the appearance of affecting, the objectivity of our business decisions. We also avoid situations where company loyalty could come into conflict with personal interests.

There is nothing to suggest that these ethical rules were breached in 2009.

Political neutrality

The Nolato Group takes a neutral position on political issues, and neither the company's name nor its financial resources may be used for political purposes.

Suppliers' social responsibility

Issues relating to social responsibility appear increasingly often in Nolato's contacts with its suppliers. Information about our Code of Conduct is provided in connection with these contacts. The basic rule is that Nolato places the same requirements on its suppliers as it does on its own employees when it comes to dealing with social responsibility.

The guidelines for evaluating how suppliers deal with social issues drawn up in 2008 are applied by the Group companies. In China, all Nolato Telecom's main suppliers have signed a contract with Nolato, whereby they commit to following the rules of Nolato's Code of Conduct. In the event that these rules are violated, Nolato can end its cooperation with the supplier.

Social commitment

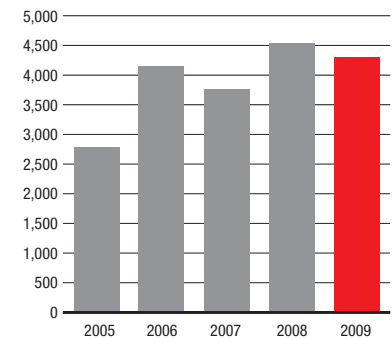
Nolato participates in social activities in connection with the various units' operations. This involves working together with neighbours, voluntary organisations, authorities and sports clubs. This involvement may take various forms, such as sponsorship and participating in activities.

The Group maintains ongoing contact with schools and universities. A number of the units accept study visits and offer opportunities for work experience and research projects.

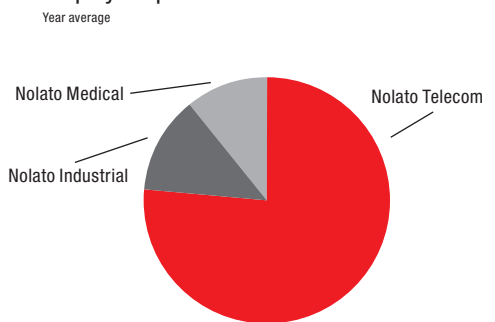
In 2009, environmental projects were carried out in Sweden and China together with students and researchers from the International Institute for Industrial Environmental Economics at Lund University.

Nolato Beijing received official recognition in 2009 from the Chinese authorities as an employer offering stable working conditions during the economic crisis.

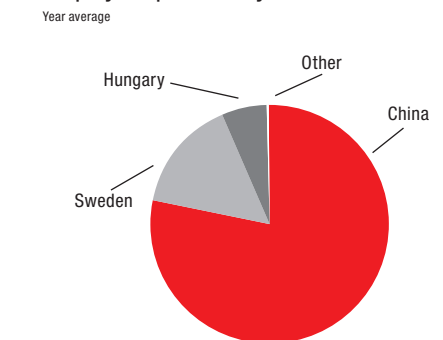
Average number of employees



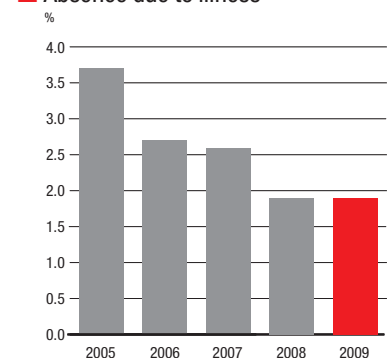
Employees per business area 2009



Employees per country 2009



Absence due to illness



Risks and risk management

All business activities involve risks, which must be identified, evaluated and dealt with. Nolato's strategy includes continuously minimising operational risks, whilst still taking advantage of the opportunities that controlled risk-taking brings.

Operational risks

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

Market and customer risks

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

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

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

Nolato Industrial operates in a fragmented and diversified market, which follows the fluctuations of the Northern European industrial market. The market is characterised by a large number of customers and a large number of suppliers, and requires continuous cost cutting and productivity increases. Nolato Industrial deals with this with its cost-effective, highly productive plants in Sweden and Hungary.

Nolato Telecom has a greater dependency on a small number of large customers, whereas the other business areas have broader cus-

tomers bases, with no single customer being dominant.

The Group's revenues are mostly derived from medium-sized and large global industrial groups. These tend to be more willing to provide information, and Nolato constantly monitors their financial position. This minimises – but unfortunately does not entirely eliminate – the risk of bad debt losses and other major problems.

Supplier risks

Supplier risks involve both the risk of a supplier being unable to deliver the correct quantity on time and at the right quality, and the risk of supplier price fluctuations that cannot be passed on to customers.

For input goods and machinery, this risk is limited by the existence of alternative suppliers. In some cases, changing supplier requires customer approval.

The choice of suppliers of components for system products sold by the Group is usually made in consultation with the customer.

The price of raw materials for plastics and rubber is dependent on oil prices and currency fluctuations, as well as factors such as production capacity and production costs in the intermediate processing stages.

The amount of raw materials used for plastics varies from business area to business area. For Nolato Telecom, with its many thin-walled products, plastic, on average, only accounts for around 5% of the selling price, while the corresponding figure is around 15% for Nolato Medical and 20–30% for Nolato Industrial.

In certain cases, changes in raw material prices are dealt with through customer agreements. The right to make adjustments applies

to these agreements where material prices have changed beyond certain agreed levels, limiting sensitivity to changes in material prices.

The price of electricity can also be included in this risk category, since the Group's production operations are relatively electricity-intensive. The risk of rising electricity prices is addressed by the Group entering into fixed price agreements for 40–80% of electricity requirements for the next four quarters to even out the effects of price changes.

Quality and production disruption risks

In most cases, Nolato supplies products in accordance with its customers' technical specifications and quality requirements. These are dealt with by skilled Group company staffs who are responsible for day-to-day operations.

The biggest risk of quality and production disruption normally arises when the production of new products begins.

This is particularly true when commissioning major mobile phone projects, where there is a risk of quality and productivity disruptions which could have an impact on the Group's earnings. In order to prevent any such problems, the Group follows an advanced model involving established quality assurance requirements and checklists.

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

All the Group's units are quality certified in accordance with ISO 9001. Most of them are also certified in accordance with the standard for the automotive industry, ISO 16949,

Operational risks

Market and customer risks
Supplier risks
Quality and production disruption risks
Legal risks

Financial risks

Exchange risks
Interest rate risks
Financing risks
Credit and liquidity risks
Insurable risks

Environmental risks

Restoration risks
Hazardous substances
Accidents and uncontrolled emissions
Climate-related risks

or the standard for medical technology, ISO 13485.

Legal risks

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

Nolato holds few patents and little in the way of pattern or trademark protection, which is typical of the industry in which the Group operates.

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

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

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

Financial risks

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

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

Comments and a report on the Group's financial risk management can be found in Note 4 on pages 50–51.

Environmental risks

Restoration risks

The introduction of new environmental legislation and other authority-related requirements in terms of preventive environmental measures and restoring damaged environments can entail significant costs for industrial operations.

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

We are not aware of any contaminated soil at the plants owned by the Company. In 2009, the unit at Torekov was classified in accordance with the Swedish environmental authorities' MIFO system in risk class 2 in terms of soil contamination. This is an administrative classification based on the

fact that trichloroethylene was present at the plant approximately 20 years ago. The plant at Götene has been classified in accordance with MIFO in risk class 3 (the lowest risk). There are no legal or other requirements in terms of investigations or decontamination at these or other units, and hence there are no costs associated with this.

Hazardous substances

It is extremely unlikely that asbestos is present at our newer plants. Asbestos audits have been carried out for Nolato's older plants in a few cases. In other cases, no asbestos has been deemed to be present in buildings and installations. At the unit in Trollhättan, asbestos was removed from the flooring of part of the building's workshop in 2009.

Nolato is of the opinion that all chemicals used in the Group's operations are recorded in the EU's REACH register.

In accordance with applicable legislation, the presence of the environmentally harmful substance PCB (polychlorobiphenyl) has been inventoried at the Swedish plants. PCBs are present in transformers in Götene. The levels are low, and no action is required. PCBs

are also present in the seals around windows in the building in Trollhättan. These seals will be removed in accordance with legal requirements by 2013.

Accidents and uncontrolled emissions to the environment

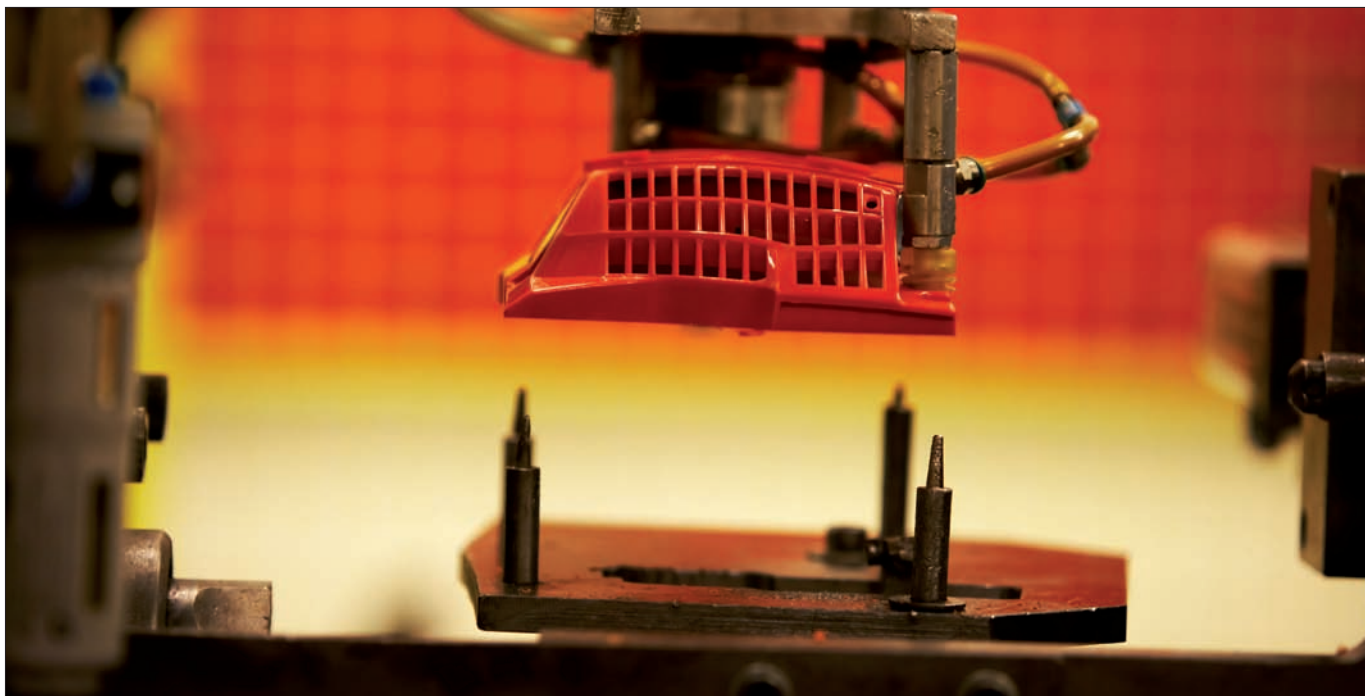
Procedures to minimise the risk of fires, leaks and other accidents are included within the framework of the environmental management systems and legal requirements. In 2009, there were no fires or explosions at our production plants.

No complaints were reported during the year from neighbours or other stakeholders in relation to environmental matters.

Climate-related risks

Two of Nolato's Swedish plants are located in areas where future climate changes could cause landslips (Gothenburg) or flooding (Kristianstad). In Kristianstad, the authorities have carried out comprehensive damming of the areas that are vulnerable to flooding. Nolato is not otherwise currently taking any action, but is monitoring the risk and vulnerability analyses carried out by the authorities.





General information

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

Nolato AB, the Group's parent company, is a limited company, with corporate identity number 556080-4592, and maintains its registered office in Torekov, Sweden. Its head office address is 260 93 Torekov.

The Group's operations are through subsidiaries which are wholly-owned by the Parent Company.

In 2009, there were operational subsidiaries in Sweden, China and Hungary, and sales companies in France, Norway and Poland.

Three business areas

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

Nolato Medical is a leading developer and manufacturer of polymer products and product systems for medical technology and pharmaceutical customers.

Nolato Telecom is a global developer and manufacturer of subsystems, primarily for mobile phone customers.

Nolato Industrial is a market-leading developer and manufacturer of polymer products and product systems for customers working in fields such as the automotive industry, white goods, gardening/forestry and furniture, as well as other selected customer areas.

Sales and profits

Consolidated sales for the Nolato Group totalled SEK 2,602 million (2,824). Operating income (EBITA) was SEK 166 million (240). Income after net financial items was SEK 148 million (216). Net income was SEK 123 million (178), with earnings per share of SEK 4.68 (6.77).

Nolato Medical saw sales rise to SEK 692 million (632). This represents an increase of

9% compared with 2008. Excluding currency conversion effects, sales rose by 7%. Sales accounted for 27% (22%) of the Group's total sales.

Operating income (EBITA) stood at SEK 89 million (89). The EBITA margin was 12.9% (14.1%). Nolato Medical is continuing its efforts to be able to offer new and existing customers a wider range of project management and technical resources, as well as systems deliveries. These investments explain the slightly lower margin compared with 2008.

Nolato Telecom's sales totalled SEK 1,090 million (1,243), a drop of 12% compared with 2008. Excluding currency conversion effects, sales fell by 24%.

Operating income (EBITA) was SEK 86 million (114). The EBITA margin was 7.9% (9.2%). Excluding the bankruptcy payment from BenQ and non-recurring items relating to centralising network product manufacturing in Asia, the EBITA margin was 6.5% (9.2%).

The results for 2009 were in line with the

information issued in the autumn of 2008. Changes made by one of the business area's main customers to its product range had a negative impact on sales during the first six months. The production of new products began during the second half of the year, and volumes for other products have been high.

A small converting unit was set up during the second half of 2009 in Chennai, India. Customer deliveries began during the first quarter of 2010. The investment is expected to total around SEK 10 million over a period of three years.

Nolato Industrial's sales dropped by 13% to SEK 824 million (950). Sales accounted for 31% (34%) of the Group's total sales.

Nolato Industrial continued to win market shares in 2009, and new project start-ups have gone some way towards countering the generally weak levels of demand.

Operating income (EBITA) was SEK 19 million (55). The EBITA margin was 2.3% (5.8%). Non-recurring items connected with efficiency improvement measures totalling SEK 12 million were charged to income. Excluding these costs, the EBITA margin stood at 3.8% (5.8%). The measures in question have been carried out, and had a positive effect from the second quarter onwards.

Nolato Industrial follows the Northern European industrial market trend, which was characterised by dramatic reductions in volumes in 2009. The downturn began in the autumn of 2008, gradually worsening up until late summer 2009, when a levelling out of the market and a stronger belief in the future could be discerned.

The Parent Company

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

Sales totalled SEK 21 million (22). The drop in sales is a result of lower costs charged to subsidiaries. Income after financial items was SEK 26 million (–122). This increase is mainly due to higher dividends from subsidiaries.

Guidelines for the remuneration of senior executives

The guidelines for the remuneration of senior executives agreed on at the latest Annual General Meeting are detailed in Note 11 on pages 54–55. This note also explains what happens if these executives resign or are dismissed by the Company.

Nolato's shares

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

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

The 2009 Annual General Meeting authorised the Board, no later than by the next Annual General Meeting, to acquire and transfer a maximum of 10% of the Company's own shares. No acquisitions or transfers have taken place in 2009.

Nolato does not have any restrictions on the transferability of its shares as a result of legal provisions or the company's Articles of Association.

Detailed information about Nolato's shares and shareholders can be found on pages 70–71.

The work of the Board

Information about the company's management and the work of the Board during the year can be found in the corporate governance report on pages 72–77.

Environmental issues

In 2009, Nolato carried out production at 12 plants in Sweden. In some cases, the physical production plant and the permits in accordance with environmental legislation are shared by Nolato's various business areas.

In Sweden, the Group carries out operations with permit requirements (B) at the plants in Kristianstad, Torekov and Sunne. According to a change in environmental legislation in 2008, these operations are now classed as operations with reporting obligations (C). The existing environmental permits are currently being retained, but investigations are being carried out into the whether or not transferring to reportable operations would be appropriate. Reportable (C) operations are carried out at the plants in Gothenburg, Götene, Hallsberg, Hörby, Lomma, Trollhättan, Åstorp and Ängelholm. The environmental situation is described in annual environmental reports and other reports submitted to the supervisory authorities. No

new permits were applied for and no reports of changed operations were submitted in 2009. The plants in China, Hungary and India must obtain permits in accordance with the environmental legislation in the country in question. Here, too, regular reports are submitted to the environmental authorities. Sales from operations with permit requirements and notification obligations correspond to 100% of Nolato's net sales.

A detailed report on Nolato's sustainability work can be found on pages 25–29.

Events after the end of the financial year

No significant events have occurred since the balance sheet date.



Consolidated income statement

SEK millions	Note	2009	2008
Net sales	6	2,602	2,824
Cost of goods sold	7	– 2,273	– 2,385
Gross profit		329	439
Other operating income	8	41	—
Selling expenses		– 71	– 67
Administrative expenses	9	– 132	– 140
Other operating expenses	10	– 9	0
		– 171	– 207
Operating income	11,18	158	232
Financial income	14	1	6
Financial expenses	15	– 11	– 22
		– 10	– 16
Income after financial items		148	216
Tax	17	– 25	– 38
Net income ¹⁾		123	178
Depreciation/amortisation included at	12	185	167
Earnings per share before and after dilution (SEK)		4.68	6.77
Number of shares on 31 December (thousands)		26,307	26,307
Average number of shares (thousands)		26,307	26,307

Consolidated comprehensive income

SEK millions	2009	2008
Net income	123	178
Other comprehensive income		
Translation differences for the year on conversion of foreign operations	– 25	80
Changes in the fair value of cash flow hedges for the year	4	– 6
Changes in the fair value of cash flow hedges for the year transferred to net income	– 1	3
Tax attributable to cash flow hedges	– 1	1
Total other comprehensive income	– 23	78
Comprehensive income for the year ¹⁾	100	256

¹⁾ Net income and Comprehensive income are fully attributable to the Parent Company's shareholders.

■ Comments on the consolidated income statement

Net sales

The Group's net sales fell by 8% during 2009 compared with 2008. Currency effects had a positive impact on sales of 6%.

Nolato Medical continued to show healthy growth, with sales rising by 9%. Volumes grew for most of the business area's customer segments. Excluding currency effects, sales were up 7%.

Nolato Telecom's sales were down 12%. Excluding currency effects, sales fell by 24%. Changes made by one of the business area's main customers to its product range had a negative impact on sales during the first six months. The production of new products began during the second half of the year, and volumes for other products have been high.

Nolato Industrial's sales were down 13%, primarily as a result of the weaker market. The business area has continued to win market shares, and new project start-ups have gone some way towards countering the generally weak levels of demand.

Gross profit

Gross profit fell mainly as an effect of lower sales. Gross profit is sales minus the cost of goods sold. The cost of goods sold consists of production costs for materials and manufacturing salaries, as well as other production expenses.

As a percentage of sales, the gross margin was lower than 2008, mainly due to lower levels of capacity utilisation and a change in the product mix, but also due to costs of SEK 12 million within Nolato Industrial associated with efficiency improvement measures and costs of SEK 20 million within Nolato Telecom relating to concentrating network product manufacturing to Asia.

Total depreciation rose slightly to SEK 185 million, compared with SEK 167 million during 2008. This consisted mainly of depreciation of fixed assets in production, which is included in the cost of goods sold in the income statement at SEK 173 million (156).

This increase in depreciation is due to SEK 14 million of fixed asset writedowns in connection with the decision to concentrate network product manufacturing to Asia.

Other operating income

Other operating income consists mainly of one-off income from the bankruptcy payment from BenQ.

Selling and administrative expenses

Selling and administrative expenses fell slightly compared with 2008. 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 of SEK 8 million (8) and consist of amortisation of so-called customer relationships that are assigned value in the acquisition analysis carried out in connection with acquisitions.

Other operating expenses

Other operating expenses consist mostly of net currency effects (conversion effects and transaction effects) in relation to operating items (non-financial items) in foreign currencies. Currency effects were negative for the Group in 2009.

