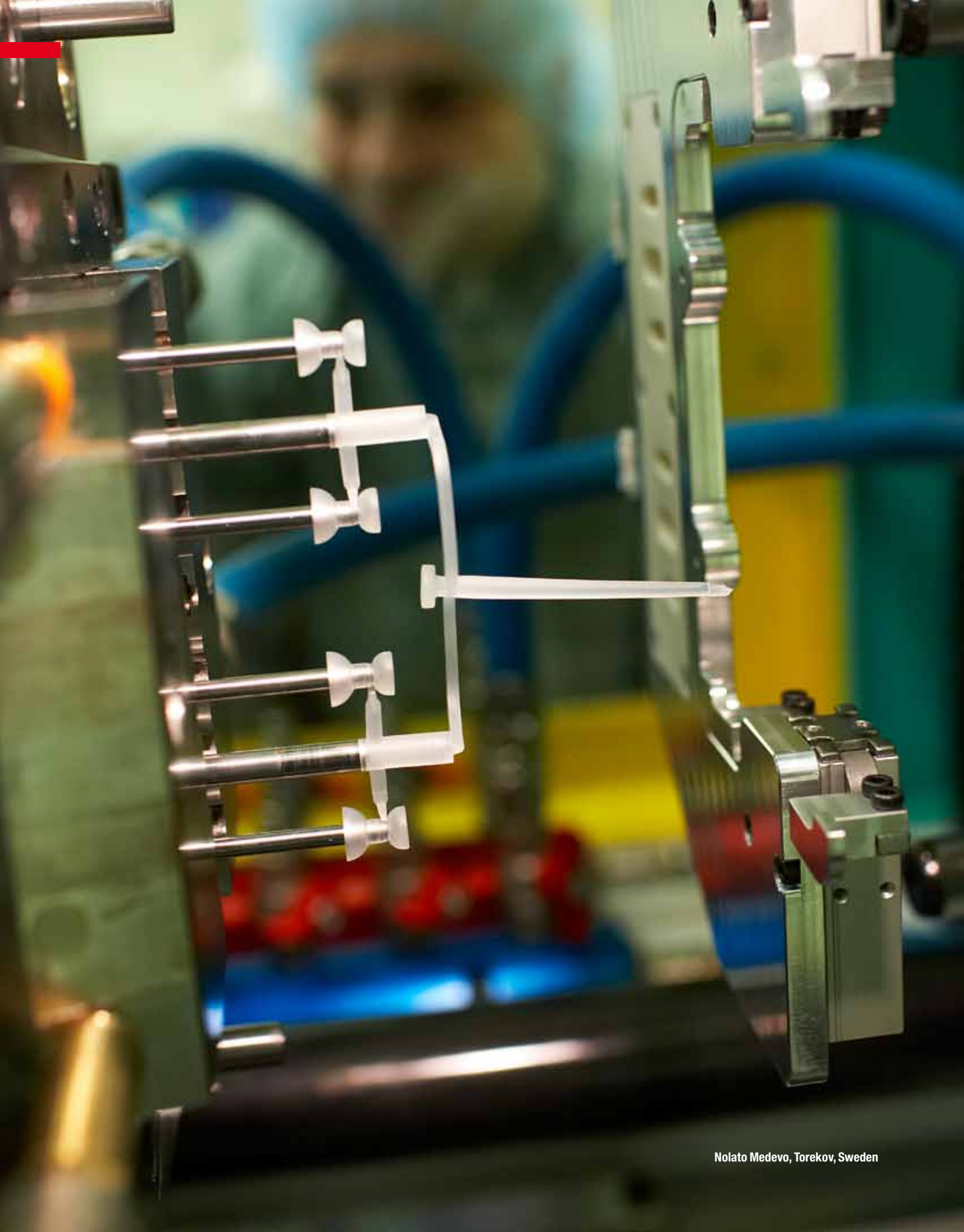




## Nolato AB (publ) Annual Report 2008



# 2008 in brief

Nolato had one of its best years ever in 2008. Sales rose by 17 percent to SEK 2,824 M, with operating income (EBITA) up 18 percent to SEK 240 M and earnings per share up 19 percent to SEK 6.77.