Operating income

Operating income was SEK 158 million (232). The bankruptcy payment from BenQ had a positive effect of SEK 35 million on income, while costs associated with efficiency improvement measures carried out had a negative impact of SEK 15 million during the second quarter and the cost of concentrating network product manufacturing to Asia had a negative impact of SEK 20 million during the fourth quarter. Overall, these non-recurring items had a net impact of SEK 0 million.

Net financial items

Net financial items improved compared with 2008. The Group's positive cash flow reduced the average net debt to some extent, and general interest rate levels were favourable.

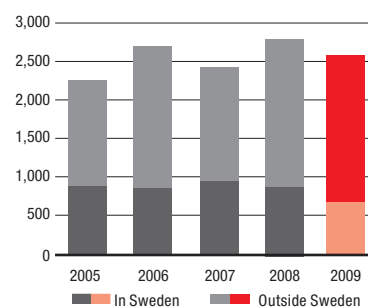
Net financial items also include translation differences for loans in foreign currencies for operations outside Sweden. These currency effects had an effect of SEK 0 million (+2) on income. Income after net financial items was SEK 148 million (216).

Net income

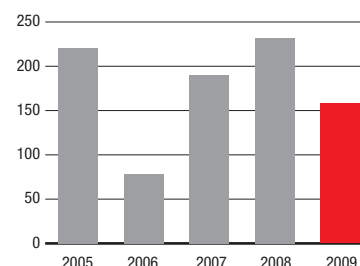
Net income was SEK 123 million (178), with earnings per share of SEK 4.68 (6.77). The effective tax rate was 17% (18%). Non-recurring items had a positive effect of SEK 9 million on tax expenses.

The tax rates for subsidiaries in countries where the Group has significant operations are currently around 15% in China, 19% in Hungary and 26% in Sweden.

■ Sales
SEK millions



■ Operating income (EBIT)
SEK millions



Consolidated balance sheet

SEK millions	Note	2009	2008
Assets			
Fixed assets			
Intangible fixed assets	19	373	377
Tangible fixed assets	22	702	767
Other securities held as fixed assets		2	2
Other long-term receivables		1	0
Deferred tax assets	17	25	20
Total fixed assets		1,103	1,166
Current assets			
Inventories	24	215	238
Accounts receivable	25	573	513
Other receivables		35	26
Derivative assets	32	2	0
Prepaid expenses and accrued income		13	15
Cash and bank		172	168
Total current assets		1,010	960
Total assets		2,113	2,126
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	26	132	132
Other capital contributed		228	228
Other reserves	27	77	105
Retained earnings		649	593
Total shareholders' equity		1,086	1,058
Long-term liabilities			
Provisions for pensions and similar obligations	29	92	89
Deferred tax liabilities	17	101	107
Other liabilities, interest-bearing		0	2
Other provisions	30	9	2
Total long-term liabilities		202	200
Current liabilities			
Accounts payable		464	404
Loans	28	120	123
Overdraft facilities	28	—	49
Customer advances		10	11
Current tax liabilities		7	41
Other liabilities		29	21
Derivative liabilities	32	1	4
Accrued expenses and deferred income	31	194	208
Other provisions	30	—	7
Total current liabilities		825	868
Total liabilities		1,027	1,068
Total liabilities and shareholders' equity		2,113	2,126
Collateral pledged	35	1	204
Contingent liabilities	36	10	3

■ Comments on the consolidated balance sheet

Total assets stood at SEK 2,113 million (2,126). Fixed assets fell, since investments were lower than writedowns. Particularly during the first half of the year, the level of investments was low as a result of the recession and the low levels of activity within the Nolato Telecom business area during the first six months of the year.

Current assets in the form of inventories and accounts receivable rose slightly compared with 2008 as a result of higher sales at the end of 2009 compared with the corresponding period in 2008.

Cash and bank balances rose only slightly to SEK 172 million (168), since the cash flow was mostly used for making loan repayments and dividend payments.

Shareholders' equity rose to SEK 1,086 million (1,058). Shareholders' equity increased as a result of comprehensive income for 2009 of SEK 100 million including currency effects. A dividend of SEK 72 million was paid, thereby reducing shareholders' equity. The equity/

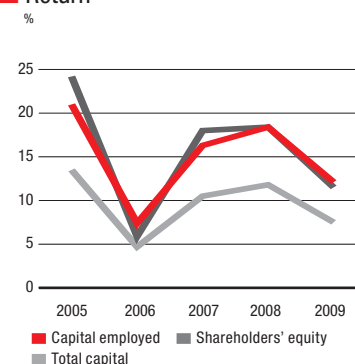
assets ratio at the end of the year was 51% (50%). The return on shareholders' equity was 11.5% (18.4%).

Accounts payable rose compared with 2008 as a result of higher sales at the end of 2009 compared with the corresponding period in 2008. The average total need for working capital in relation to sales was 4.5% (5.2%). Non-interest-bearing liabilities rose to SEK 815 million (805) which, combined with the slightly lower total assets, resulted in the capital employed falling to SEK 1,298 million (1,321). However, despite the lower capital employed, the lower earnings meant that the return on capital employed fell to 12.1% (18.4%).

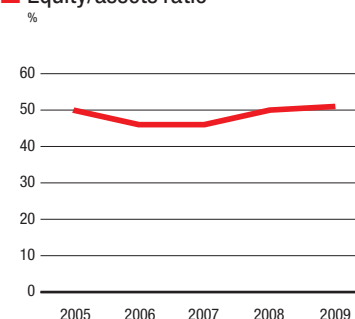
Interest-bearing liabilities dropped to SEK 212 million (263), since the cash flow excluding dividend payments was mostly used for the repayment of loans. Interest-bearing assets totalled SEK 172 million (168), and net debt thereby totalled SEK 40 million (95). At the end of last year, Nolato extended loan

agreements with credit institutions by SEK 350 million, with a three-year term. Nolato therefore has total loan agreements of SEK 700 million, of which SEK 350 million has a three-year term and SEK 350 million runs until the end of 2010.

■ Return



■ Equity/assets ratio



■ Financial position SEK millions

	2009	2008
Interest-bearing liabilities, credit institutions	120	174
Interest-bearing pension liabilities	92	89
Total borrowings	212	263
Cash and bank	- 172	- 168
Net debt	40	95
Working capital	133	103
As a percentage of sales (avg.) (%)	4.5	5.2
Capital employed	1,298	1,321
Return on capital employed (avg.) (%)	12.1	18.4
Shareholders' equity	1,086	1,058
Return on shareholders' equity (avg.) (%)	11.5	18.4

■ Changes in consolidated shareholders' equity

SEK millions

	Share capital	Other contributed capital	Other reserves *)	Retained earnings	Total shareholders' equity
Balance on 1 January 2008	132	228	31	490	881
Comprehensive income for the year	—	—	78	178	256
Change in appreciation fund, buildings and land	—	—	- 4	4	—
Dividend for 2007	—	—	—	- 79	- 79
Balance on 31 December 2008	132	228	105	593	1,058
Balance on 1 January 2009	132	228	105	593	1,058
Comprehensive income for the year	—	—	- 23	123	100
Change in appreciation fund, buildings and land	—	—	- 5	5	—
Dividend for 2008	—	—	—	- 72	- 72
Balance on 31 December 2009	132	228	77	649	1,086

*) Components included within Other reserves are detailed in Note 27.

Consolidated cash flow statement

SEK millions	Note	2009	2008
	38		
Operations			
Operating income		158	232
<i>Adjustments for items not included in cash flow:</i>			
Depreciation/amortisation		185	167
Provisions		15	5
Capital gain/loss on disposals		-2	2
Unrealised exchange rate differences		3	14
Other items		-8	—
Pension payments		-4	-3
Interest received		1	2
Interest paid		-12	-22
Income tax paid		-72	-32
Cash flow from operations before changes in working capital		264	365
Cash flow from changes in working capital			
Changes in inventories		18	-21
Changes in accounts receivable		-75	-6
Changes in accounts payable		59	67
Other changes in working capital		-9	46
		-7	86
Cash flow from operations		257	451
Investment activities			
Acquisition of intangible fixed assets		-4	—
Acquisition of tangible fixed assets		-117	-154
Sale of tangible fixed assets		3	13
Acquisition of other financial fixed assets		—	-2
Cash flow from investment activities		-118	-143
Cash flow before financing activities		139	308
Financing activities			
Borrowings		228	82
Repayment of loans		-286	-218
Dividend paid		-72	-79
Cash flow from financing activities		-130	-215
Cash flow for the year		9	93
Liquid funds, opening balance		168	62
Exchange rate difference in liquid funds		-5	13
Liquid funds, closing balance		172	168

■ Comments on the consolidated cash flow statement

Cash flow from operations

Cash flow before investments totalled SEK 257 million (451), affected mainly by lower earnings and a growing need for working capital. The change in working capital was a negative SEK -7 million (+86), primarily as a result of higher levels of activity at Nolato Telecom during the second half of the year.

Cash flow from investment activities

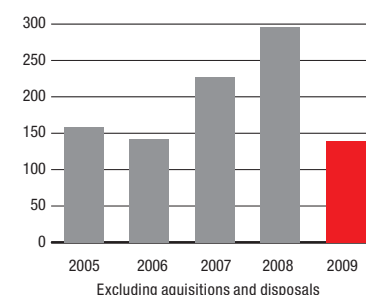
Net investments affecting cash flow amounted to SEK 118 million (155, excluding SEK 12 million net in the sale of property). Gross investments in fixed assets totalled SEK 117 million (154), plus SEK 4 million (0) in intangible fixed assets.

Investments during 2009 were divided up between the Group's business areas as SEK 59 million within Nolato Medical, SEK 43 million within Nolato Telecom and SEK 19 million within Nolato Industrial.

■ Investments SEK millions	2009	2008
Capitalised dev. expenditure	4	—
Buildings and land	1	9
Machinery and equipment	74	113
Construction in progress	42	32
Total investments	121	154

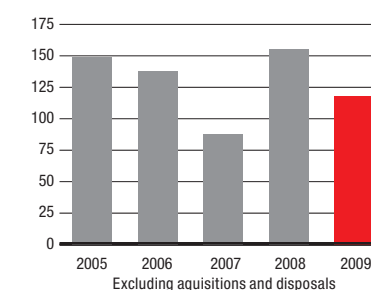
■ Cash flow after investments

SEK millions



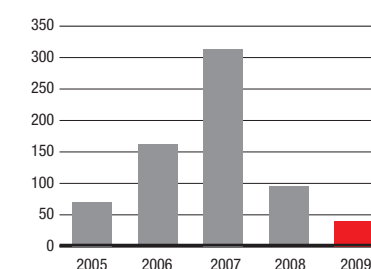
■ Investments

SEK millions



■ Net debt

SEK millions



■ Parent Company income statement

SEK millions	Note	2009	2008
Net sales	5	21	22
Selling expenses		– 11	– 9
Administrative expenses	9	– 42	– 39
Other operating expenses	10	– 24	0
		– 77	– 48
Operating income	11,12,18	– 56	– 26
Result from shares in Group companies	13	79	– 91
Financial income	14	7	12
Financial expenses	15	– 4	– 17
		82	– 96
Income after financial items		26	– 122
Appropriations	16	– 21	– 42
Tax	17	19	18
Net income		24	– 146

■ Parent Company comprehensive income

SEK millions	2009	2008
Net income	24	– 146
Other comprehensive income		
Exchange rate difference on monetary items in relation to overseas net investment	– 1	10
Comprehensive income for the year	23	– 136

■ Parent Company changes in shareholders' equity

SEK millions	Restricted equity		Unrestricted equity		Total shareholder's equity
	Share capital	Statutory reserve	Translation reserve	Retained earnings	
Opening balance on 1 January 2008	132	228	– 5	428	783
Comprehensive income for the year	—	—	10	– 146	– 136
Group contribution received	—	—	—	207	207
Group contributions paid	—	—	—	– 5	– 5
Tax attributable to items reported directly against shareholders' equity	—	—	—	– 57	– 57
<i>Total changes in net asset value rep. dir. against shareholders' equity, excl. trans. with the Co.'s shareh.</i>	—	—	10	– 1	9
Dividend for 2007	—	—	—	– 79	– 79
Balance on 31 December 2008	132	228	5	348	713
Opening balance on 1 January 2009	132	228	5	348	713
Comprehensive income for the year	—	—	– 1	24	23
Group contributions received	—	—	—	133	133
Group contributions paid	—	—	—	– 5	– 5
Tax attributable to items reported directly against shareholders' equity	—	—	—	– 33	– 33
<i>Total changes in net asset value rep. dir. against shareholders' equity, excl. trans. with the Co.'s shareh.</i>	—	—	– 1	119	118
Dividend for 2008	—	—	—	– 72	– 72
Balance on 31 December 2009	132	228	4	395	759

■ Parent Company balance sheet

SEK millions	Note	2009	2008
Assets			
Tangible fixed assets			
Equipment	21	0	0
Financial fixed assets			
Shares in Group companies	23	700	699
Receivables from Group companies		247	138
Other securities held as fixed assets		2	2
Deferred tax assets	17	4	2
Total fixed assets		953	841
Current assets			
Receivables from Group companies		197	241
Other receivables		3	2
Prepaid expenses and accrued income		1	2
		201	245
Cash and bank		74	53
Total current assets		275	298
Total assets		1,228	1,139
Shareholders' equity and liabilities			
Shareholders' equity			
<i>Restricted equity</i>			
Share capital (26,307,408 shares)	26	132	132
Statutory reserve		228	228
		360	360
<i>Unrestricted equity</i>			
Retained earnings		375	499
Net income		24	– 146
		399	353
Total shareholders' equity		759	713
Untaxed reserves	34	93	72
Other provisions	30	2	2
Long-term liabilities			
Liabilities to Group companies		18	21
Current liabilities			
Liabilities to credit institutions	28	119	123
Accounts payable		1	3
Liabilities to Group companies		217	161
Current tax liabilities		4	34
Other liabilities		1	1
Accrued expenses and deferred income	31	14	9
Total current liabilities		356	331
Total shareholders' equity and liabilities		1,228	1,139
Collateral pledged	35	—	—
Contingent liabilities	36	99	144

■ Parent Company cash flow statement

SEK millions	Note	2009	2008
	38		
Operations			
Operating income		– 56	– 26
<i>Adjustments for items not included in cash flow:</i>			
Unrealised exchange rate differences, etc.		– 1	16
Dividends from subsidiaries		74	44
Interest received		7	12
Interest paid		– 4	– 18
Income tax paid		– 46	– 18
Cash flow from operations before changes in working capital		– 26	10
Changes in working capital			
Changes in operating receivables and operating liabilities		29	133
Cash flow from operations		3	143
Investment activities			
Acquisition of financial fixed assets		– 1	– 2
Sale of financial fixed assets		—	4
Cash flow from investment activities		– 1	2
Cash flow before financing activities		2	145
Financing activities			
Borrowings		159	80
Repayment of loans		– 163	– 206
Change in long-term intra-Group transactions		– 107	– 32
Dividend paid		– 72	– 79
Group contributions received		207	139
Group contributions paid		– 5	—
Cash flow from financing activities		19	– 98
Cash flow for the year		21	47
Liquid funds, opening balance		53	6
Exchange rate difference in liquid funds		0	0
Liquid funds, closing balance		74	53

Note 1 General information

The Nolato Group is a high-tech developer and manufacturer of polymer product systems for leading customers within fields such as medical technology, telecom, hygiene, automotive products and other selected industrial sectors.

Nolato AB is a public limited liability company with its registered office in Torekov, Sweden. Its head office address is SE-260 93 Torekov, Sweden.

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

Note 2 Accounting and valuation principles

Consolidated accounting principles

Compliance with standards and laws

The Group accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and with interpretations from the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the EU. Recommendation RFR 1.2 of the Swedish Financial Accounting Standards Council, Supplementary Rules for Consolidated Financial Statements, has also been applied.

The Parent Company applies the same accounting principles as the Group, except in those cases specified in the section Accounting principles of the Parent Company. Those deviations that arise between the principles of the Parent Company and the Group are caused by limitations in the possibilities of applying IFRS for the Parent Company as a result of the Swedish Annual Accounts Act, the Swedish Act on Safeguarding Pension Obligations and, in some cases, for tax reasons.

Significant accounting principles applied

Apart from those exceptions described in further detail, the following accounting principles have been applied consistently to all periods presented in the Group's financial statements. The accounting principles have been applied consistently by the Group's companies.

In addition, comparison figures have been reclassified in those cases where the principles have been changed in order to correspond with the figures presented in this year's financial statements, as described below.

Changes in the Group's accounting principles

Over the course of the year, the EU approved a number of new and changed IASB and IFRIC standards and statements, which entered into force during 2009. In those cases where the principles have been changed, the changed standards and statements have affected the Group's presentation of the financial statements and the reporting of operating segments.

Since 1 January 2009, the Group has applied the revised standard IAS 1 Presentation of Financial Statements. This change has meant that the income and expenses that were previously reported directly within shareholders' equity are now instead reported within other comprehensive income, in a separate income statement report entitled "Consolidated comprehensive income". The comparison figures have been adjusted correspondingly. Since the changes only affect the presentation, no amounts have been changed in re-

lation to either earnings per share or other items in the financial statements.

Since 1 January 2009, the Group has applied the new IFRS 8 Operating Segments, which replaces IAS 14 Segment reporting. The application of IFRS 8 has not had any effect on the actual division into segments, since the segments identified in accordance with IAS 14 already coincided with those monitored by the Group management. Segment information is presented from the management's perspective, resulting in a somewhat larger proportion of joint Group costs being distributed among the operating segments. The comparison figures have been recalculated in accordance with the new accounting principles.

Changes to IFRS 7 Financial Instruments: Disclosures applicable from 1 January 2009 affect financial reporting from the 2009 Annual Report onwards. The main outcome of these changes is new disclosure requirements for financial instruments valued at fair value in the financial position report. These instruments are divided into three levels, depending on the quality of the input data in the valuation. The division into levels determines how and which information must be provided for the instruments, with level 3 – which has the lowest quality of input data – being subject to more disclosure requirements than the other levels. The additional disclosure requirements have affected Notes 4 and 32. On the basis of the transitional provisions of IFRS 7, no comparative information has been provided for the information required by the changes.

New IFRS standards and interpretations which have not yet been applied

IASB and IFRIC have issued new standards and statements which come into force for financial years beginning on 1 January 2010 or later. There are no plans for the early application of new or amended standards and statements for future application.

Our current assessment is that both the revised standards IFRS 3 Business Combinations and IAS 27 Consolidated and Separate Financial Statements will affect the Group's current accounting principles. The change to the standard is future-oriented, and the effects for the Group are detailed in the following paragraphs. Other new and amended standards and statements have not been deemed to have any significant impact on the Group's financial reporting. Nolato will continue to evaluate the effects and application of the new standards and statements during 2010.

The revised IFRS 3 Business Combinations and the amended IAS 27 Consolidated and Separate Financial Statements involve changes including the following: The definition of business is changed, transaction charges for business combinations are to be charged to expenses, conditional purchase sums are to be established at fair value at the time of acquisition, and the effects of revaluing liabilities relating to conditional purchase sums are reported as an income or an expense in net income. In addition, further acquisitions that take place after control has been assumed will be regarded as owner transactions and reported directly within shareholders' equity, which constitutes a change to the Group's current principle of reporting surplus amounts as goodwill. The revised and changed standards will be applied from the next financial year onwards, i.e. from 1 January 2010. The changes will only have future-oriented effects.

The following changes to accounting principles with future application are not deemed to have any significant effect on the Group's accounting:

- Changes to IFRS 1 First-time Adoption of International Financial Reporting Standards in relation to additional exceptions.

- Changes to IFRS 2 Share-based Payment in relation to cash settlement of intra-Group remuneration.

- IFRS 9 Financial Instruments is intended to replace IAS 39 Financial Instruments: Recognition and Measurement no later than from 2013 onwards. Changes in value of derivatives in hedge accounting are not affected by this part of IFRS 9, instead being reported for the time being in accordance with IAS 39.

- Changes to IAS 24 Related Party Disclosures, primarily with regard to information for state-related companies, but also in relation to the definition of related parties.

- Changes to IAS 32 Financial Instruments: Classification in relation to the classification of new share issues.

- Changes to IAS 39 Financial Instruments: Recognition and Measurement in relation to items for which hedge accounting is justified.

- IFRIC 16 Hedges of a Net Investment in a Foreign Operation states, among other things, that it is only the risk included in the functional currencies of the parent company and the foreign operation in question which can be hedged. The interpretation also includes an answer to the question of where hedging instruments may exist within the group if hedging reporting is applied, and if the consolidation method affects the amount to be reclassified to net income, i.e. on step-by-step consolidation or linear consolidation.

- IFRIC 17 Distributions of Non-cash Assets to Owners through dividends to owners.

Basis for preparing the financial statements

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

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

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

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

Consolidated accounts

The consolidated financial statements comprise Nolato AB (publ) (the Parent Company) and those subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes, or is otherwise entitled to formulate the financial and operating strategies in a way which normally results from a shareholding equivalent to more than half of the voting rights. Companies acquired or disposed of are included in the consolidated income statement from the time of the acquisition up until the date when control ceases.

The consolidated financial statements have been prepared in compliance with IFRS 3 Business Combinations and with the application of the purchase method. This method means that shareholders' equity in the Group includes shareholders' equity in the Parent Company and the portion of shareholders' equity in subsidiaries which has accumulated since the acquisition. The difference between the acquisition value of shares in a subsidiary and that company's shareholders' equity at the time of acquisition, adjusted in accordance with consolidated accounting principles, has been allocated among the assets and liabilities valued at market value that were taken over on acquisition. Amounts which cannot be allocated are reported as goodwill. Intra-Group transactions and balance sheet items and unrealised gains on transactions between Group companies are eliminated. The accounting principles for subsidiaries have in some cases been changed to ensure the consistent application of consolidated accounting principles.

Translation of financial statements of foreign subsidiaries

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

Transactions in foreign currencies are translated into the functional currency at the rate in effect on the transaction date. Exchange rate gains and losses arising from the payment of such transactions and from the revaluation of monetary assets and liabilities denominated in foreign currencies at the rate on the balance date are reported in the income statement. There is an exception for transactions that constitute hedges which meet the conditions for hedge accounting of the cash flow or net investments, in which case gains/losses are reported in other comprehensive income.

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

- assets and liabilities are translated at the balance sheet date
- income and expenses are translated at the average rate of exchange for the financial year
- exchange rate differences arising are reported as a separate part of other comprehensive income.

Operating segment

An operating segment is a component of the Group that engages in business activities from which it may generate revenues and incur expenses, and for which discrete financial information is available. An operating segment's operating results are also reviewed regularly by the company's chief operating decision-maker to assess its performance and make decisions about

resources to be allocated to the operating segment. The Group's three operating segments consist of Nolato Medical, Nolato Telecom and Nolato Industrial. See Note 6 for a more detailed description of the division and presentation of the operating segments.

Revenue recognition

Sales proceeds are recognised as revenue in the income statement when it is likely that the future financial benefits will be due to the Company and these benefits can be calculated in a reliable manner.

These proceeds include only the gross inward flow of financial benefits which the Company receives or may receive for its own account. Income on the sale of goods is reported as revenue once the Company has transferred the significant risks and benefits associated with ownership of the goods in ongoing administration to the buyer or third party. The revenue is reported at the fair value of what has been received or will be received, minus discounts awarded. Gains and losses on forward contracts entered into for hedging purposes are deducted from earnings together with the transaction to which the hedging relates.

Writedowns

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

Assets written down are assessed to determine whether there has been a decline in value whenever events or changes in circumstances indicate that the residual value may not be recoverable. A writedown is taken as the amount at which the residual value of the asset exceeds its recoverable value. The recoverable value is the higher of an asset's fair value less selling expenses and its value in use. In assessing the need for a writedown, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

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

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

Goodwill writedowns are not reversed.

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

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

Government grants

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

while government grants related to income are included in operating income.

Financial income and expenses

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

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

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

Reporting income tax

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

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

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

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

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

Earnings per share

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

Intangible fixed assets

Goodwill

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

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

Acquired intangible assets are reported separately from goodwill if they fit the definition of an asset, are separable or arise from contractual or other legal rights and their market value can be reliably measured. Intangible assets acquired in a business acquisition which are reported separately from goodwill consist of customer relations, technical knowledge, trademarks and contracts.

Capitalised development expenditure

A significant portion of the Nolato Group's development expenditure relates to developing customer-specific products in close partnership with the customer. Product development costs are normally charged as operating expenses as they occur and are included in cost of goods sold in the income statement. Activated development expenditure is written down linearly over the expected useful life from the point when the asset can start to be used. The writedown period may not exceed ten years.

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

Customer relations

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

Tangible fixed assets

Tangible fixed assets are reported within the Group at acquisition value after accumulated depreciation according to plan and any writedowns. Expenditure which is directly attributable to the purchase of the asset is included in the acquisition value. Transfers from other comprehensive income of gains/losses from cash flow hedges which meet the conditions of hedge accounting may also be included in the acquisition value for the purchase of tangible fixed assets in foreign currencies. Insofar as there are investments which take a substantial period of time to prepare for their intended use or

sale, directly attributable borrowing costs are also included in the acquisition value.

Additional expenditure is added to the acquisition value only if it is likely that the future financial benefits associated with the asset will benefit the Company and the acquisition value can be calculated in a reliable manner. All other additional expenditure is reported as an expense in the period when it arises. An additional expense is added to the acquisition value if the expense relates to replacing identified components or parts thereof. The expense is also added to the acquisition value in the event that a new component is created. Any undepreciated reported value for replaced components or parts of components is eliminated and expensed in connection with replacing the component. Repairs are expensed on an ongoing basis.

In 2001, there was a revaluation of SEK 99 million for buildings and land. In conjunction with the transition to IFRS, the remaining revaluation after taking depreciation into account, SEK 92 million, was transferred to acquisition value, in accordance with IFRS 1:17.

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

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

The residual value and useful life of assets are tested each balance sheet date and adjusted if necessary. The residual value of an asset is written down immediately to its recoverable value if the asset's reported value exceeds its expected recoverable value.

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

Leasing

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

Inventories

Inventories are valued at the lower of the acquisition value and the net market value. The acquisition value of inventories is calculated by applying the first in, first out principle (FIFO), and includes expenditure arising

on the acquisition of the inventory assets and on transporting them to their present location and condition. For finished goods and work in progress, the acquisition value includes a reasonable proportion of indirect costs based on normal capacity.

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

Financial instruments

Reporting in and removal from the balance sheet

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

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

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

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

Classification and valuation

The Group classifies its financial instruments under one of the following categories: derivatives used for hedge accounting, loan receivables and customer receivables, financial instruments which are held until maturity and financial assets held for sale. The classification depends on the purpose for which the instrument was purchased. The classification of instruments is determined at the first reporting date and is retested every reporting date.

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 based on their acquisition value. Because of their short maturity, there is no need to consider the time value until payment is made.

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

Financial liabilities are valued at accumulated acquisition value. This is calculated so that a constant effective interest rate is obtained over the lending period, provided that they have a short maturity and there is no contractual interest rate. In this way, accounts payable and similar current liabilities are reported at nominal value.

Reporting derivative instruments and hedging

Financial derivative instruments are reported in the balance sheet on the contract date and are valued at fair value, both initially and upon subsequent revaluation. The method for reporting the gain or loss which arises in revaluation depends on whether the derivative is identified as a hedging instrument and, if this is the case, the nature of the item being hedged.

The Group identifies certain derivatives as either fair value hedges or hedges on forecast transactions which are very likely to take place (cash flow hedges).

When a transaction is carried out, the Group documents the relationship between the hedging instrument and the item hedged, as well as the objective of the risk management.

Fair value hedging

Changes in the fair value of derivatives which have been identified as fair value hedges are reported together with the changes in the fair value of the asset or liability which gave rise to the hedged item.

Cash flow hedging

The effective portion of changes in the fair value of derivative instruments which have been identified as cash flow hedges and which meet the conditions for hedge accounting is reported in other comprehensive income. Accumulated amounts in other comprehensive income are reversed in the income statement in those periods when the hedged item affects earnings (for instance, when a forecast sale took place). When a hedge instrument expires or is sold, or when the hedge no longer meets the conditions of hedge accounting and there are accumulated gains or losses from hedging in other comprehensive income, those gains/losses remain in other comprehensive income and are entered in the income statement at the same time as the forecast transaction is finally reported in the income statement. When a forecast transaction is no longer expected to take place, the accumulated profit or loss reported in other comprehensive income is immediately transferred to the income statement.

Calculating fair value

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

Liquid funds

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

Employee remuneration

Pension obligations

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

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

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

Pension expenses and pension obligations stemming from defined benefit plans are calculated using

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

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

The liability for retirement pensions and family pensions for executives in Sweden is secured through a policy with Alecta. According to a statement issued by the Swedish Financial Reporting Board, UFR 3, this is a multiple-employer defined benefit pension plan. For the 2009 financial year, the Company had no access to any such information which would allow it to report this plan as a defined benefit plan. The ITP pension plan (for salaried employees in industry), which is insured at Alecta, is thus reported as a defined contribution plan. Charges for the year for pension insurance policies held with Alecta totalled SEK 5 million (6).

Alecta's surplus can be allocated to insurers and/or insureds. On 31 December 2009, Alecta's surplus, in the form of the collective funding ratio, amounted to 141% (112%). The collective funding ratio is determined by the market value of Alecta's assets as a percentage of the pension liability using Alecta's own actuarial calculation assumptions, which do not comply with IAS 19.

Share-based remuneration

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

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

Employer payroll expenditure relating to share-based remuneration settled in cash is expensed at the same rate as the share-based remuneration.

Bonus plans

The provision for variable remuneration is based on the bonus policy established by the Board. The liability is included in the balance sheet at the point in time when there is a legal or informal obligation based on previous practice.

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 when it is de-

monstrably obliged to terminate the employee according to a detailed formal plan without the chance of re-hire, and the employee does not carry out any services which bring financial benefits for the Company. Benefits which fall due after more than twelve months from the balance sheet date are discounted to present value.

Provisions

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

Provisions are made at the amount that is the best estimate of what is required in order to settle the existing obligation on the balance sheet date. If the effect of when the payment will be made is significant, provisions are calculated by discounting the anticipated future cash flow at a rate of interest before tax which reflects current market assessments of the time value of the money and, if appropriate, the risks associated with the liability.

Restructuring

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

Contingent liabilities

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

Cash flow statement

The cash flow statement was prepared using the indirect method. The reported cash flow includes only transactions which involve payments made or payments received.

Changes for the year in operating receivables and operating liabilities have been adjusted for effects of currency exchange rate differences. Acquisitions and disposals are reported in investment activities. The assets and liabilities attributable to the companies acquired or disposed of at the time of the change are not included in the statement of changes in operating capital or in the change in balance sheet items reported under financing activities.

The Parent Company's accounting principles

The Parent Company's annual report has been drawn up in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2.2, Accounting for Legal Entities. The Swedish Financial Reporting Board's statements relating to listed companies have also been applied. RFR 2.2 involves the Parent Company, in the annual report for the legal entity in question, applying all IFRS standards and interpretations adopted by the EU as far as possible within the framework of the Swedish Annual Accounts Act and the Swedish Act on Safeguarding Pension Obligations, and in view of the

relationship between reporting and taxation. The recommendation details which exceptions from and additions to IFRS apply.

Changes in accounting principles

In addition to – or as opposed to – the changes to accounting procedures stated above for the Group, the following changes have affected the Parent Company during 2009.

RFR 2.2 Accounting for Legal Entities states that the amended IAS 1 Presentation of Financial Statements will also apply in relation to the Parent Company no later than from 2010 onwards, with a few exceptions. In accordance with the opportunity mentioned in RFR 2.2, the Company has chosen to apply the new method of presentation of the financial statements early for the Parent Company. One effect of this, compared with previous reporting, is that a comprehensive income report has been added after the income statement. Another effect is that the report of changes in shareholders' equity now has similar content to that of the Group, i.e. excluding the income and expenses which were previously reported directly in shareholders' equity but which are now reported in other comprehensive income in the comprehensive income report. In addition, the Parent Company will also report an extra balance sheet in its annual reports, as at the beginning of the comparison year, since retroactive changes have affected an item in the extra balance sheet to a significant extent.

Classification and presentation

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

The accounting principles of the Parent Company comply with the consolidated accounting principles, as described above, with the following exceptions:

Sales

Assigning joint Group expenses

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

Financial instruments

In view of the relationship between reporting and taxation, the rules on financial instruments and hedge accounting contained in IAS 39 are not applied within the Parent Company as a legal entity. The Parent Company does not therefore report derivative instruments in the balance sheet. Outstanding derivative instruments as at 31 December 2009 are described in Note 32 on page 65.

Remuneration to employees

Defined benefit plans

Defined benefit pension plans are insured through a policy held with Alecta. According to RFR 2.2, the defined benefit pension plans are classified and reported

as defined contribution plans, which means that premiums paid are charged to the income statement. Charges for the year to Alecta totalled SEK 93,000 (74,000). Within the Parent Company, a different basis than that set out in IAS 19 is applied when calculating and valuing the defined benefit plans. The Parent Company follows the provisions of the Swedish Act on Safeguarding Pension Obligations and the instructions of the Swedish Financial Supervisory Authority, since this is a requirement for tax deduction rights. The main differences compared with the rules of IAS 19 are the manner in which the discount rate is established, the fact that the defined benefit obligations are calculated based on current salary levels without taking future salary increases into consideration, and the fact that all actuarial gains and losses are reported in the income statement when they arise.

Reporting income tax

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

Group contributions for legal entities

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

Tangible fixed assets

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

The following depreciation/amortisation periods have been used:

Information systems	3 years
Other equipment	5 years

Leasing

The Parent Company only has leasing agreements for leasing office space and certain other rental contracts. All leasing agreements are reported as operating leases.

Note 3 Significant estimates and judgements

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

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

Calculations in relation to remuneration to employees

The value of pension obligations for defined benefit pension plans is based on actuarial calculations on the basis of assumptions about discount rates, future salary increases, inflation and demographic circumstances. At the end of the year, pension liabilities stood at SEK 90 million (88). Applicable accounting principles mean that actuarial gains and losses in defined benefit pension plans are only entered in the income statement to the extent that they exceed or are less than 10% of the higher of the current value of the fair value of the defined benefit pension obligation and the fair value of the plan assets. At the end of the year, net unreported actuarial gains and losses stood at SEK –24 million (–24).

Calculation of current and deferred tax liabilities and receivables

Assessments are carried out in order to determine both current and deferred tax assets or liabilities, particularly in relation to deferred tax assets. In doing so, the likelihood of the deferred tax assets being used in settlement against future taxable gains is assessed. The fair value of these future taxable gains may differ in relation to the future business climate and earning capacity or changed tax rules.

Impairment testing for goodwill and other assets

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

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

Obsolescence in inventories

Each balance sheet date, the Group makes an assessment of the risk of obsolescence in its inventories. This assessment is based on forecasts and plans from the Group's customers and on historical deliveries.

Since, to a certain extent, Nolato supplies products for projects with short life-cycles, the changes in volumes are considerable. There is therefore always a risk for the Group that the customer will phase out a product for which we hold unique components in stock.

If there is a risk of obsolescence, the inventory is reported at net market value.

Note 4 Financial risk management

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

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

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

Market risk

Market risk relates to the risk arising through commercial flows in foreign currencies arising within operations (transaction exposure), financing of working capital (interest rate risk), foreign investments (exchange rate risk) and operational risks. An account of the last-mentioned risk can be found on pages 32–33 of the Annual Report.

Foreign exchange risk*Transaction exposure*

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

During 2009, Nolato's sales to countries outside Sweden accounted for 73% (68%). The largest flow currencies for the Swedish units were EUR, DKK and USD, with EUR being a net outward flow and the others being net inward flows. The Chinese operations have a net exposure largely in CNY/USD, while the Hungarian operations have an exposure in EUR/HUF.

Nolato carries out short-term currency hedging for part of the Group's net exposure in foreign currencies. The aim of hedging the currency exposure is to even out fluctuations in income. According to this policy, Nolato shall hedge the net flow of the forecast inward and outward flow of currencies over a rolling twelve-month period. In the event that the net flow in an individual currency is less than SEK 10 million, there is no hedging requirement. The hedging levels for the flows in the various currencies shall be within the following intervals:

Interval	Hedged flow
1–3 months in the future	60–80%
4–6 months in the future	40–60%
7–9 months in the future	20–40%
10–12 months in the future	0–20%

Individual investments in machinery are hedged at 100% in the event that the currency flow has a countervalue exceeding SEK 1.5 million. The consolidated income statement includes exchange rate differences of SEK –8 million in operating income.

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

At the end of 2009, the Group had the following currency hedges in relation to anticipated payment flows in EUR, DKK and USD for 2010. The derivatives used are forward contracts and currency swaps. The volume and scope of the contracts is stated below in nominal terms, and also includes contracts for future investments in EUR worth SEK 14 million.

Net exposure of sales and purchases in foreign currencies

SEK millions	12 month estimated net flows	Total hedging	Percentage	Average exch. rate
USD	98	46	47%	7.15
EUR	16	14	88%	10.61
DKK	71	60	85%	1.40
Total	185	120	65%	

At the end of 2009, the Board decided to deviate from the existing policy (hedging levels according to intervals) in relation to hedging the currency flow in DKK. As

a result of this decision, the Group hedged 85% of the forecast net flow in DKK for the coming twelve months.

The contract is included at fair value in the balance sheet, and the change in value is reported in other comprehensive income. When the contract is realised, the accumulated change in value is booked to the income statement. In 2009, the effect of the currency derivatives on operating income was SEK 1 million (–1).

The value of outstanding contracts not entered in the income statement at the end of 2009 is shown in Note 32, Derivative instruments.

Transaction exposure on 31 December

SEK millions	12 month unhedged estimated net flows	Change in currency	Effect on earnings
USD	52	+/- 1%	1
EUR	2	+/- 1%	0
DKK	11	+/- 1%	0
Total	65		1

At the end of the year, the Group had SEK 65 million in unhedged assessed currency flows, including effects from currency hedges. A change in the value of the Swedish krona of +/-1% would have an impact of SEK 1 million on net income.

Translation exposure

Foreign exchange risks also exist in the conversion of foreign subsidiaries' assets, liabilities and income into the Parent Company's functional currency. This is known as translation exposure. Nolato's policy is that net investments in the form of lending and shareholders' equity in foreign currency should not be hedged against foreign exchange risks. Translation differences reported in other comprehensive income are detailed in Note 27, Other reserves.

Translation exposure of net assets

SEK millions	Net assets	Swedish krona 1% stronger
Nolato Beijing, CNY	251	– 2
Lovepac Converting Beijing, CNY	42	0
Lovepac Converting India, INR	0	0
Nolato EMC Production Center, MYR	0	0
Nolato Kuala Lumpur, MYR	– 36	0
Nolato Hungary, HUF	67	– 1
Cerbo Norge, NOK	2	0
Cerbo Polen, PLN	1	0
Cerbo France, EUR	0	0
Cerbo Danmark, DKK	– 2	0
Total	325	– 3

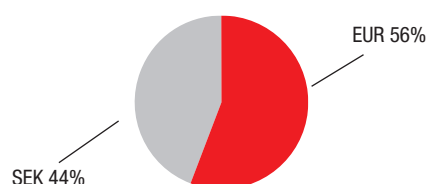
The Group has SEK 325 million in foreign net assets, mainly in China and Hungary. A one percentage point strengthening of the Swedish krona would have an impact of SEK –3 million on these net assets.

Interest rate risk

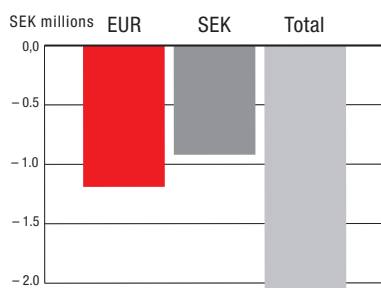
Interest rate risk is the risk that the Group's net interest income will be weakened in the event of changes to market interest rates. Since Nolato is a net borrower, the Group is exposed to a risk of weakened net interest income in the event of rising market interest rates. On 31 December, interest-bearing liabilities stood at SEK 212 million (263). The fixed interest terms of the Group's loans and investments determine how quickly interest rate changes have an impact on earnings. The Group's policy states that the interest rate risk shall be limited by net loan indebtedness (interest-bearing liabilities minus interest-bearing investments) in excess of SEK 300 million having a distribution of expiry dates in maturity intervals in relation to the level of interest. Around half of the excess net indebtedness will fall due within a year, with the remainder falling due in between one and three years.