Cash flow was extremely strong, totalling SEK 296 M.

Two out of our three business areas – Nolato Medical and Nolato Telecom – showed excellent growth during the year, while Nolato Industrial was affected by the slowdown in the automotive and industrial markets.

The Group's financial position is strong, with an equity/assets ratio of 50 percent and net liabilities of SEK 95 M.

Our healthy earnings and strong financial position provide a sound foundation on which to face the economic downturn.

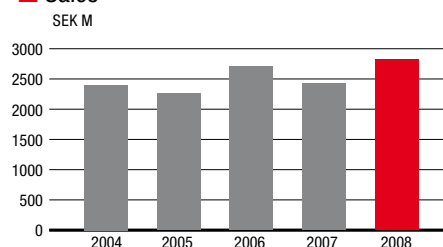
## Financial key ratios

SEK M (unless otherwise specified)	2008	2007	Change
Net sales	2,824	2,421	+ 17%
Operating income (EBITA) excluding non-recurring items	240	204	+ 18%
EBITA margin excluding non-recurring items, %	8.5	8.4	
Operating income (EBIT)	232	190	+ 22%
Income after financial items	216	171	+ 26%
Net income	178	150	+ 19%
Cash flow after investments, excl. acquisitions and disposals	296	227	+ 30%
Return on capital employed, %	18.4	16.3	
Return on shareholders' equity, %	18.4	18.0	
Equity/assets ratio, %	50	46	
Earnings per share, SEK	6.77	5.70	
Adjusted earnings per share, SEK	6.99	5.32	
Average number of shares, thousands	26,307	26,307	
Average number of employees	4,531	3,760	

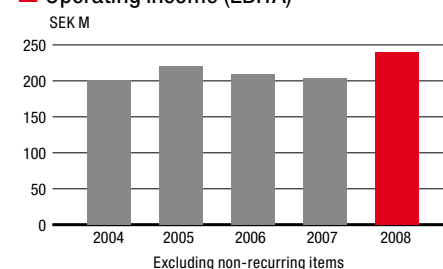
Sales, income and return figures for 2007 relate only to remaining operations.

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

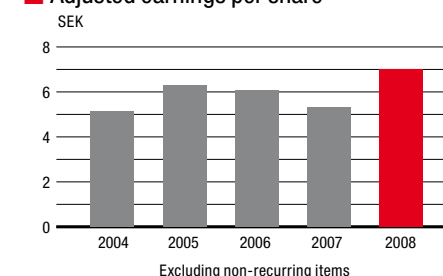
### Sales



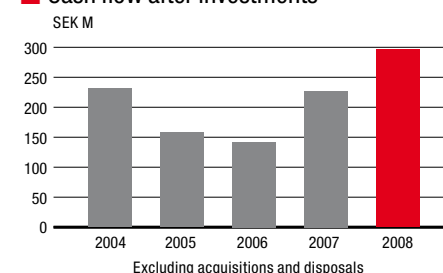
### Operating income (EBITA)



### Adjusted earnings per share



### Cash flow after investments



## Experience and innovation

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# The Nolato Group in brief



Inger Bengtsson

## Nolato Medical

**Sales:** SEK 632 M (526)  
**Operating income (EBITA):** SEK 92 M (76)  
**EBITA margin:** 14.6% (14.4)  
**Employees (year average):** 415 (417)

A leading developer and manufacturer of advanced polymer products and product systems for medical technology and pharmaceutical customers, supplying medical devices, pharmaceutical packaging and niche products for applications such as heart surgery.