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

Breakdown of interest-bearing liabilities by currency



Interest rate effect on interest-bearing liabilities on 31 December



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

Financing risk

Financing risk relates to the risk of the Group having problems with access to borrowings. In order to maintain financial flexibility and satisfy the Group's capital needs, Nolato has negotiated credit facilities with varying contract lengths, in part so that it can finance financial fluctuations and organic growth and in part so that

it can be prepared to make large investments and acquisitions. At the end of the year, Nolato extended loan agreements with credit institutions by SEK 350 million, with a three-year term. Nolato therefore has total loan agreements of SEK 700 million, of which SEK 350 million has a three-year term and SEK 350 million runs until the end of 2010.

Interest-bearing net debt on 31 December

	Outstanding amount (SEK millions)	Term outstanding (mo)	Remaining fixed-interest period (mo)	Average interest (%)
Interest-bearing liabilities				
Bank loans, EUR	119	1	1	1.9
Pension liability, SEK	92	—	—	4.7
Other liabilities, SEK	1	13	12	4.5
Total	212			3.1
Interest-bearing assets				
Liquid funds	– 172	0	0	0.6
Total net debt	40			

On 31 December the Group's financial liabilities stood at SEK 687 million (682). The distribution of expiry dates for borrowings in relation to interest-bearing liabilities is shown in the table above. Non-interest-bearing liabilities are attributable primarily to accounts payable, with the term outstanding shown in the table below. Other non-interest-bearing financial liabilities fall due within twelve months.

Maturity	< 1 month	Within 1–3 months	Within 4–12 months	> 1 year	Total
Accounts payable	248	214	2	—	464

Credit and liquidity risk

Credit risk can be divided up into commercial and financial counterparty risks. The commercial counterparty risk is the risk that one of the Group's customers may become insolvent and that sales forecasts entered into or hedged flows cannot be fulfilled. In terms of customers within the Nolato Medical and Nolato Industrial business areas, credit risk is limited to a certain degree through sales taking place in a large number of countries to a large number of customers, whereby the risk is diversified. Nolato Telecom has a greater dependency on a small number of customers. If any of these major customers were to suffer financial difficulties, the Group could sustain significant losses.

Insurable risks

The Nolato Group has centralised insurance cover in terms of property and liability. In certain countries a local insurance policy is required, but in those cases where this does not meet the Group's minimum requirements there is coverage through an umbrella policy via Nolato AB's insurance.

Note 5 Intra-Group purchases and sales

Parent Company	2009	2008
Sales to Group companies, total	21	22
Purchases from Group companies, total	– 15	– 13

Note 6 Operating segments

Information on operating segments

The Group's operations are monitored by the chief decision-makers (the Group management) on the basis of the three operational business areas: Nolato Medical, Nolato Telecom and Nolato Industrial. The transition from previously applied accounting principles (IAS 14) to IFRS 8 Operating Segments has not therefore affected the Group's division into segments.

Nolato Medical develops and manufactures polymer products and product systems for medical technology and pharmaceutical customers. The market consists of large, global customers, featuring demanding development work, long product life-cycles and strict requirements in terms of quality and safety. Nolato Medical has a strong position in the Nordic region and a growing position in Europe. Development and production are carried out in Sweden, Hungary and China. A more detailed presentation of the business area can be found on pages 12–15.

Nolato Telecom develops and manufactures subsystems, primarily for mobile phone customers. The market consists of a few large, global telecommunications companies with high technological demands, short development times and quick production start-ups. Nolato Telecom enjoys a strong global position with selected customers, primarily within the mobile phone sector. During 2009, production and development were carried out in China and Sweden. A more detailed presentation of the business area can be found on pages 16–19.

Nolato Industrial develops and manufactures polymer products and product systems for industrial customers working within fields such as the automotive industry, white goods, gardening/forestry and furniture, as well as other selected customer areas. The market is fragmented and diversified, with a large number of customers and a large number of suppliers. Nolato Industrial has a strong position in the Nordic region and parts of Central Europe. Development and production are carried out in Sweden and Hungary. A more detailed presentation of the business area can be found on pages 20–23.

Directly attributable items and items which could be attributed to the segments in

a reasonable and reliable manner have been included in the segments' income, assets and liabilities. The reported items in the operating segments are valued in accordance with the income, assets and liabilities monitored by the Group management.

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

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

Unallocated items in the balance sheet consist primarily of financial fixed assets, interest-bearing receivables and liabilities, provisions and deferred tax liabilities. As a result of the transition to IFRS 8 Operating Segments, meaning that the management perspective should be reflected in financial reporting, the segments' receivables and liabilities have been adjusted. This change means, in all material respects, that the financial fixed assets are no longer reported in the operating segments. The comparison figures have been revised accordingly.

Unallocated items in the income statement are attributable to financial items, financial expenses and tax expenses. On making the transition to IFRS 8, a minor adjustment to income has affected the business area's operating income (EBITA) in order to reflect the management's monitoring of the segments. This adjustment means that a slightly larger proportion of the joint Group costs has been distributed among the operating segments. The comparison figures have been adjusted accordingly.

The segments' investments in fixed assets comprise all investments other than investments in expendable equipment and low value equipment.

	Nolato Medical		Nolato Telecom		Nolato Industrial		Elimination		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Net sales										
External sales	690	632	1,090	1,243	822	949	—	—	2,602	2,824
Internal sales	2	—	—	—	2	1	– 4	– 1	—	—
Total sales	692	632	1,090	1,243	824	950	– 4	– 1	2,602	2,824
Earnings										
Operating income (EBITA)	89	89	86	114	19	55	– 28	– 18	166	240
Amort. of intangible assets arising from acq.	– 5	– 5	—	—	– 3	– 3	—	—	– 8	– 8
Expenses not allocated	—	—	—	—	—	—	—	—	—	—
Operating income	84	84	86	114	16	52	– 28	– 18	158	232
Financial income									1	6
Financial expenses									– 11	– 22
Tax expenses for the year									– 25	– 38
Net income									123	178
Receivables and liabilities										
The segment's assets	636	614	764	720	637	688	– 127	– 86	1,910	1,936
Unallocated assets									203	190
Total assets	636	614	764	720	637	688	– 127	– 86	2,113	2,126
The segment's liabilities	127	106	559	412	200	211	– 181	– 40	705	689
Unallocated liabilities									322	379
Total liabilities	127	106	559	412	200	211	– 181	– 40	1,027	1,068
Other information										
Investments	68	24	52	79	19	57			139	160
Depreciation and amortisation	45	41	64	72	51	54			160	167
Writedowns	—	—	25	—	—	—			25	—
Significant expenses, other than depr./am. with no offsetting payments, writedowns and provisions	9	—	9	4	—	10			18	14

Cash flow from operations, allocated by segment

	2009				2008			
	Nolato Medical	Nolato Telecom	Nolato Industrial	Total	Nolato Medical	Nolato Telecom	Nolato Industrial	Total
Cash flow from operations before changes in working capital	128	176	66	370	126	185	107	418
Changes in working capital	7	7	- 21	- 7	- 4	45	39	80
Cash flow from operations	135	183	45	363	122	230	146	498
Unallocated items*)				- 106				- 47
Total cash flow from operations				257				451

Cash flow from investment operations, allocated by segment

	2009				2008			
	Nolato Medical	Nolato Telecom	Nolato Industrial	Total	Nolato Medical	Nolato Telecom	Nolato Industrial	Total
Acquisition of fixed assets**)	- 59	- 43	- 19	- 121	- 23	- 77	- 56	- 156
Sale of fixed assets	1	2	0	3	0	0	13	13
Cash flow from investment activities	- 58	- 41	- 19	- 118	- 23	- 77	- 43	- 143

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

**) Paid investments for the year in fixed assets, i.e. after adjustment for outstanding supplier invoices on the balance sheet date of SEK 18 million (4).

Information about geographic regions

In the Nordic region, which is the Group's domestic market, the Group manufactures and sells products from all three business areas. Elsewhere in Europe, the Group has manufacturing operations in Hungary for the Nolato Medical and Nolato Industrial business areas. In Asia, the Group carried out manufacturing during 2009 in China and set up operations in India for the Nolato Telecom business area.

	Nordic countries		Other Europe		North America etc.		Asia		Group	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
External net sales	1,026	1,180	675	674	194	282	707	688	2,602	2,824
Assets	1,223	1,363	255	206	—	—	635	557	2,113	2,126
Average number of employees	801	890	308	235	—	—	3,199	3,406	4,308	4,531
Investments	45	55	46	35	—	—	48	70	139	160

Note 7 Research and development

Group	2009	2008
Development expenditure for customer-specific products	163	213
Total	163	213

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

Note 8 Other operating income

	Group		Parent Company	
	2009	2008	2009	2008
Bankruptcy payment from BenQ	35	—	—	—
Others	6	—	—	—
Total	41	—	—	—

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

SEK thousands	Group		Parent Company	
	2009	2008	2009	2008
KPMG:				
Auditing	2,058	1,683	623	400
Other assignments	1,052	979	519	856
Total	3,110	2,662	1,142	1,256

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 auditors and providing advice or other assistance resulting from observations in relation to such review or carrying out such other duties. All other activities are defined as other assignments.

Note 10 Other operating expenses

	Group		Parent Company	
	2009	2008	2009	2008
Effect of exch. rate on receivables/liab., net	- 8	0	- 3	0
Insurance recourse, BenQ*)	—	—	- 21	—
Others	- 1	—	—	—
Total	- 9	0	- 24	0

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

Note 11 Personnell

Average number of employees

	2009		2008	
	Number	Of which men	Number	Of which men
Parent Company				
Nolato AB, Torekov, Sweden	6	83%	7	86%
Group companies				
Cerbo France Sarl, France	1	0%	1	0%
Cerbo Norge A/S, Norway	3	33%	3	33%
Cerbo Polen Sp. z o.o., Poland	—	—	2	50%
Nolato Alpha AB, Kristianstad, Sweden	76	70%	125	76%
Nolato Beijing Ltd, China	2,716	21%	2,676	17%
Nolato Cerbo AB, Trollhättan, Sweden	100	50%	95	55%
Nolato Gota AB, Götene, Sweden	72	76%	94	74%
Nolato Hertila AB, Åstorp, Sweden	—	—	22	73%
Nolato Hungary Kft, Hungary	307	43%	232	57%
Nolato Kuala Lumpur Sdn Bhd, Malaysia	—	—	372	30%
Lovepac Converting Ltd, China	464	31%	357	38%
Lovepac Converting Private Ltd, India	19	95%	—	—
Nolato Lövepac AB, Skånes Fagerhult, Sweden	33	70%	42	71%
Nolato MediTech AB, Torekov, Sweden	244	61%	129	66%
Nolato Medical Rubber AB, Hörby, Sweden	—	—	82	45%
Nolato Plastteknik AB, Gothenburg, Sweden	84	61%	101	54%
Nolato Polymer AB, Torekov, Sweden	91	75%	82	78%
Nolato Silikonteknik AB, Hallsberg, Sweden	26	69%	21	76%
Nolato Sunne AB, Sunne, Sweden	66	82%	88	85%
Group total	4,308	32%	4,531	30%

Costs for remuneration to employees

Group	2009	2008
Salaries and remuneration, etc.	527	510
Pension expenses, defined benefit plans, Note 29	8	7
Pension expenses, defined contribution plans, Note 29	50	39
Employer payroll fees	118	139
Total	703	695

There are 149 (160) senior executives within the Group. Remuneration charged to income and benefits for these senior executives during the year totalled SEK 76 million (77).

Parent Company	2009	2008
Salaries and remuneration	13	12
Pension expenses, defined contribution plans	5	4
Employer payroll fees	5	5
Total	23	21

Of the Parent Company's pension expenses, SEK 1.6 million (1.4) relates to the Board and the President and CEO. The Company's outstanding pension liabilities and obligations in relation to the Board and the President and CEO stood at SEK 0 million (0). The Parent Company only has employees in Sweden.

Gender distribution of senior executives

Group	2009		2008	
	Men	Women	Men	Women
Board members	58	5	56	9
Managing directors	15	—	17	—
Other senior executives	57	14	59	19
Total	130	19	132	28

Parent Company	2009		2008	
	Men	Women	Men	Women
Board members	7	2	7	2
President and CEO	1	—	1	—
Other senior executives	4	—	4	—
Total	12	2	12	2

Remuneration to the Board and senior executives

Remuneration and other benefits during 2009

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

Remuneration and other benefits during 2008

SEK thousands	Base salary/ Directors' fee	Variable remuneration ¹⁾	Other benefits ²⁾	Pension premiums	Other remuneration ³⁾	Total
Chairman of the Board, Carl-Gustaf Söndén	250	—	—	—	—	250
Board member, Gun Boström	130	—	—	—	—	130
Board member, Erik Paulsson	130	—	—	—	—	130
Board member, Henrik Jorlén	130	—	—	—	—	130
Board member, Lars-Åke Rydh	130	—	—	—	5	135
Board member, Roger Johanson	130	—	—	—	—	130
President and CEO, Hans Porat *	3,520	1,408	128	1,425	0	6,481
Other senior executives (4 people)	6,186	1,659	496	1,592	170	10,103
Total	10,606	3,067	624	3,017	175	17,489

* Relates to 11 months.

¹⁾ Variable remuneration relates to remuneration charged as expenses for the financial year and payable in the following year, excluding variable remuneration based on Nolato's share price performance.

²⁾ Other benefits relates to company cars.

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

Principles for remuneration and benefits

A director's fee is paid to the Chairman of the Board and Board members as decided by the Annual General Meeting. No director's fee is paid to employees of the Group or to employee representatives. Remuneration for the President and other senior executives is made up of a base salary, variable remuneration, other benefits and a pension. Other senior executives are individuals who, together with the President and CEO, constitute the Group management. During 2009, the Group management consisted of four people plus the President and CEO. For details of the current composition, see page 80.

Preparation of business and the decision-making process

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

Variable remuneration

Variable remuneration paid to the President and CEO and other senior executives is based on fulfilling tar-

gets in terms of primarily financial outcomes. The maximum outcome for the President and CEO is 40% of base salary and for other senior executives 30% of base salary. In 2009, the outcome for the President and CEO was 40% of base salary (40%) and for other senior executives 30% of base salary (27%).

The President and CEO also receives variable remuneration based on Nolato's share price performance. The starting price is SEK 48 per share, which will be compared to the average price during Q1 2011. The increase in value per share will be multiplied by a factor of 150,000 to determine the remuneration. The remuneration has been maximised at an amount corresponding to 50% of gross salary in the form of the regular monthly salary which the President and CEO has received during the period. This scheme is charged as expenses linearly in line with the vesting period (2008–2011), and is valued according to the Black & Scholes model, taking into account the terms and conditions of the scheme. This remuneration can only be awarded to the President and CEO after the end of the maturity period.

The cost of the scheme for the year (including employer payroll fees) has been charged to income at a rate of SEK 1,278,000 (70,000). At the end of 2009, the total value of this bonus scheme was deemed to be SEK 1,695,000.

Other information in accordance with IFRS 2 has not been provided, as the amounts are not significant.

Pensions

The retirement age for the President and CEO and other senior executives is 65. The President and CEO's pension premium amounts to 40% of pension-qualifying salary, and follows a defined contribution plan. For 2009, the pension premium was 40% of pension-qualifying salary (40%).

Other senior executives have defined contribution pension plans. For 2009, the pension premiums totalled SEK 2.4 million (1.6).

Severance pay

The Company and the President and CEO have agreed on a notice period of six months if the President and CEO resigns of his own volition. In the event of termination by the Company, a notice period of 24 months applies. Other senior executives shall provide a notice period of 6 months. In the event of termination by the Company, a notice period of 12 to 24 months applies. Any other income that is received during the notice period shall be deducted from the salary and other remuneration payable during the notice period. No such deduction shall be made for the President and CEO. Both the President and other senior executives collect base salary and other benefits during the notice period. There is no remuneration after the notice period.

Note 12 Depreciation and amortisation

Depreciation and amortisation are included in operating expenses as follows:

	Group		Parent Company	
	2009	2008	2009	2008
Customer relations	8	8	—	—
Capitalised development expenditure	1	0	—	—
Buildings and land	23	16	—	—
Machinery and other technical facilities	145	135	—	—
Equipment, tools, fixtures and fittings	8	8	0	0
Total	185	167	0	0

As a result of a decision relating to the gradual winding down of Nolato Alpha AB during 2010, its premises will be written down by SEK 8 million and its machinery and other technical facilities by SEK 6 million. Other writedowns totalling SEK 11 million are attributable to writing down a painting plant at Nolato Beijing. No writedowns were carried out in 2008.

Depreciation and amortisation have been allocated as follows:

	Group		Parent Company	
	2009	2008	2009	2008
Cost of goods sold	173	156	—	—
Selling expenses	9	0	—	—
Administrative expenses	3	3	0	0
Other operating expenses	0	8	—	—
Total	185	167	0	0

Writedowns for the year of SEK 25 million (0) are included in the cost of goods sold.

Note 13 Income from shares in Group companies

Parent Company	2009	2008
Dividend received from Group companies	74	44
Revaluation of Group company receivables	5	– 67
Writedown of Group company shares	—	– 68
Total	79	– 91

Note 14 Financial income

	Group		Parent Company	
	2009	2008	2009	2008
Interest income, Group companies	—	—	7	10
Interest income, bank deposits	1	4	0	1
Exchange rate differences	0	2	—	1
Total	1	6	7	12

Note 15 Financial expenses

	Group		Parent Company	
	2009	2008	2009	2008
Interest expenses, Group companies	—	—	– 1	– 5
Interest expenses, credit institutions	– 6	– 17	– 2	– 12
Interest expenses, pension liabilities	– 4	– 5	—	—
Other financial expenses	– 1	0	0	0
Exchange rate differences	—	—	– 1	—
Total	– 11	– 22	– 4	– 17

Note 16 Appropriations

Parent Company	2009	2008
Reversal of tax allocation reserve	—	3
Allocation to tax allocation reserve	– 21	– 45
Total	– 21	– 42

Note 17 Tax

Reported in the income statement

Group	2009	2008
Current tax expenses		
Tax expenses for the period	– 41	– 62
Adjustment for tax attributable to previous years	2	0
	– 39	– 62
Deferred tax income		
Deferred tax in relation to temporary differences	13	21
Deferred tax as a result of tax rate changes	1	3
	14	24
Total reported Group tax expense	– 25	– 38
Parent Company		
Current tax income		
Tax income for the period	17	18
Adjustment for tax attributable to previous years	0	0
	17	18
Deferred tax income		
Deferred tax in relation to temporary differences	2	0
Total reported Parent Company tax income	19	18

Reconciliation of effective tax

Group	2009	2008
Income before tax	148	216
Tax according to applicable Parent Company tax rate	– 39	– 61
Effect of other tax rates for foreign Group companies	9	13
Non-deductable expenses	– 1	– 1
Non-taxable income	5	9
Tax attributable to previous years	2	0
Effect of change in tax rates	1	3
Effect of unrecognised deficits arising during the year	– 2	– 8
Change in determining Group contrib. to foreign companies	–	8
Standard interest on tax allocation reserve	0	– 1
Reported effective tax	– 25	– 38

The tax rate applicable to the Group's income is 26.3% (28.0%).

Parent Company	2009	2008
Income before tax	5	– 164
Tax according to applicable Parent Company tax rate	– 1	46
Non-deductable expenses	– 2	– 40
Non-taxable income	22	13
Tax attributable to previous years	0	0
Standard interest on tax allocation reserve	0	– 1
Reported effective tax	19	18

Reported in the balance sheet

Group	Deferred tax assets		Deferred tax liabilities		Net	
	2009	2008	2009	2008	2009	2008
Intangible fixed assets	0	0	12	13	– 12	– 13
Tangible fixed assets	17	12	61	67	– 44	– 55
Financial fixed assets	1	1	2	1	– 1	0
Inventories	6	6	—	0	6	6
Accounts receivable	1	1	—	—	1	1
Provisions for pensions	4	4	1	2	3	2
Tax allocation reserves	—	—	26	21	– 26	– 21
Others	12	7	23	21	– 11	– 14
Loss carryforwards	8	7	—	—	8	7
Tax assets/liabilities	49	38	125	125	– 76	– 87
Offsetting	– 24	– 18	– 24	– 18	—	—
Tax assets/liabilities, net	25	20	101	107	– 76	– 87

Unrecognised deferred tax assets

The Group's unutilised loss carryforwards amount to SEK 78 million (77), and relate in their entirety to operations in Hungary and Malaysia. No tax effects related to these have been taken into account because it is uncertain whether they can be utilised within the foreseeable future.

Parent Company	2009	2008
Other liabilities	1	—
Other provisions	3	2
Total deferred tax assets	4	2

Change in deferred tax in temporary differences and loss carryforwards

Group	Balance as at 1 Jan 2009	Reported in net income	Reported against other comprehensive income	Balance as at 31 Dec 2009
Intangible fixed assets	- 13	1	—	- 12
Tangible fixed assets	- 55	12	- 1	- 44
Financial fixed assets	0	0	- 1	- 1
Inventories	6	0	—	6
Accounts receivable	1	0	—	1
Provisions for pensions	2	1	—	3
Tax allocation reserves	- 21	- 5	—	- 26
Others	- 14	4	- 1	- 11
Loss carryforwards	7	1	—	8
Total	- 87	14	- 3	- 76

Parent Company	Balance as at 1 Jan 2009	Reported in net income	Reported against shareholders' equity	Balance as at 31 Dec 2009
Other liabilities	—	1	—	1
Other provisions	2	1	—	3
Total	2	2	—	4

Tax attributable to other comprehensive income

Group	2009	2008
Deferred tax attributable to cash flow hedges	- 1	1
Exchange rate differences in deferred tax	- 2	3
Total	- 3	4

Tax items reported directly against shareholders' equity

Parent Company	2009	2008
Current tax related to Group contributions	- 33	- 57

Note 18 Expenses allocated by type of cost

	Group		Parent Company	
	2009	2008	2009	2008
Raw materials and supplies	- 1,231	- 1,381	—	—
Changes in inventories of finished goods and work in progress	- 39	17	—	—
Costs for remuneration to employees	- 703	- 695	- 23	- 21
Energy costs	- 82	- 69	—	—
Other costs	- 245	- 297	- 54	- 27
Depreciation/amortisation and write-downs	- 185	- 167	0	0
Total operating expenses	- 2,485	- 2,592	- 77	- 48

Note 19 Intangible fixed assets

Group	Customer relations	Capitalised dev. exp.	Goodwill	Total
On 1 January 2008				
Acquisition value	67	17	463	547
Accumulated depr. and amortisation	- 8	- 17	- 139	- 164
Residual value	59	0	324	383
1 January – 31 December 2008				
Residual value on 1 January	59	0	324	383
Acquisitions	—	2	—	2
Depreciation and amortisation	- 8	0	—	- 8
Residual value	51	2	324	377
On 31 December 2008				
Acquisition value	67	19	463	549
Accumulated depr. and amortisation	- 16	- 17	- 139	- 172
Residual value	51	2	324	377
1 January – 31 December 2009				
Residual value on 1 January	51	2	324	377
Acquisitions	—	4	—	4
Reclassification	1	—	—	1
Depreciation and amortisation	- 8	- 1	—	- 9
Residual value	44	5	324	373
On 31 December 2009				
Acquisition value	67	25	463	555
Accumulated depr. and amortisation	- 23	- 20	- 139	- 182
Residual value	44	5	324	373

Capitalised development expenditure

Capitalised development expenditure includes assets developed internally at a reported value of SEK 5 million (2). Previously capitalised and fully depreciated development expenditure is attributable to acquired assets.

Goodwill impairment testing

Reported goodwill values were tested before 31 December 2009. As detailed below, a total of SEK 324 million in goodwill is reported in Nolato's consolidated balance sheet. Goodwill is allocated to individual cash-generating units, identified by business area.

Group	2009	2008
Nolato Medical	221	221
Nolato Industrial	103	103
Total	324	324

The recoverable amounts for a cash-generating unit are determined using calculations of useful life. These calculations are determined according to expected future cash flows based on forecasts and strategic plans which are approved by the Group management and which run for three years. Cash flow beyond this period is extrapolated based on the rate of inflation, but in no case above 2%. The operating margin for the period beyond the strategic plan is based on historical performance and forecast values. The discount rate used is the weighted average cost of capital (WACC) after tax of 8.0% (8.0%).

Note 20 Leasing

Financial leases

Group	2009	2008
Acquisition value, plant and machinery	3	25
Accumulated depreciation, plant and machinery	- 2	- 23
Residual value	1	2

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

Operating leases

Operating leasing agreements consist mainly of rental contracts for production premises. Leasing fees charged to income for the year totalled SEK 24 million (22). The variable fees included in this do not add up to any significant amount. The operating leasing agreements are not restricted by index clauses or such terms that bring entitlement to extend or acquire the objects hired. However, there are restrictions on the right of disposal.

Leasing agreements where the Company is the lessee

	Financial leases	Operating leases
<i>Non-cancellable lease payments total:</i>		
Within 1 year	1	22
Between 1 and 5 years	0	49
Longer than 5 years	—	3
Total	1	74

Parent Company

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

Note 21 Equipment

Parent Company	2009	2008
Accumulated acquisition value on 1 January	2	2
Acquisitions	0	0
Disposals	—	0
Accumulated acquisition value on 31 December	2	2
Accumulated depreciation on 1 January	- 2	- 2
Depreciation and amortisation	0	0
Accumulated depreciation on 31 December	- 2	- 2
Residual value	0	0

Note 22 Tangible fixed assets

Group	Buildings and land	Machinery and other technical facilities	Equipment, tools, fixtures and fittings	Construction in progress and advance payments	Total
On 1 January 2008					
Acquisition value	461	1,563	170	21	2,215
Accumulated depreciation and amortisation	– 205	– 1,123	– 135	—	– 1,463
Residual value	256	440	35	21	752
1 January – 31 December 2008					
Residual value on 1 January	256	440	35	21	752
Acquisitions	9	107	6	36	158
Reclassification	6	51	– 11	– 46	–
Disposals	– 11	– 1	– 3	—	– 15
Depreciation and amortisation	– 16	– 135	– 8	—	– 159
Exchange rate differences	6	21	2	2	31
Residual value	250	483	21	13	767
On 31 December 2008					
Acquisition value	452	1,660	141	13	2,266
Accumulated depreciation and amortisation	– 202	– 1,177	– 120	–	– 1,499
Residual value	250	483	21	13	767
1 January – 31 December 2009					
Residual value on 1 January	250	483	21	13	767
Acquisitions	1	69	5	60	135
Reclassification	2	30	0	– 33	– 1
Disposals	—	– 2	0	—	– 2
Depreciation and amortisation	– 15	– 128	– 8	—	– 151
Writedowns	– 8	– 17	0	—	– 25
Exchange rate differences	– 5	– 14	– 1	– 1	– 21
Residual value	225	421	17	39	702
On 31 December 2009					
Acquisition value	443	1,626	134	39	2,242
Accumulated depreciation and amortisation	– 218	– 1,205	– 117	—	– 1,540
Residual value	225	421	17	39	702

Writedowns

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

Assets with retention of title

The Group's residual values for machinery and other technical facilities include financial leases – see Note 20. Machinery and other technical facilities are restricted by retention of title of SEK 1 million (73).

Tax assessment values and residual values

	2009	2008
Tax assessment value of buildings in Sweden	151	151
Residual value of buildings in Sweden	125	138
Tax assessment value of land in Sweden	33	33
Residual value of land in Sweden	30	34

Note 23 Shares in Group Companies

Parent Company	2009	2008
Acquisition value on 1 January	972	976
Acquisitions	1	—
Disposals	—	– 4
Accumulated acquisition value on 31 December	973	972
Accumulated writedowns on 1 January	– 273	– 205
Writedowns for the year	—	– 68
Accumulated writedowns on 31 December	– 273	– 273
Carrying amount	700	699

During 2009, the companies Lovepac Converting Private Ltd in India and Nolato EMC Production Center Sdn Bhd in Malaysia were formed. Both units operate within the Nolato Telecom business area. During the previous year, the Parent Company disposed of its entire holding in Nolato STG AB at book value to Nolato Alpha AB. At the end of 2009, the company was merged into Nolato Alpha AB.

	Particip. interest		Carr. amount	
The Parent Company's holdings	2009	2008	2009	2008
AB Cerbo Group, Trollhättan, Sweden	100%	100%	187	187
Lovepac Converting Ltd, China	100%	100%	9	9
Lovepac Converting Private Ltd, India	100%	100%	1	—
Nolato Alpha AB, Kristianstad, Sweden	100%	100%	12	12
Nolato EMC Prod. Center Sdn Bhd, Malaysia	100%	100%	0	—
Nolato Gejde AB, Torekov, Sweden	100%	100%	1	1
Nolato Gota AB, Götene, Sweden	100%	100%	79	79
Nolato Hungary Kft, Hungary	100%	100%	46	46
Nolato Kuala Lumpur Sdn Bhd, Malaysia	100%	100%	0	0
Nolato Lövepac AB, Skånes Fagerhult, Sweden	100%	100%	10	10
Nolato MediTech AB, Torekov, Sweden	100%	100%	6	6
Nolato Medical Rubber AB, Hörby, Sweden	100%	100%	163	163
Nolato Mobile Comm. Polymers (Beijing) Ltd, China	100%	100%	91	91
Nolato Plastteknik AB, Gothenburg, Sweden	100%	100%	37	37
Nolato Polymer AB, Torekov, Sweden	100%	100%	5	5
Nolato Silikonteknik AB, Hallsberg, Sweden	100%	100%	8	8
Nolato Sunne AB, Sunne, Sweden	100%	100%	33	33
Nolato Torekov AB, Torekov, Sweden	100%	100%	12	12
Carrying amount			700	699

	Particip. interest	
Shares owned via Group companies	2009	2008
A/S Cerbo Norge, Norway	100%	100%
Cerbo Danmark AS, Denmark	100%	100%
Cerbo France Sarl, France	100%	100%
Cerbo Polen Sp.z.o.o., Poland	100%	100%
Kartongprodukter Berglund AB, Trollhättan, Sweden	100%	100%
Nolato Cerbo AB, Trollhättan, Sweden	100%	100%
Nolato Hertila AB, Åstorp, Sweden	100%	100%
Nolato STG AB, Lönsboda, Sweden	—	100%

	Particip. interest	
Interests in joint ventures	2009	2008
Nolato OPD Ltd, China*	50%	50%

*Does not carry out any direct operations.

Information on subsidiaries' corporate identity numbers and registered offices

A/S Cerbo Norge	926620762	Norway
AB Cerbo Group	556534-6870	Trollhättan, Sweden
Cerbo Danmark AS	248729	Denmark
Cerbo France Sarl	494591092 RCS	France
Cerbo Polen Sp.z.o.o.	146681	Poland
Kartongprodukter Berglund AB	556216-6818	Trollhättan, Sweden
Lovepac Converting Ltd	110000410302897	China
Lovepac Converting Private Ltd	U24297AP2009PTC06451	India
Nolato Alpha AB	556164-1050	Kristianstad, Sweden
Nolato Cerbo AB	556054-9270	Trollhättan, Sweden
Nolato EMC Production Center Sdn Bhd	876976-W	Malaysia
Nolato Gejde AB	556545-5549	Torekov, Sweden
Nolato Gota AB	556054-1301	Götene, Sweden
Nolato Hertila AB	556231-7593	Åstorp, Sweden
Nolato Hungary Kft	0809005432	Hungary
Nolato Kuala Lumpur Sdn Bhd	702672-A	Malaysia
Nolato Lövepac AB	556120-6052	Sk Fagerhult, Sweden
Nolato MediTech AB	556309-0678	Torekov, Sweden
Nolato Medical Rubber AB	556146-2606	Hörby, Sweden
Nolato Mobile Comm. Polymers (Beijing) Ltd	110000410152952	China
Nolato OPD Ltd, China	110302010534069	China
Nolato Plastteknik AB	556198-4385	Gothenburg, Sweden
Nolato Polymer AB	556380-2890	Torekov, Sweden
Nolato Silikonteknik AB	556137-5837	Hallsberg, Sweden
Nolato Sunne AB	556101-2922	Sunne, Sweden
Nolato Torekov AB	556042-2858	Torekov, Sweden

Note 24 Inventories

Group	2009	2008
Raw materials and supplies	88	103
Products being manufactured	47	42
Finished goods and goods for resale	63	87
Work in progress	17	6
Total	215	238

During the year, the Group wrote down inventories by SEK 21 million (19). Writedowns for the year are included in Cost of goods sold in the income statement. During the year, reversed writedowns totalled SEK 36 million (39).

Note 25 Accounts receivable

Group	2009	2008
Accounts receivable	578	527
Deduction: Provision for decline in value of accounts receivable	– 5	– 14
Carrying amount	573	513

During the year, the Group reversed SEK 12 million (1) of provisions for decline in value of accounts receivable as at 1 January. Provisions for the year totalled SEK 3 million (14). An individual assessment of accounts receivable has been used to establish the need for writedowns.

Total accounts receivable

	Total	Not due	Due		
			≤15 days	16–60 days	> 60 days
2009	578	501	49	21	7
2008	527	420	63	34	10

Accounts receivable, including provisions for decline in value

	Total	Not due	Due		
			≤15 days	16–60 days	> 60 days
2009	573	497	49	21	6
2008	513	417	63	28	5

At the end of 2009 and the end of 2008, there was no credit insurance.

Note 26 Share capital

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

	Number of shares	Quotient value	Share capital
Share capital, 31 December 2008	26,307,408	SEK 5	SEK 131,537,000
Share capital, 31 December 2009	26,307,408	SEK 5	SEK 131,537,000

Capital management

The Group aims to have a sound capital structure and financial stability. "Capital" is defined as the Group's total reported shareholders' equity, i.e.:

	2009	2008
Share capital	132	132
Other capital contributed	228	228
Revaluations	40	45
Translation reserve	37	62
Hedging reserve	0	– 2
Retained earnings, incl. net income	649	593
Total capital	1,086	1,058

The Board aims to maintain a good balance between a high return which can be achieved through higher borrowing and the advantages and security offered by a sound capital structure. The Board sets the Group's financial targets each year on the basis of this. These targets should be seen as average figures over the course of a business cycle. The extent to which these targets were achieved for 2009 is shown below.

	2009		2008	
	Financial targets	Outcome	Financial targets	Outcome
EBITA margin	>7%	6.4%	>7%	8.5%
Return on capital employed	>15%	12.1%	>15%	18.4%
Equity/assets ratio	>35%	51.4%	>35%	49.8%

The Board's dividend proposal shall take into consideration Nolato's long-term development potential, financial position and investment needs. The Board's dividend policy means that the Board will intend to propose a dividend which corresponds on average to at least 35% of net income. The board proposes a dividend of SEK 3.00 (2.75) per share for 2009. This represents a total dividend of SEK 79 million (72), and corresponds to 64% (40%) of the Group's earnings per share.

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

Note 27 Other reserves

Group	Revaluation build. & land	Hedging reserve	Transl. reserve	Total
Balance on 1 January 2008	49	0	-18	31
<i>Revaluations:</i>				
Transfer of depreciation – gross	-5	—	—	-5
Transfer of depreciation – tax	1	—	—	1
<i>Cash flow hedges:</i>				
Change in fair value for the year	—	-6	—	-6
Tax	—	2	—	2
Transfers to the income statement	—	3	—	3
Tax	—	-1	—	-1
Translation differences	—	—	80	80
Balance on 31 December 2008	45	-2	62	105
Balance on 1 January 2009	45	-2	62	105
<i>Revaluations:</i>				
Transfer of depreciation – gross	-7	—	—	-7
Transfer of depreciation – tax	2	—	—	2
<i>Cash flow hedges:</i>				
Change in fair value for the year	—	4	—	4
Tax	—	-1	—	-1
Transfers to the income statement	—	-1	—	-1
Tax	—	0	—	0
Translation differences	—	—	-25	-25
Balance on 31 December 2009	40	0	37	77

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.

Translation reserve

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

Note 28 Borrowings

	Group		Parent Company	
	2009	2008	2009	2008
Short-term				
Bank loans	120	123	119	123
Overdraft facilities	—	49	—	—
Total borrowings	120	172	119	123
Maturity dates for bank loan borrowings:				
Within 1 year	119	172	119	123
Between 2 and 5 years	1	—	—	—
More than 5 years	—	—	—	—
Total	120	172	119	123
Amounts reported, by currency:				
EUR	119	49	119	0
SEK	1	85	—	85
USD	—	38	—	38
HUF	—	0	—	—
Total	120	172	119	123

Interest-bearing liabilities

At the end of the year, the Group's interest-bearing liabilities excluding pension liability amounted to SEK 120 million (172). The average tax rate was 1.9% (5.3%). The average fixed-interest term was 1 month (3).

	Group		Parent Company	
	2009	2008	2009	2008
Liabilities with floating interest rates	120	172	119	123
Total liabilities	120	172	119	123

Terms and repayment periods

Total credit lines granted within the Group amount to SEK 700 million (753). At the end of the year, Nolato extended loan agreements with credit institutions by SEK 350 million, with a three-year term. The remainder of the total loan framework runs until 31 December 2010. Collateral pledged for these credit facilities totals SEK 0 million (202). The credit facilities are conditional on the customary covenants, which are met by the Group and remain unchanged compared with the previous year. All loan agreements can be terminated by the other party in the event of any significant change in the ownership control of the Company.

Note 29 Provisions for pensions and similar obligations

Group SEK thousands	2009	2008
Defined benefit pension plans	90,363	87,936
Other pension plans	1,246	1,084
Total	91,609	89,020

Defined benefit pension plans

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

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

Group SEK thousands	2009	2008
Present value of unfunded obligations	114,306	111,779
Unreported actuarial losses	– 23,943	– 23,843
Net debt in the balance sheet	90,363	87,936

Fair value of the defined benefit pension plans:

Group SEK thousands	2009	2008
Balance on 1 January	111,779	101,618
Benefits vested during the period	1,222	693
Interest expenses	4,226	4,535
Benefits redeemed	– 221	—
Pension payments	– 3,735	– 3,115
Actuarial loss	1,035	8,048
Total	114,306	111,779

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

Group SEK thousands	2009	2008
Expenses related to service during the financial year	1,222	693
Interest expense	4,226	4,535
Actuarial losses reported for the year	935	462
Total expense for defined benefit pension plans	6,383	5,690
Expense for defined contribution plans	44,376	34,754
Expense for special salary tax and yield tax	7,550	5,983
Total pension expense	58,309	46,427

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

Group SEK thousands	2009	2008
<i>Amounts charged to operating income:</i>		
Cost of goods sold	786	168
Selling expenses	367	356
Administrative expenses	1,004	631
<i>Amounts charged to financial expenses:</i>		
Interest expenses	4,226	4,535
Total	6,383	5,690

Changes in net debt as reported in the balance sheet are as follows:

Group SEK thousands	2009	2008
Net debt on 1 Jan. according to the balance sheet adopted	87,936	85,361
Net expense reported in the income statement	6,383	5,690
Pension payments and benefits redeemed	– 3,956	– 3,115
Net debt on 31 December	90,363	87,936

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

Group %	2009	2008
Discount rate	3.80	3.80
Future annual salary increases	3.20	3.20
Future annual pension increases	3.20	3.20
Employee turnover	5.00	5.00

Historical values:

Present value of unfunded obligations on 31 December:

2009	2008	2007	2006	2005
114,306	111,779	101,618	67,137	66,147

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

2009	2008	2007	2006	2005
– 1,035	3,159	– 1,077	753	—

Alecta

The liability for retirement pensions and family pensions for executives in Sweden is secured through a policy with Alecta. According to a statement issued by the Swedish Financial Reporting Board, UFR 3, this is a multiple-employer defined benefit pension plan. For the 2009 financial year, the Company had no access to any such information which would allow it to report this plan as a defined benefit plan. The ITP pension plan (for salaried employees in industry), which is insured at Alecta, is thus reported as a defined contribution plan. Charges for the year for pension insurance policies held with Alecta totalled SEK 5 million (6). Alecta's surplus can be allocated to insurers and/or insureds. On 31 December 2009, Alecta's surplus, in the form of the collective funding ratio, amounted to 141% (112%). The collective funding ratio is determined by the market value of Alecta's assets as a percentage of the pension liability using Alecta's own actuarial calculation assumptions, which do not comply with IAS 19.

Note 30 Other provisions

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

At the end of the year, restructuring reserve provisions stood at SEK 7 million, which were paid out during the year. It was decided at the end of 2009 to wind down operations within Nolato Alpha AB, resulting in a provision of SEK 6 million. Other provisions during the year totalled SEK 2 million. All provisions at the end of the year are expected to be paid out after twelve months from the balance sheet date.