### Sales, development and production:

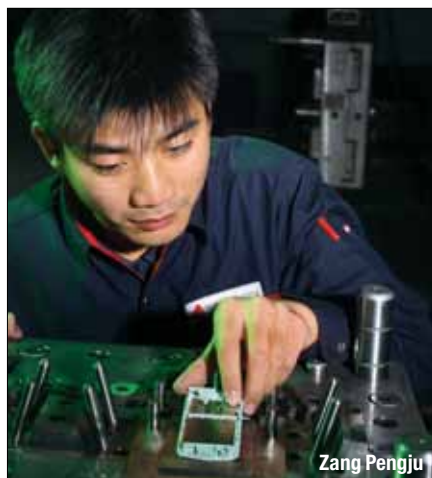
- Nolato Beijing, China
- Nolato Cerbo, Trollhättan, Sweden
- Nolato Hungary, Mosonmagyaróvár, Hungary
- Nolato Medevo, Lomma, Torekov and Kristianstad, Sweden
- Nolato Medical Rubber, Hörby, Sweden

### Sales:

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

### Customers include:

AstraZeneca, Boston Scientific, Coloplast, Gambro, Novo Nordisk, Nycomed, Phadia, Radi Medical Systems



Zang Pengju

## Nolato Telecom

**Sales:** SEK 1,243 M (920)  
**Operating income (EBITA):** SEK 119 M (73)  
**EBITA margin:** 9.6% (7.9)  
**Employees (year average):** 3,549 (2,735)

A global developer and manufacturer of polymer system products for mobile phones and telecom base station customers.

### Sales, development and production:

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

### Joint venture:

- Nolato OPD, Beijing, China

### Customers include:

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



Jimmie Larsson

## Nolato Industrial

**Sales:** SEK 950 M (1,000)  
**Operating income (EBITA):** SEK 59 M (78)  
**EBITA margin:** 6.2% (7.8)  
**Employees (year average):** 562 (605)

A leading developer and manufacturer of polymer products and product systems within customer segments such as the automotive, gardening/forestry, white goods and furniture industries.

### Sales, development and production:

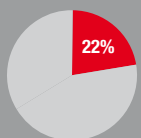
- Nolato Gota, Götene, Sweden
- Nolato Hertila, Åstorp, Sweden
- Nolato Hungary, Mosonmagyaróvár, Hungary
- Nolato Lövepac, Skånes Fagerhult, Sweden
- Nolato Plastteknik, Gothenburg, Sweden
- Nolato Polymer, Torekov and Ängelholm, Sweden
- Nolato Sunne, Sunne, Sweden

### Project, development and production resource:

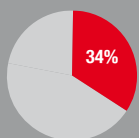
- Nolato Alpha, Kristianstad, Sweden

### Customers include:

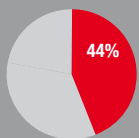
Electrolux, Haldex, Husqvarna, IKEA, Kinnarps, Lear, Lindab, MCT Brattberg, Sanitec, Scania, SKF, Volvo, Whirlpool



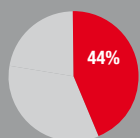
Share of the Group's net sales



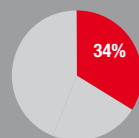
Share of the Group's operating income (EBITA)



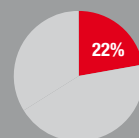
Share of the Group's net sales



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 listed on the stock exchange in 1984, and its B shares are now listed on the NASDAQ OMX Nordic Exchange 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 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 companies with sales, development and production in Sweden, China and Hungary, together with sales offices in France, Norway, Poland and the Czech Republic.

### 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 of their development work, we create the ideal conditions for an optimal process, thus boosting our customers’ profitability.

### Our employees

The average number of employees in 2008 was 4,531. Of these, 67 percent were based in China and the remainder in Europe.

### Our values

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



Nolato Medical Rubber, Hörby, Sweden

# Nolato stands strong

*Dear shareholders,*

**N**olato experienced a good year in 2008, despite the financial crisis and the dramatic market downturn towards the end of the year. In fact, 2008 proved to be one of our best years ever. Sales rose by 17 percent to SEK 2.8 billion, with operating income (EBITA) up 18 percent to SEK 240 M. Both Nolato Medical and Nolato Telecom recorded excellent levels of growth and increased earnings.

– Nolato Medical grew by 20 percent and, with its excellent profitability, has tripled its sales in just a few years.