Parent Company	Provisions to restructuring reserve	Others	Total
Amount on 1 January	—	2	2
Provisions for the year	—	0	0
Amount on 31 December	—	2	2

Note 31 Accrued expenses and deferred income

	Group		Parent Company	
	2009	2008	2009	2008
Salary liabilities	73	76	7	6
Employer payroll fees	33	29	4	1
Deliveries of goods received, not invoiced	42	37	—	—
Other items	46	66	3	2
Total	194	208	14	9

Note 32 Derivative instruments

Group	2009		2008	
	Assets	Liabilities	Assets	Liabilities
Currency forw. contracts, cash flow hedges	2	1	0	4

Currency forward contracts

Currency forward contracts entered into but unutilised are detailed in the table below. The market value on 31 December 2009 was SEK 1 million (-4). The market value of contracts identified as cash flow hedges which meet the conditions for hedge accounting was SEK 0 million (-3). This value has been reported in other comprehensive income. The remaining market value, SEK 1 million (-1), has been reported in the income statement. The market value that formed the basis for valuation at fair value has been established based on directly observable market data which is not listed on an active market (level 2).

Currency	Nom. value in contract SEK M	Average rate (SEK)	Market value	Reported against inc. statement	Reported against other compr. income
USD/SEK	46	7.15	0	0	0
EUR/SEK	14	10.61	0	0	0
DKK/SEK	60	1.40	1	1	0
Total	120		1	1	0

Gains and losses in other comprehensive income in relation to currency forward contracts on 31 December 2009 will be transferred to the income statement at various dates within one year of the balance sheet date.

Parent Company

According to the Parent Company's accounting principles, financial instruments are not reported in the balance sheet. On 31 December 2009, the market value of unrealised derivatives was SEK 0 million (-3).

Note 33 Fair value of financial assets and liabilities

Group

Financial assets	Loan receivables and accounts receivable	Derivatives used in hedge accounting	Non-financial assets	2009 Total	Loan receivables and accounts receivable	Derivatives used in hedge accounting	Non-financial assets	2008 Total
Intangible fixed assets	—	—	373	373	—	—	377	377
Tangible fixed assets	—	—	702	702	—	—	767	767
Other securities held as fixed assets	—	—	2	2	—	—	2	2
Other long-term receivables	—	—	1	1	—	—	—	—
Deferred tax assets	—	—	25	25	—	—	20	20
Inventories	—	—	215	215	—	—	238	238
Accounts receivable	573	—	—	573	513	—	—	513
Other receivables	—	—	35	35	—	—	26	26
Derivative assets	—	2	—	2	—	0	—	0
Prepaid expenses and accrued income	—	—	13	13	—	—	15	15
Cash and bank	172	—	—	172	168	—	—	168
Total	745	2	1,366	2,113	681	0	1,445	2,126

Financial liabilities	Derivatives used in hedge accounting	Other financial liabilities	Non-financial liabilities	Total	Derivatives used in hedge accounting	Other financial liabilities	Non-financial liabilities	Total
Provisions for pensions and similar obligations	—	—	92	92	—	—	89	89
Deferred tax liabilities	—	—	101	101	—	—	107	107
Other liabilities, interest-bearing	—	0	—	0	—	2	—	2
Other provisions	—	—	9	9	—	—	9	9
Accounts payable	—	464	—	464	—	404	—	404
Loans	—	120	—	120	—	123	—	123
Overdraft facilities	—	—	—	—	—	49	—	49
Customer advances	—	10	—	10	—	11	—	11
Current tax liabilities	—	—	7	7	—	—	41	41
Other liabilities	—	—	29	29	—	—	21	21
Derivative liabilities	1	—	—	1	4	—	—	4
Accrued expenses and deferred income	—	—	194	194	—	—	208	208
Total	1	594	432	1,027	4	589	475	1,068

Note 34 Untaxed reserves

Parent Company	2009	2008
Tax allocation reserves 2008	27	27
Tax allocation reserves 2009	45	45
Tax allocation reserves 2010	21	—
Total	93	72

Note 35 Pledged assets

	Group		Parent Company	
	2009	2008	2009	2008
Chattel mortgages	—	131	—	—
Real estate mortgages	—	71	—	—
Assets with retention of title	1	2	—	—
Total	1	204	—	—

During the year, the local credit relationships of a foreign Group company were terminated, and were instead included in the intra-Group financing solution via the central bank accounts. In connection with this, business mortgages and property mortgages ceased to apply.

Note 36 Contingent liabilities

	Group		Parent Company	
	2009	2008	2009	2008
Guarantees on behalf of Group companies	—	—	99	144
Guarantee commitments, customer	4	—	—	—
Guarantee commitments, FPG/PRI	2	1	—	—
Other contingent liabilities	4	2	—	—
Total	10	3	99	144

Note 37 Related parties

The Parent Company has control over the subsidiaries, in accordance with the structure described in Note 23. During the year, the group of related parties grew to include the newly formed company Lovepac Converting Private Ltd (India) and Nolato EMC Production Center Sdn Bhd (Malaysia). Both of these operate within the Nolato Telecom business area.

When delivering goods and services between Group companies, business terms and conditions and market pricing are applied. The scope of intra-Group invoicing and joint Group services is detailed in Note 5, and relates primarily to assigning costs for joint Group services and expenses. The Parent Company serves as an internal bank for the Group companies, whereby intra-Group interest income and interest expenses have arisen within the Parent Company as reported in Notes 14 and 15 on page 56.

During the year, the Parent Company received dividends from subsidiaries worth SEK 74 million (44) and recovered intra-Group accounts receivable worth SEK 5 million (–67).

The Group's transactions with senior executives in the form of salaries and other remuneration, benefits, pensions and severance pay agreements with the Board and the President and CEO are detailed in Note 11 on pages 54–55. From time to time, the Board member Erik Paulsson represents other companies which are Nolato suppliers or customers. Both in relation to the situation of this Board member and to that of each supplier/customer, Nolato's Board has determined that the transactions carried out with these companies do not constitute significant business connections when considering the size of revenues generated in comparison with annual supplier/customer sales. Otherwise, there are no known transactions with the Group's related parties.

The Parent Company has assumed guarantees on behalf of Group companies worth SEK 99 million (144).

Note 38 Cash flow

	Group		Parent Company	
Reconciliation of liquid funds	2009	2008	2009	2008
<i>The following subcomponents are included in liquid funds:</i>				
Cash and bank balances	98	115	0	0
Credit balance on Group account in Parent Company	74	53	74	53
Total liquid funds in the balance sheet	172	168	74	53
Total liquid funds reported in the cash flow statement	172	168	74	53

Unused credit

On the balance sheet date, unused credit within the Group stood at SEK 580 million (581).

Proposed distribution of earnings

Nolato AB (publ)

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

Retained earnings	SEK 375 million
Net income	SEK 24 million
Total	SEK 399 million

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

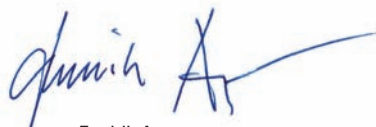
Dividend of SEK 3.00 per share to the shareholders	SEK 79 million
To be carried forward	SEK 320 million
Total	SEK 399 million

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

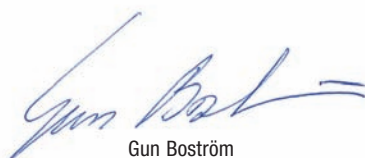
This Annual Report has been prepared in accordance with IFRS international accounting standards as adopted by the EU. It provides a true and fair view of the operations, financial position and earnings of the Group and the Parent Company, and describes the significant risks and uncertainty factors faced by the Parent Company and the companies included in the Group.

As indicated below, the Annual Report was approved for issue by the Board on 4 March 2010. The consolidated income statement and balance sheet and the Parent Company's income statement and balance sheet will be proposed for adoption at the AGM on 28 April 2010.

Torekov, 4 March 2010



Fredrik Arp
Chairman of the Board



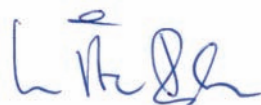
Gun Boström
Board member



Henrik Jorlén
Board member



Erik Paulsson
Board member



Lars-Åke Rydh
Board member



Roger Johanson
Board member



Hans Porat
President and CEO



Magnus Bergqvist
Employee representative



Eva Norrman
Employee representative



Björn Jacobsson
Employee representative

Auditor's report

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

I have audited the Parent Company and consolidated accounts and the administration of the Board of Directors and the President and CEO of Nolato AB for the financial year 1 January 2009 to 31 December 2009. The Company's annual report and consolidated accounts can be found on pages 24–68 of this document. These accounts, the administration of the Company and the application of the Swedish Annual Accounts Act when preparing the Parent Company accounts, as well as the application of IFRS international standards as adopted by the EU and the Swedish Annual Accounts Act when preparing the consolidated accounts, are the responsibility of the Board of Directors and the President. My responsibility is to express an opinion on the Parent Company and consolidated accounts and the administration based on my audit.

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

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

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

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

Torekov, 4 March 2010



Alf Svensson
Authorised public accountant

Nolato's shares and shareholders

Nolato's shares

Nolato AB was first listed in 1984, and its B shares are now listed on NASDAQ OMX Nordic in the Stockholm Small Cap segment, where the shares are included in the information technology sector.

Share capital

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

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

Share price performance

Nolato's B shares increased in 2009 by 84% to a year-end price of SEK 59.00 (32.00).

The highest and lowest prices over the year were SEK 60.00 SEK (18 Nov, 29 Dec) and SEK 29.00 (25–27 Feb). Nolato AB's total market capitalisation as at 31 December 2009 was SEK 1,552 million.

In 2009 7.9 million (5.9) Nolato shares were traded on NASDAQ OMX Nordic. The turnover rate, i.e. the degree of liquidity, was 34% (25).

Ownership structure

On 31 December 2009 Nolato AB had 6,611 shareholders (6,562).

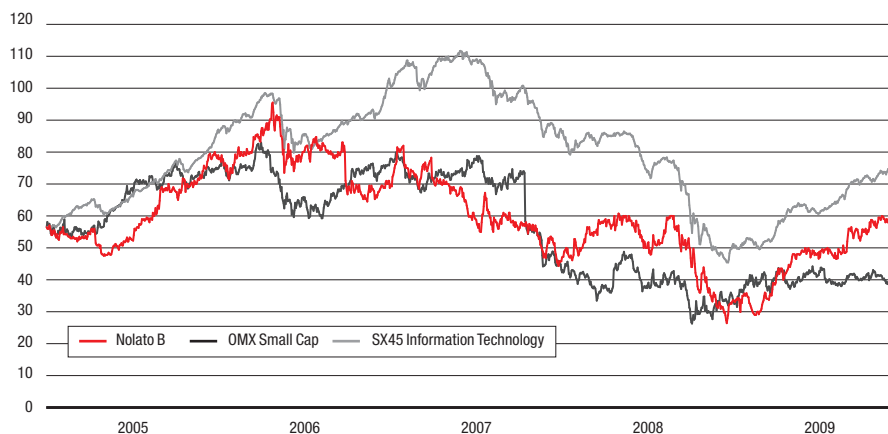
The proportion of shares held by Swedish institutions and funds was 31% of the share capital (30). The proportion held by foreign shareholders was 12% of the share capital (16). The proportion held by individuals was 39% of the share capital (40).

The ten largest groups of owners held 60% of the share capital (61) and 80% (80) of the votes.

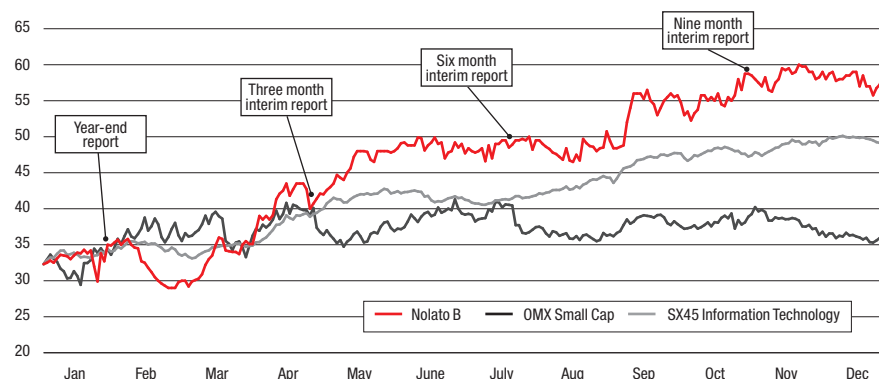
Dividend policy

The Board's dividend proposal shall take into consideration Nolato's long-term development potential, financial position and investment needs. The Board's dividend policy

Share price performance 2005 – 2009 (SEK)



Share price performance 2009 (SEK)



Data per share

	2009	2008	2007	2006	2005
Net earnings per share, SEK ¹	4.68	6.77	5.70	1.82	6.88
Shareholders' equity per share, SEK ²	41	40	33	30	32
Cash flow per share, SEK	5.28	11.71	5.97	-0.42	6.01
Share price at 31 December, SEK	59.00	32.00	45.90	71.00	79.00
Price/earnings ratio, times ³	13	5	8	39	11
Turnover rate, %	34	25	62	55	74
Dividend (2009 proposal), SEK	3.00	2.75	3.00	2.40	2.40
Yield (2009 proposal), % ⁴	5.1	8.6	6.5	3.4	3.0
Dividend as percentage of earnings per share (2009 prop.)	64	41	52	132	35
Average number of shares, thousands	26,307	26,307	26,307	26,307	26,307
Price/equity ratio per share, SEK	1.4	0.8	1.4	2.4	2.5
Market capitalisation, SEK millions	1,552	842	1,208	1,868	2,078

Definitions

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

means that the Board intends to propose a dividend which corresponds on average to at least 35% of net income.

The board proposes a dividend of SEK 3.00 (2,75) per share for 2009.

Buy back of the Company's own shares

The 2009 Annual General Meeting authorised the Board, no later than by the next Annual General Meeting, to acquire and transfer a maximum of 10% of the Company's own shares.

No acquisitions or transfers have taken place in 2009.

Other circumstances relating to Nolato's shares

Nolato does not have any restrictions on the transferability of its shares as a result of legal provisions or the company's Articles of Association.

Shareholder value

Nolato's management works continuously to develop and improve financial information, in order to provide the market with good conditions for determining the value of the Company as fairly as possible. This includes participating actively when dealing with analysts, shareholders and the media.

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

- ABG Sundal Collier – Magnus Innala, +468 566 28633
- Carnegie – Charlotte Widmark, +468 676 8787
- Swedbank – Jan Ihrfelt, +468 5859 1848
- Ålandsbanken – Mikael Laséen, +468 791 4827

Categories of shareholders 31/12/2009

Shareholders	Number	% of all holders	% of capital	% of votes
Individuals	6,038	91.3	38.9	54.2
<i>of which in Sweden</i>	<i>5,971</i>	<i>90.3</i>	<i>38.6</i>	<i>54.0</i>
Institutions	573	8.7	61.1	45.8
<i>of which in Sweden</i>	<i>381</i>	<i>5.8</i>	<i>49.7</i>	<i>40.0</i>
Total	6,611	100.0	100.0	100.0

In Sweden	6,352	96.1	88.3	94.0
Other Nordic	37	0.6	0.4	0.2
Other European	145	2.2	4.3	2.2
US	41	0.6	5.9	3.0
Rest of world	36	0.5	1.1	0.6
Total	6,611	100.0	100.0	100.0

Category	Thousand A shares	Thousand B shares	% of capital	% of votes
Financial institutions	0	8,053	30.6	15.8
<i>funds and banks</i>	<i>0</i>	<i>4,138</i>	<i>15.7</i>	<i>8.1</i>
<i>insurance companies</i>	<i>0</i>	<i>2,095</i>	<i>8.0</i>	<i>4.1</i>
<i>other fin. institutions</i>	<i>0</i>	<i>1,820</i>	<i>6.9</i>	<i>3.6</i>
Social security funds	0	56	0.2	0.1
Swedish state	0	7	0.0	0.0
Unions & organisations	0	251	1.0	0.5
Other Swedish institutions	819	3,882	17.9	23.6
Holders outside Sweden	0	3,075	11.7	6.0
Swedish individuals	1,940	8,224	38.6	54.0
Total	2,759	23,548	100.0	100.0

The ten largest shareholders 31/12/2009

Shareholder	Number of A shares	Number of B shares	% of capital	% of votes
Paulsson family	819,200	2,372,575	12.13	20.66
Jorlén family	1,104,700	1,662,478	10.52	24.85
Boström family	835,500	1,658,670	9.48	19.58
Lannebo fonder	0	1,839,000	6.99	3.60
Svolder	0	1,610,000	6.12	3.15
IF Skadeförsäkring	0	1,062,584	4.04	2.08
Skandia fonder	0	1,060,725	4.04	2.08
Odin fonder	0	814,883	3.10	1.59
Carlson fonder	0	545,299	2.07	1.07
Skandia Liv	0	474,461	1.80	0.93
Total for ten largest shareholders	2,759,400	13,100,675	60.29	79.59
Other shareholders	0	10,447,333	39.71	20.41
Total	2,759,400	23,548,008	100.00	100.00

Class of shares 31/12/2009

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

Breakdown of shareholdings by size 31/12/2009

Holding	Number of shareholders	Number of A shares	Number of B shares	% of capital	% of votes
1–500	4,299	0	784,562	2.98	1.53
501–1,000	1,112	0	903,415	3.43	1.77
1,001–5,000	898	0	2,009,623	7.64	3.93
5,001–10,000	131	0	984,378	3.74	1.92
10,001–15,000	35	0	441,050	1.68	0.86
15,001–20,000	21	0	384,362	1.46	0.75
20,001–	115	2,759,400	18,040,618	79.07	89.24
Total	6,611	2,759,400	23,548,008	100.00	100.00

Share capital performance 1984 – 2009

Year	Increase in share capital (SEK)	Total number of shares	Total share capital (SEK)
1984 New issue ¹	450,000	175,360	4,384,000
1984 Bonus issue 4:1	17,536,000	876,800	21,920,000
1985 Bonus issue 1:2	10,960,000	1,315,200	32,880,000
1986 New issue ²	5,000,000	1,515,200	37,880,000
1986 New issue ³	3,529,400	1,656,376	41,409,400
1994 Split 5:1 ⁴	0	8,281,880	41,409,400
1994 New issue ⁵	3,750,000	9,031,880	45,159,400
1994 Conversion ⁶	700,615	9,172,003	45,860,015
1995 Conversion ⁶	1,117,500	9,395,503	46,977,515
1998 Bonus issue 1:1	46,977,515	18,791,006	93,955,030
2002 New issue 2:5 ⁷	37,582,010	26,307,408	131,537,040

¹ New issue targeted to SEB for public sale in connection with listing

² Targeted new issue in connection with the acquisition of Nolato Lövepac

³ Targeted new issue in connection with the acquisition of Nolato Gejde

⁴ Split with an increase in the number of shares, with five new shares for every old share

⁵ Targeted new issue in connection with the acquisition of Nolato Plastteknik

⁶ Conversion and issue of new shares when converting convertible loan

⁷ New share issue with two new shares per five old shares at a subscr. price of SEK 35 each

Corporate governance report



Corporate governance 2009

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

Ownership

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

Nolato had 6,611 shareholders as at 31 December 2009.

The ten largest shareholders were the Paulsson family with 12% of the share capital, the Jorlén family with 11%, the Boström family with 9%, and seven institutional investors, who together owned an additional 28%. Together, the ten largest shareholders hold 60% of the share capital and 80% of the votes.

For further information about ownership, see the previous page.

Annual General Meetings

The shareholders' right to make decisions on matters relating to Nolato is exercised at Annual General Meetings. Shareholders entered in the register of shareholders on the dividend record date and registered before the final registration date are entitled to participate in the Annual General Meeting, either in person or via a representative.

Resolutions at Annual General Meetings are normally adopted by simple majority. On certain issues, as prescribed in the Swedish Companies Act, a specific minimum percentage of the shareholders present is required in order for the Annual General Meeting to achieve a quorum or a statutory voting majority.

The Annual General Meeting must be held within six months of the end of the financial year. At the Annual General Meeting, matters relating to subjects such as dividends, adopting the income statement and balance sheet, discharging the members of the Board and

the CEO from liability, electing the Board members, the Chairman of the Board and, where appropriate, auditors, determining the fees payable to the Board and the auditors and agreeing on guidelines for the remuneration of senior executives and the principles for appointing the Nomination Committee are dealt with.

Shareholders also have the opportunity to ask questions about the Company and its development at the Annual General Meeting. All Board members, the Company's management and the auditors are normally present to answer any such questions.

The 2009 Annual General Meeting

The 2009 Annual General Meeting was held on 27 April 2009 in Grevie, Sweden. Carl-Gustaf Sondén was elected as chairman of the meeting.

The Annual General Meeting approved a dividend of SEK 2.75 (3.00) per share.

Gun Boström, Roger Johanson, Henrik Jorlén, Erik Paulsson, Hans Porat and Lars Åke Rydh were re-elected as Board members. Fredrik Arp was elected as a new Board member and as Chairman of the Board.

The meeting resolved that, for the period until the next Annual General Meeting, the Board should receive fees totalling SEK 1,030,000, excluding travel allowances (SEK 900,000), to be distributed as follows among the non-employed members: SEK 250,000 (250,000) to the Chairman, and SEK 130,000 (130,000) each to the other non-employed members. It was also resolved that SEK 80,000 (0) should be paid to the members of the Audit Committee, of which SEK 50,000 should be paid to the chairman and SEK 30,000 to the ordinary member. A fee of SEK 50,000 (0) should be paid to the Chairman of the Remuneration Committee.

For the period until the 2012 Annual General Meeting, Alf Svensson was elected by the 2008 Annual General Meeting as auditor and Camilla Alm Andersson as deputy auditor, both of whom work for KPMG AB.

The Annual General Meeting authorised the Board, no later than by the next Annual General Meeting, to acquire and transfer

a maximum of 10% of the Company's own shares, in accordance with the Board's proposal to the Annual General Meeting.

The Annual General Meeting resolved in accordance with the Board's proposal that the Company should have a Nomination Committee consisting of one representative for each of the five shareholders with the largest number of votes as at the end of September 2009. The names of the five shareholder representatives and the names of the shareholders whom they represent shall be made public as soon as they have been appointed, but no later than six months before the 2010 Annual General Meeting.

The Nomination Committee's term shall continue until a new Nomination Committee has been elected. Unless the members of the Nomination Committee agree otherwise, the chairman of the Nomination Committee shall be the member who represents shareholder with the largest number of votes.

The Annual General Meeting passed resolutions on adopting the income statement and balance sheet for Nolato AB and the consolidated income statement and balance sheet, and on the distribution of earnings, and discharged the members of the Board and the President from liability for the 2008 financial year.

Nomination Committee

As decided by the 2009 Annual General Meeting (see above), the Nomination Committee shall consist of one representative for each of the five largest shareholders as at the end of September 2009.

The Nomination Committee ahead of the 2010 Annual General Meeting consists of Henrik Jorlén (chairman, representing the Jorlén family), Erik Paulsson (representing the Paulsson family), Gun Boström (representing the Boström family), Johan Lannebo (representing Lannebo Fonder) and Magnus Molin (representing Svolder AB).

The Nomination Committee is responsible for submitting nominations to the Annual General Meeting for Chairman of the Board and other Board members, and for proposing director's fees for each of the Board mem-

bers, the chairman of the Annual General Meeting and, where appropriate, auditors and auditors' fees. In addition, the Nomination Committee must also carry out certain tasks in accordance with the Swedish Code of Corporate Governance.

Since being constituted, and up until February 2010, the Nomination Committee has held two meetings. Shareholders who wish to contact the Nomination Committee may e-mail Henrik Jorlén (henrik.jorlen@gmail.com), Erik Paulsson (erik.paulsson@hansan.se), Gun Boström (gun.bostrom@gmail.com), Johan Lannebo (johan.lannebo@lannebofonder.se) or Magnus Molin (magnus.molin@svolder.se).

The postal address is The Nolato Nomination Committee, c/o Henrik Jorlén, Kommandörsgatan 4, 260 93 Torekov, Sweden.

The Company's application of the Swedish Code of Corporate Governance

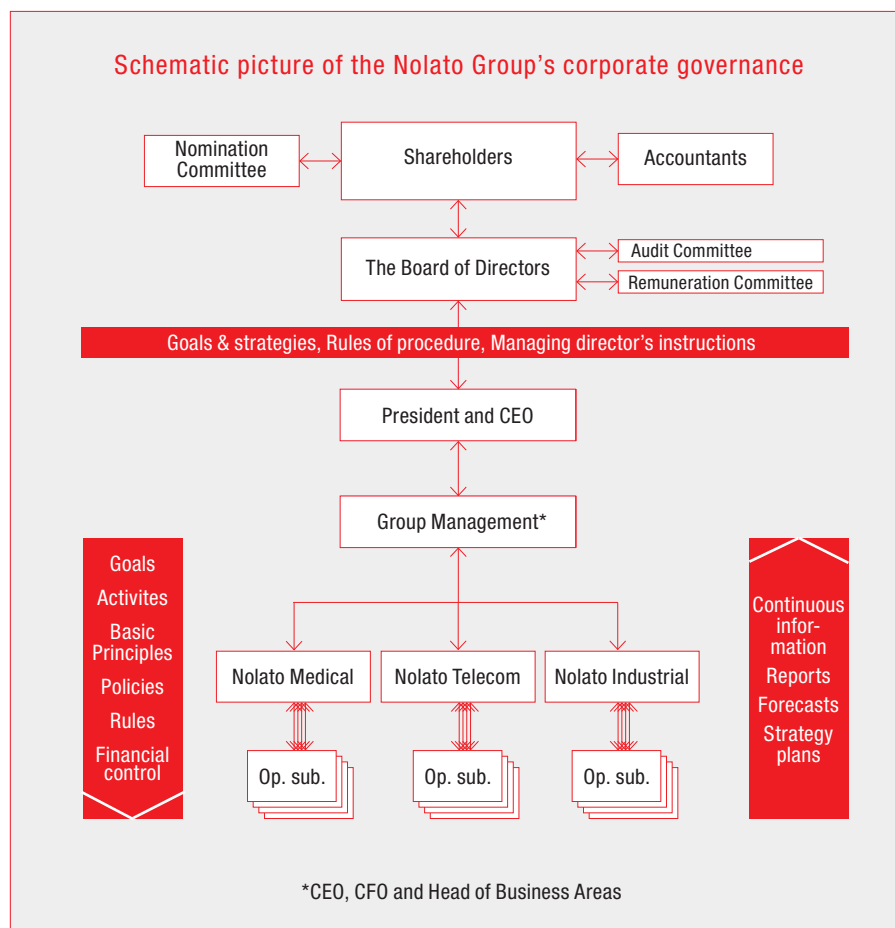
The Swedish Code of Corporate Governance is based on the principle comply or explain. This means that companies which apply the Code may deviate from specific rules, but must then provide explanations and the reasons for each individual deviation. Nolato only deviates from point 2.4 of the Code, whereby the majority of the Nomination Committee should be made up of non-Board members, and that no more than one of these Board members should be dependent in relation to the Company's major shareholders.

Nolato's largest shareholders are of the opinion that the Company's ownership structure, with three families holding around 65% of the Company's votes, is best represented on 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.

The Board and its work

The composition of the Board

According to the Company's Articles of Association, the Board of Nolato should consist of at least five and no more than nine Board members, with a maximum of three deputies, which are elected at the Annual Gen-



The Annual General Meeting elects the Board of Directors, which is responsible for ensuring that the management and control of the Group is distributed between the Board, the Board's committees and the President and CEO in accordance with the Swedish Companies Act, other legislation, the Swedish Code of Corporate Governance, the Articles of Association and the Board's rules of procedure.

eral Meeting for the period up until the first Annual General Meeting held after the year in which the Board members were elected.

Following the Annual General Meeting of 27 April 2009 the Board consists of seven members elected at the Annual General Meeting: Fredrik Arp (Chairman of the Board), Gun Boström, Roger Johanson, Henrik Jorlén, Erik Paulsson, Hans Porat and Lars-Åke Rydh. The Board also includes three employee representatives: Magnus Bergqvist, Björn Jacobsson and Eva Normman. Each of the employee representatives has a deputy, and these are Ingegerd Andersson, Bo Eliasson and Håkan Svensson.

Apart from the CEO and the union representatives, none of the Board members is employed by or works in the Company's operations.

Board members Roger Johanson, Lars-

Åke Rydh and Chairman of the Board Fredrik Arp are deemed by the Board to act independently of the Company's major shareholders. From time to time, Erik Paulsson represents other companies which are Nolato suppliers or customers. Nolato's Board has determined both with regard to this Board member and to each supplier and customer, that the transactions carried out with these companies do not constitute significant business connections when considering the size of revenues generated in comparison with the annual sales of each of the suppliers and customers.

Nolato's Board has therefore determined that all members elected by the Annual General Meeting, apart from the CEO, are independent in relation to the Company.

The members of the Board of Nolato are presented on pages 78–79.

The working methods of the Board

The Board decides on the ultimate content of Nolato's operations and prepares the necessary regulations. It determines the Nolato Group's management structure and appoints, dismisses and supervises the people who manage and represent Nolato.

Principles were decided on at the Board's organisational meeting following the Annual General Meeting concerning the Board's rules of procedure for its work, the delegation of duties between the Board and the CEO, and financial reporting.

The salient parts of these principles stipulate the following:

- The Board shall establish a schedule with five regular meetings over the course of the year, at which various matters as stipulated by the rules of procedure shall be considered.

- Notice of the meeting, the agenda and the relevant documentation for the Board meeting should normally be sent out no later than one week before the meeting. Numbered minutes shall be kept for every meeting.

- The delegation of duties clarifies the responsibilities of the Board and the key duties of the Chairman and the CEO. The regulations for the CEO include limitations on decisions in relation to investments, acquisitions, transfers and certain agreements.

- In order to enable the Board to follow and monitor the Group's financial position and development on an ongoing basis, the CEO will provide the Board with monthly reports on sales, income, capital commitment, cash flow, the balance sheet, forecast monitoring and forecast updates.

The Board ensures the quality of financial reporting, which takes place through adopted governance instruments, such as the regulations for the CEO, the regulations for financial reporting to the Board, the information policy and the financial policy.

The Board also ensures the quality of financial reporting by reviewing the interim reports, the year-end report and the Annual Accounts in detail, both before and during the Board meetings. The Board is also informed of minutes drawn up by the Audit Committee and any observations, recommendations and proposed decisions and actions.

The Board has delegated the Company management with the task of ensuring the quality of press releases with financial content and presentation materials in connection with meetings held with the media, shareholders and financial institutions.

The Chairman of the Board, Fredrik Arp, organises and directs the work of the Board so that this is carried out in accordance with the Swedish Companies Act, other legislation and regulations, applicable rules for listed companies (including the Swedish Code of Corporate Governance) and the Board's internal governance instruments. The Chairman of the Board monitors operations through ongoing contact with the CEO, and is responsible for other Board members receiving sufficient information and documentation for making decisions.

The Chairman of the Board is also responsible for the Board being kept updated, increasing its knowledge about Nolato, and otherwise receiving the training required in order for the Board to be able to carry out its work in an effective manner.

In addition, the Chairman of the Board ensures that the work of the Board is evaluated on an annual basis, and that the Nomination Committee is informed of the outcome of this evaluation.

The Audit Committee

The task of the Audit Committee is to supervise the procedures for accounting, financial reporting and internal auditing. The committee should have frequent contact with the auditors of Nolato AB and the Group, in order to discuss audit matters on an ongoing basis, evaluate auditing work and establish guideless for services other than auditing that Nolato may procure from its auditors.

The members of the committee are Lars-Åke Rydh (Chairman) and Henrik Jorlén, who were appointed by the Board. The work of the committee is regulated by specific rules of procedure, which have been adopted by the Board.

The Audit Committee held four meetings in 2009. Both members were present at each of these meetings, at which minutes were taken.

The Remuneration Committee

The Board includes a Remuneration Committee, which is responsible for making proposals to the Board on variable remuneration for senior executives, including the CEO.

The committee also proposes all remuneration and benefits for the CEO to the Board. The Board has approved these principles for the variable remuneration of senior executives and all remuneration and benefits for the CEO.

The committee is also responsible for

approving all remuneration to the executive management.

The members of the committee are Fredrik Arp (chairman) and Henrik Jorlén, who were appointed by the Board. The committee held two meetings in 2009.

Ahead of 2010, the committee will draw up principles for variable remuneration and other remuneration and benefits for the CEO and other senior executives, which the Board will propose to the Annual General Meeting.

The Board's work in 2009

During 2009, the Board held five meetings and an organisational meeting after the Annual General Meeting. Reviews of the Company's operations, markets and finances were standing items on the Board's agenda. In addition to these points, the work of the board during the year has focused primarily on investment discussions, market communication, acquisition processes, budgets/forecasts, financing and strategy discussions relating to the Company's operations during the most recent three-month period.

All decisions have been unanimous.

Board meeting attendance in 2009

During 2009, the Board members elected by the Annual General Meeting attended the following Board meetings:

	Jan	Apr	Jul	Oct	Dec
Fredrik Arp ¹⁾			x	x	x
Gun Boström	x	x	x	x	x
Roger Johanson	x	x	x	x	x
Henrik Jorlén	x	x	x	x	x
Erik Paulsson	x	x	x	x	x
Lars-Åke Rydh	x	x	x	x	x
Hans Porat	x	x	x	x	x

¹⁾ Elected at the Annual General Meeting 2009

Reporting and auditing

The Board and the Audit Committee analyse and assess risks and control environments, and oversee the quality of financial reporting and Nolato's internal auditing systems.

This takes place through, for example, issuing instructions to the CEO, adopting requirements for the content of the reports on financial conditions submitted to the Board on an ongoing basis, and holding reviews together with the management and the auditors.

The Board is informed of – and ensures the quality of – financial reports such as monthly reports, forecasts, interim reports and the



Annual Accounts, but has delegated to the Company's management the task of ensuring the quality of presentation materials in connection with meetings held with the media, shareholders and financial institutions.

Company management

Group Management

The Group Management consists of Hans Porat (CEO of the Nolato Group and President of Nolato Industrial), Per-Ola Holmström (Executive Vice President and CFO), Christer Wahlquist (President of Nolato Medical) and Jörgen Karlsson (President of Nolato Telecom).

The CEO manages operations in accordance with the Swedish Companies Act and within the framework established by the Board of Directors. Working together with the Chairman of the Board, he draws up the necessary information and decision-making documentation for Board meetings, submits details of tasks and justifies proposals for decisions. He is also responsible for Nolato's corporate, strategic and financial develop-

ment, and manages and coordinates day-to-day activities in accordance with the guidelines and decisions of the Board.

The CEO also appoints members of the Group management, in consultation with the Chairman of the Board. Nolato's Group management holds monthly operational reviews, under the leadership of the CEO.

Business operations

All of the Group's business operations are conducted by subsidiaries, in keeping with the decentralised culture that has always characterised Nolato.

Business areas

Each subsidiary belongs to one of the Group's three business areas. The president of each business area manages operational issues, and is in constant contact and discussion with the managing directors and other management of the subsidiaries belonging to the business area in question.

Subsidiaries

The Group's success is due to the close business relationships which each Group company enjoys with its customers. Their

understanding of – and sensitivity towards – customers' needs, business practices and distribution requirements are, and remain, crucial to Nolato's success.

Each subsidiary is managed by a Board of Directors, which approves and makes decisions on long-term strategies and overall structural and organisational changes. Each subsidiary has a managing director who is responsible for operations, as specified in the managing director's regulations issued by the Board of Directors. The managing director is assisted by a management team, with members from the various company functions.

Auditors

At the 2008 Annual General Meeting, Authorised Public Accountant Alf Svensson was elected as auditor of Nolato and Authorised Public Accountant Camilla Alm Andersson was elected as deputy auditor, both for a mandate period of four years.

Both work for the accountancy company of KPMG AB.

Nolato's auditor is tasked with auditing the annual report and the accounts, as well as the management by the Board of Directors and the CEO. The auditor works according



to an audit plan. Reports have been submitted to the Board, both during the course of the audit and upon the adoption of the year-end report for 2009 on 1 February 2010. The auditor also participates in the Annual General Meeting, describing the audit work and observations made in an auditors' report.

Over the course of the year, the auditor has been consulted on a number of occasions in addition to the audit, relating primarily to accounting issues.

The external audit is conducted in accordance with generally-accepted auditing practices. Annual reports for legal entities outside Sweden must be audited in accordance with statutory requirements and other applicable rules in the country in question, and in accordance with generally-accepted auditing practices. Nolato's auditors regularly study the approved minutes of Nolato's Board meetings, and also have ongoing access to the monthly reports which the Board receives.

Nolato's auditors are presented in this Annual Report on page 79.

Board remuneration

For the period starting with the 2009 Annual General Meeting and ending with the 2010 Annual General Meeting, Board remunera-

tion totalled SEK 1,030,000 excluding travel allowances (SEK 900,000), divided up as follows:

The Board:

Chairman:	SEK 250,000
Board member:	SEK 130,000

Audit Committee:

Chairman:	SEK 50,000
Member:	SEK 30,000

Remuneration Committee:

Chairman:	SEK 50,000
-----------	------------

Director's fees are paid only to external members. Company employees and employee representatives receive no director's fee.

During 2009, the current members of the Board received the following remuneration, which was paid in December 2009:

Fredrik Arp	SEK 300,000
Henrik Jorlén	SEK 160,000
Gun Boström	SEK 130,000
Roger Johanson	SEK 130,000
Erik Paulsson	SEK 130,000
Lars-Åke Rydh	SEK 180,000
Total	SEK 1,030,000

Remuneration information

Information on fees, salaries, pensions and other benefits for the Board of Directors, the CEO and other senior executives can be found in Note 11 on pages 54–55.

Information Policy

Nolato reports to NASDAQ OMX Nordic, where the Company is quoted in the Stockholm Small Cap segment. Information in the form of quarterly reports, press releases, etc., is submitted in accordance with the requirements of the stock exchange and the information policy adopted by Nolato's Board of Directors.

Reports, press releases and other information can be downloaded from Nolato's website, www.nolato.com, under Investor Relations.

The website also includes additional information on corporate governance in terms of Board membership, procedures, work, committees and auditors. The current Articles of Association, information about Annual General Meetings and current details of major shareholders can also be found here.

The Board's description of internal audit

In accordance with the Swedish Companies Act and the Swedish Code of Corporate Governance, the Board is responsible for the Company's internal audit. The description does not constitute part of the formal Annual Account documents. In the description, the Board does not issue any statement on the effectiveness of the internal audit, and has chosen not to permit the company's auditors to review the description.

In order to provide the Board with a basis for setting the level of internal management and control, Nolato carried out an overview and analysis during the latter part of 2008 of the existing instruments for internal auditing during 2008 and 2009, in connection with upgrading the Group's IT systems in most of the Group's operations.

The Board will continue to carry out additional supervision of the internal audit and the future organisation of the internal audit function.

Nolato's internal audit of financial reporting includes five main activities: creating a control environment, risk assessment, control activities, information and communication, and monitoring.

Control environment

Effective Board work forms the foundation for good internal auditing. The Board has established clear processes and rules of procedure for its work. One key element of the Board's work is deciding on and approving a number of fundamental policies, guidelines and frameworks for financial reporting. These include the Group's Code of Conduct, the information policy and the financial policy.

The Board evaluates operational performance and results on an ongoing basis, via a reporting package which includes operating income, rolling forecasts, the analysis of key figures and other significant operating and financial information.

Nolato has a simple legal and operational structure, with established management and internal audit systems. This enables the business to react swiftly in the event of changed conditions in the Group's market or in other areas. Operational decisions are taken at company or business area level, while decisions on overall strategy, focus, acquisi-

tions, major investments and overall financial issues are taken by Nolato's Board and Group management.

Internal auditing in relation to Nolato's financial reporting is tailored to work within this organisation. The Group has a clear regulatory framework for delegating responsibility and authorisation, and this follows the Group structure.

The basis for internal auditing in relation to financial reporting is a control environment consisting of the organisation, decision-making paths, authorisation and responsibilities communicated, as well as the culture in which the Board and the Company management communicates and functions. This culture is formulated in the documents Nolato's Basic Principles, Nolato's Code of Conduct, Nolato's Environmental Policy, Nolato's Quality Policy and Nolato's Information Policy, and is described on pages 24–31 of this Annual Report.

These cultural declarations are an important element when it comes to creating an effective control environment at Nolato. They are communicated to all employees, including in the form of a publication entitled "The Nolato Spirit", and are based on a set of values which Nolato has upheld for many years.

In addition to this, rules of procedure for the Board and CEO instructions have also been drawn up. These describe matters such as the distribution of work within the Board and the duties of the Chairman of the Board and the CEO.

Rules of procedure have also been drawn up for the managing director of each subsidiary. Managers at various levels in the Company are responsible for dealing with internal auditing on an ongoing basis within their own particular areas of responsibility.

Risk assessment

The Company carries out an annual process, involving a risk analysis of its financial reporting, which will be evaluated and adopted by the board. In connection with this risk analysis, income statement and balance sheet items are identified with an inherently heightened inherent risk of serious errors.

In the company's operations, these risks are mainly present in fixed assets, financial instruments, inventories, customer receivables, accrued expenses, taxes and revenue recognition. These risk assessments are based on a number of points, such as effects on

financial reporting, the profits reported on the income statement, business processes, external factors and the risk of fraud.

Verification

Those risks which have been identified in relation to financial reporting are dealt with via the Company's verification activities, e.g. authentication checks for IT systems and authorisation controls. Checks and verifications related to a single activity are supplemented by detailed financial analyses of earnings, followed-up with business plans and forecasts, which provide an overall assessment of the quality of the reporting.

Information and communication

The Company's governing financial reporting documents consist mainly of policies and guidelines, which are kept up-to-date and communicated via the relevant channels.

There is a clear information policy for communication with external parties, which provides guidelines for the forms which this communication should take. The aim of the policy is to ensure that all information obligations are complied with in a correct and complete manner.

Monitoring

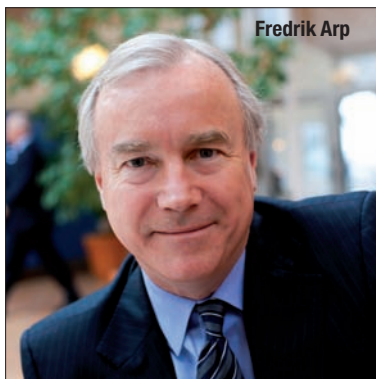
The CEO is responsible for internal auditing being organised and monitored in accordance with the guidelines established by the Board. Financial control is carried out by the Group financial function. Financial reporting is analysed in detail each month.

The Board has monitored financial reporting at its meetings, and the Company's auditors have reported on their observations to the Board and the Audit Committee.

The Board has received financial reports on a monthly basis, and the Company's financial situation has been addressed at each Board meeting.

Internal audit

Nolato has a simple legal and operational structure, with established management and internal audit systems. The Board and the Audit Committee monitor the organisational assessment of internal auditing, including through contact with Nolato's auditors. In view of the above, the Board has chosen not to carry out any specific internal audit.



Fredrik Arp



Gun Boström



Henrik Jorlén



Erik Paulsson



Roger Johanson



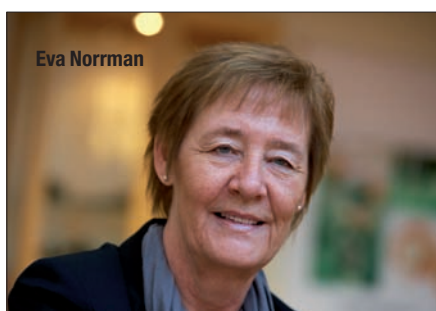
Lars-Åke Rydh



Hans Porat



Magnus Bergqvist



Eva Norrman



Björn Jacobsson

Nolato's Board

Nolato's Board of Directors consists of seven members elected by the Annual General Meeting, and three members and three deputies elected by the trade unions. At the Annual General Meeting on 27 April 2009, the Board members Gun Boström, Roger Johanson, Henrik Jorlén, Erik Paulsson, Lars-Åke Rydh and Hans Porat were re-elected. Fredrik Arp was elected as a new Board member and Chairman of the Board.

Board members elected by the Annual General Meeting

Fredrik Arp, chairman.

Member since 2009 and earlier during 1998 – 1999.
Shareholding in Nolato: 3,000 B (Feb 2010).
Other directorships:
Chairman of the Board of Hilding Anders AB, Qioptiq Group. Board member of Technogym.
Born in 1953. Education: B Sc BA, Hon. Dr. of Econ.

Gun Boström

Member since 1971.
Shareholding in Nolato: 417,750 A and 445,800 B.
Born in 1942. Education: Engineer.

Roger Johanson

Head of Private Equity Skandia Liv Kapitalförvaltning.
Member since 2007.
Shareholding in Nolato: 0.
Other directorships: Board member of Biophausia AB, Creandum AB and CashCap AB.
Born in 1959. Education: biochemistry and biotechnology, Royal Institute of Technology.

Henrik Jorlén

Member since 1974.
Shareholding in Nolato: 294,000 A and 48,300 B.
Born in 1948. Education: commercial school.

Erik Paulsson

Member since 2003.
Shareholding in Nolato: 609,200 A and 2,372,575 B.
Other directorships: Chairman of the Board of SkiStar AB, Backahill AB, Brinova Fastigheter AB, Diös Fastigheter AB and Wihlborgs Fastigheter AB.
Born in 1942. Education: elementary school.

Lars-Åke Rydh

Member since 2005.
Shareholding in Nolato: 2,000 B.
Other directorships: Chairman of the Board of Nefab AB, SanSac AB, Schuchardt Maskin AB and Plastprint AB. Board member of OEM International AB, HL Display AB and Handelsbanken Region Östra Sverige.
Born in 1953. Education: Master of Engineering.

Hans Porat

President and CEO of Nolato.
Member since 2008.
Shareholding in Nolato: 33,898 B.
Born in 1955.
Education: Master of Science, metallurgy.

Board members elected by the trade unions

Magnus Bergqvist

Swedish Trade Union Confederation employee representative since 1990.
Nolato Sunne AB.
Shareholding in Nolato: 0.
Born in 1955. Education: upper secondary school.

Björn Jacobsson

Swedish Trade Union Confederation employee representative since 2000.
Nolato Gota AB.
Shareholding in Nolato: 0.
Born in 1971. Education: upper secondary school.

Eva Norrman

Council for Negotiation and Co-operation (PTK) employee representative since 1997, permanent staff since 2006.
Nolato Plastteknik AB.
Shareholding in Nolato: 0.
Born in 1951. Education: nurse.

Deputies for Board members elected by the trade unions

Ingegerd Andersson

Swedish Trade Union Confederation employee representative since 2004.
Shareholding in Nolato: 0.
Born in 1951. Education: upper secondary school.

Bo Eliasson

Swedish Trade Union Confederation employee representative since 2004.
Shareholding in Nolato: 0.
Born in 1947. Education: lower school certificate.

Håkan Svensson

Council for Negotiation and Co-operation (PTK) employee representative since 2009.
Shareholding in Nolato: 0.
Born in 1960. Education: upper secondary school.

Nomination Committee

The Nomination Committee prior to the 2010 Annual General Meeting: Henrik Jorlén, Gun Boström, Erik Paulsson, Johan Lannebo (Lannebo Fonder) and Magnus Molin (Svolder).

Auditors

Ordinary auditor:

Alf Svensson, born in 1949.
Authorised public accountant, KPMG.
Auditor of Nolato since 2008.
Shareholding in Nolato: 0.
Education: BSc (econ).
Elected auditor of companies including Peab AB, BE Group AB, Nederman AB, Midelfart Sonesson Group AB and Höganäs AB.

Deputy auditor:

Camilla Alm Andersson, born in 1965.
Authorised public accountant, KPMG.
Deputy auditor of Nolato since 2008.
Shareholding in Nolato: 0.
Education: BSc (econ).
Other major clients: BE Group AB, AB Wilh. Becker, Kemira Kemi AB, Tigran Technologies AB and Stena Fastigheter AB.

Shareholding in Nolato at 31 December 2009
incl. family and companies, according to Euroclear Sweden.

Nolato's Corporate Governance Report can be found on pages 72 – 77.

Nolato's Group management

Hans Porat

President and CEO, and head of Nolato Industrial since 2008.

Employed at Nolato since 2008.

Born in 1955.

Education: Master of Science, metallurgy.

Shareholding incl. family: 33,898 B.



Per-Ola Holmström

Executive Vice President and CFO since 1995.

Employed at Nolato since 1995.

Born in 1964.

Education: Bachelor of Science in Business Administration and Economics.

Shareholding incl. family: 20,154 B.

Jörgen Karlsson

President Nolato Telecom Business Area since 2009 and MD of Nolato Beijing since 2007.

Employed at Nolato since 1995.

Born in 1965.

Education: Polymer engineering.

Shareholding incl. family: 0.



Christer Wahlquist

President Nolato Medical Business Area since 2005.

Employed at Nolato since 1996.

Born in 1971.

Education: Master of Science, Master of Business Administration.

Shareholding incl. family: 20,712 B.

Annual General Meeting and 2010 financial calendar

Annual General Meeting 2010

Shareholders are invited to Nolato's Annual General Meeting on Wednesday, 28 April 2010 at 4:00 p.m. at Idrottsparken in Grevie, Sweden.

Registration

Shareholders who wish to participate in the Annual General Meeting should be listed on the register of shareholders maintained by Euroclear Sweden AB on Thursday 22 April 2010, and should register their intention to attend the Annual General Meeting with the Company no later than 4:00 p.m. on Thursday 22 April 2010.

Attendees may register in one of the following ways:

- using the response card enclosed with the Annual Report sent to those shareholders who have requested a copy
- by e-mailing nolatoab@nolato.se
- by fax to +46 431 442291
- by writing to Nolato AB, SE-260 93 Torekov, Sweden

Registration must include the shareholder's name, address, telephone number, personal or corporate identity number, number of shares and, where applicable, the name of

any assistants. This information is used only for registering attendance and drawing up a register of voters. Shareholders represented by proxy should have their power of attorney submitted in original together with the registration, along with – if the appointer is a legal entity – certificate of incorporation or other document showing the signatories' jurisdiction. Shareholders who wish to bring one or two assistants must register this before the deadline for shareholder registration.

Shareholders who, through a bank's trust department or other manager, registered their shares in the name of a nominee, must temporarily register the shares in their own name in order to be entitled to participate in the Annual General Meeting. To ensure that this registration will be listed in the shareholder's register no later than 22 April 2010, the shareholder must in good time prior to that date, request re-registration by the administrator.

Other

The reporting documents and the auditors' report will be available at the company's headquarters at Nolatovägen, SE-260 93 Torekov, Sweden by Tuesday 13 April 2010. The documents will be sent to those shareholders requesting these.

Documents are also available from Nolato's website, www.nolato.com, under Investor Relations.

Financial calendar

All financial information will be posted on Nolato's web site, www.nolato.com, as soon as it is published. In 2010, financial information will be released as follows:

- Three-month interim report 2010: 28 April 2010
- Annual General Meeting: 28 April 2010
- Six-month interim report 2010: 21 July 2010
- Nine-month interim report 2010: 26 October 2010

Annual Report

The Annual Report is sent by post to those who have requested this. It is also available at www.nolato.com.

IR contact

Per-Ola Holmström, CFO, is responsible for Nolato's investor relations.

Telephone +46 431 44 22 93
E-mail per-ola.holmstrom@nolato.se

■ Five-year overview

	2009	2008	2007	2006	2005
Sales and income					
Net sales (SEK millions)	2,602	2,824	2,421	2,702	2,256
Sales growth (%)	– 8	17	– 10	20	– 6
Percentage of sales outside Sweden (%)	73	68	61	68	61
Operating income (EBITA) (SEK millions)	166	240	197	79	221
Operating income (EBIT) (SEK millions)	158	232	190	78	221
Financial items (SEK millions)	– 10	– 16	– 19	– 9	– 13
Income after financial items (SEK millions)	148	216	171	69	208
Net income (SEK millions)	123	178	150	48	181
Financial position					
Total assets (SEK millions)	2,113	2,126	1,918	1,724	1,688
Shareholders' equity (SEK millions)	1,086	1,058	881	789	832
Interest-bearing assets (SEK millions)	172	168	62	131	163
Interest-bearing liabilities and provisions (SEK millions)	212	263	386	293	233
Net debt (SEK millions)	40	95	314	162	70
Equity/assets ratio (%)	51	50	46	46	50
Liquidity (%)	122	111	131	130	158
Debt/equity ratio (times)	0.2	0.2	0.4	0.4	0.3
Cash flow					
Cash flow from operations (SEK millions)	257	451	315	280	307
Investment activities (SEK millions)	– 118	– 143	– 158	– 291	– 149
Cash flow before financing activities (SEK millions)	139	308	157	– 11	158
Profitability					
Return on total capital before tax (%)	7.5	11.8	10.5	4.7	13.5
Return on capital employed before tax (%)	12.1	18.4	16.3	7.4	21.0
Return on operating capital before tax (%)	13.9	19.7	17.6	8.3	25.5
Return on net shareholders' equity (%)	11.5	18.4	18.0	5.9	24.2
EBITA margin (%)	6.4	8.5	8.1	2.9	9.8
Profit margin (%)	5.7	7.6	7.1	2.6	9.2
Interest coverage ratio (times)	14	11	8	8	16
Share data (see also page 70)					
Earnings per share after tax	4.68	6.77	5.70	1.82	6.88
Shareholders' equity per share	41	40	33	30	32
Cash flow per share	5.28	11.71	5.97	– 0.42	6.01
Yield (2009 proposal)	5.1	8.6	6.5	3.4	3.0
Dividend (2009 proposal)	3.00	2.75	3.00	2.40	2.40
Personnel					
Number of employees (people)	4,308	4,531	3,760	4,144	2,790
Sales per employee (SEK thousands)	604	623	643	652	809
Income after financial items per employee (SEK thousands)	34	48	45	17	75

The Nolato Annual Report is produced by Strategisk Information AB, Limhamn, Sweden. Photography by Lasse Davidsson et al. Repro and printing by JMS Vellinge, Sweden. Translation by Teknotrans. We have tried to achieve a low environmental impact when producing this report. The printing process is Swan labelled. The paper is made from recycled fibres, saving 13 tonnes of wood and reducing greenhouse gas emissions by 1,600 kg compared with paper made using virgin fibres.



■ Definitions

Adjusted earnings per share

Net income, excluding amortisation of intangible assets arising from acquisitions, divided by the average number of shares.

Cash flow per share

Cash flow before financing activities, divided by average number of shares.

Debt/equity ratio

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

EBITA margin

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

Earnings per share

Net income, divided by average number of shares.

Equity/assets ratio

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

Interest coverage ratio

Income after financial items plus financial expenses, divided by financial expenses.

Liquidity

Total current assets divided by total current liabilities.

Net debt

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

Operating income (EBITDA)

Earnings before interest, taxes and depreciation/amortisation.

Operating income (EBITA)

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

Operating income (EBIT)

Income before tax, financial income and expenses.

Profit margin

Income after financial items as a percentage of net sales.

Return on total capital

Income after financial items plus financial expenses as a percentage of average total capital in the balance sheet.

Return on capital employed

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

Return on operating capital

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

Return on shareholders' equity

Net income as a percentage of average shareholders' equity.

■ A few specialist terms used within the Nolato Group

Polymer materials

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

Injection moulding

A method for manufacturing polymer components. The material is injected under high pressure into a container in which the component is made. This container is called a mould.

Blow moulding

This technique involves using air to inflate the material against the walls of the mould so that a receptacle is formed. Blow moulding is used by Nolato for manufacturing pharmaceutical packaging.

Dipping

The product is manufactured by being dipped in liquid latex. Dipping is used by Nolato for manufacturing products such as breathing bags and catheter balloons.

Extrusion

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

Clean room

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

System product/subsystem

A system product is a product with a number of assembled components, often in different materials and with different functions, which constitutes a complete unit that is delivered for final assembly by the customer.

A subsystem means that the product will be added to on final assembly.

■ Nolato AB

SE-260 93 Torekov, Sweden
Street address: Nolatovägen
Telephone: +46 431 442290
Fax: +46 431 442291
Internet: www.nolato.se
E-mail: info@nolato.se

■ Nolato Alpha

Box 2072,
SE-291 02 Kristianstad, Sweden
Street address: Tegelbruksvägen 15
Telephone: +46 44 186000
Fax: +46 44 127080
E-mail: alpha@nolato.se

■ Nolato Beijing

402 Longsheng Industrial Park
7, Rong Chang Road East
Beijing Development Area
Beijing 100176, P.R. China
Telephone: +86 10 6787 2200
Fax: +86 10 6787 2671
E-mail: beijing@nolato.com

■ Nolato Cerbo

Box 905,
SE-461 29 Trollhättan, Sweden
Street address: Verkmästarev. 1-3
Telephone: +46 520 409900
Fax: +46 520 409902
E-mail: nolatocerbo@nolato.se

■ Cerbo Norway

Postboks 157
NO-2021 Skedsmokorset, Norway
Telephone: +47 6387 8220
Fax: +47 6387 4120
E-mail: cerbo.norge@nolato.com

■ Cerbo France

15, Rue Vignon
FR-75008 Paris, France
Telephone: +33 1 47 975284
Fax: +33 1 46 366418
E-mail: cerbo.france@nolato.com

■ Nolato Gota

Box 29, SE-533 21 Götene, Sweden
Street address: Alsborgsgatan 2
Telephone: +46 511 342100
Fax: +46 511 342101
E-mail: gota@nolato.se

■ Nolato Hungary

HU-9200 Mosonmagyaróvár,
Hungary
Jánossomorjai utca 3
Telephone: +36 96 578770
Fax: +36 96 578778
E-mail: hungary@nolato.com

■ Lovepac Converting Beijing

Xingsheng Industrial Park
No.7 Tongji Road
Beijing Development Area
Beijing 100176, P.R. China
Telephone: +86 10 6780 5580
Fax: +86 10 6787 4404

■ Shenzhen, China

Unit 502, Building A-3
Northeast of East Industrial Zone
OCT (Oversea Chinese Town)
Shenzhen 518031, P.R. China
Telephone: +86 755 8610 6804
Fax: +86 755 8623 2753

■ Lovepac Converting India

Chennai, India
RBF-2, Road R-1 North,
West 670, Cherivi, Sri City
SEZ Satyavedu Mandal
517588 Andhra Pradesh, India
Telephone: +91 857 6306850
Fax: +91 857 630854

■ Nolato Lövepac

Ringvägen 5
SE-280 40 Skånes Fagerhult,
Sweden
Telephone: +46 433 32300
Fax: +46 433 32302
E-mail: loevpac@nolato.se

■ Nolato MediTech

Medicingatan
SE-242 93 Hörby, Sweden
Telephone: +46 415 19700
Fax: +46 415 10054
E-mail: meditech@nolato.se

■ Kristianstad:

Box 2072
SE-291 02 Kristianstad, Sweden
Street address: Tegelbruksvägen 15
Telephone: +46 415 19700
Fax: +46 44 106855

■ Lomma:

Box 28, SE-234 21 Lomma, Sweden
Street address: Koppargatan 13
Telephone: +46 415 19700
Fax: +46 40 419551

■ Torekov:

SE-260 93 Torekov, Sweden
Street address: Nolatovägen
Telephone: +46 415 19700
Fax: +46 431 442261

■ Nolato Plastteknik

Box 4123,
SE-422 04 Hisings Backa, Sweden
Street address: Exportgatan 59
Telephone: +46 31 588400
Fax: +46 31 588401
E-mail: plastteknik@nolato.se

■ Nolato Polymer

SE-260 93 Torekov, Sweden
Street address: Nolatovägen
Telephone: +46 431 442200
Fax: +46 431 442201
E-mail: polymer@nolato.se

■ Ängelholm

Framtidsgatan 6
SE-262 73 Ängelholm, Sweden
Telephone: +46 431 442200
Fax: +46 431 449051

■ Nolato Hertila

Persbogatan 1
SE-265 38 Åstorp, Sweden
Telephone: +46 42 66880
Fax: +46 42 51939
E-mail: hertila@nolato.se

■ Nolato Silikonteknik

Bergsmansvägen 4,
SE-694 91 Hallsberg, Sweden
Telephone: +46 582 88900
Fax: +46 582 88999
E-mail: silikonteknik@nolato.se

■ Beijing, China

402 Longsheng Industrial Park
7, Rong Chang Road East
Beijing Development Area
Beijing 100176, P.R. China
Telephone: +86 10 6787 2200
Fax: +86 10 6787 2671

■ Nolato Sunne

Box 116, SE-686 23 Sunne, Sweden
Street address: Sundgatan 21
Telephone: +46 565 17300
Fax: +46 565 17373
E-mail: sunne@nolato.se

www.nolato.com