– Nolato Telecom has operated at extremely high levels of capacity during the year and increased its sales by 35 percent compared with the previous year.

– Nolato Industrial, on the other hand, felt the effects of the declining industrial market, which impacted on both sales and earnings. However, the business area's market position has been strengthened through a number of exciting new orders with production starting during 2009.

## Adaptations and opportunities in an uncertain business climate

The fact that 2008 was one of our best years ever is extremely satisfying. At the same time, we are well aware that, for much of the year, we enjoyed the benefits of a strong market. It is clear that the storm clouds which started to gather during the autumn, and which have now developed into a serious global market downturn, will not leave Nolato unaffected.

However, we believe that Nolato Medical will not be significantly affected. The market for medical products is less sensitive to market conditions and is continuing to show steady growth as the world's population grows older and demands for a better quality of life increase.

Nolato Medical's increasingly strong market position brings opportunities for working with customers on ever larger projects for the world's leading pharmaceutical and medical

technology companies. Not only do these projects involve developing and manufacturing product systems, they also enable us to take over the production of our customers' own polymer products through outsourcing.

During 2008, Nolato Telecom continued to strengthen its position with key customers and broadened its customer base. The business area now boasts a strong product portfolio of mobile phone models going into production during the second half of 2009.

However, as previously announced, one of our major customers has made changes to its future product offering which we expect to result in lower capacity utilisation during the first half of 2009. We have therefore adjusted our capacity downwards whilst also guaranteeing resources so that we can deal with those projects for which production begins in the autumn.

Our third business area, Nolato Industrial, operates mainly in Scandinavia and Central Europe, exposing us to the industrial market downturn currently also affecting Northern Europe. After a number of good years, we are now experiencing a dramatically weaker market, particularly within the automotive industry. Nolato Industrial was therefore forced to reduce its capacity during the autumn, cutting its employee numbers by around 150 in Sweden.

Despite the economic downturn, we believe that there are good opportunities for winning new business and increasing our market shares. The weaker krona also brings new opportunities in terms of exports, both for us and for our customers.

## A real understanding of our customers' needs

Nolato features a decentralised, customer-focused organisation, which works closely alongside the market. Being sensitive to our customers' wishes is no longer enough – we also need a real insight into their needs in order for us to play a proactive role in product development. A high degree of expertise in terms of selecting materials and project management is important, as is an understanding of good product design – areas

within which we are continuing to improve. The combination of insight into the needs of the market and our close customer cooperation allows us to identify new business opportunities.

One exciting example is Nolato Telecom's involvement in developing small fuel cells for applications such as mobile phones – an area which would be an ideal complement to our existing product offering.

## Flexibility and automation for profitability

As a supplier, it is extremely important for us to be geographically close to our customers, both during product development and during manufacturing. We therefore have development and production resources which are strategically located in both Europe and Asia.

Nolato Medical already offered its customers production in Scandinavia and Central Europe. During 2008 another step was taken within the business area's globalisation strategy when a manufacturing unit was set up in China, with Coloplast as its first customer.

Within the mobile phone sector, our manufacturing is concentrated entirely in Asia. This makes flexible production possible, enabling us to deal with both rapid changes in volumes and changeovers between short and long product runs, in line with our customers' requirements.

Nolato Industrial's development and production units are based in Scandinavia and Central Europe, and feature a high degree of automation.

## A sharper focus on management and sustainable development

Holding a decentralised organisation together places great demands in terms of effective management. In addition to our extensive and efficient ongoing reporting, we therefore hold regular follow-up meetings with the heads of our business areas and companies at which we discuss our strategies, targets and outcomes in great depth.

Ensuring a shared view of our core values is just as important as effective manage-



ment. These values, principles and attitudes – as expressed when we come into contact with our colleagues, customers, suppliers and other business contacts – are fundamental to Nolato. It is therefore important that these always feel relevant and reflect contemporary society, whilst building upon the ethics and philosophy which have been Nolato's trademark ever since it was founded more than seventy years ago.

We updated these values and strengthened our sustainability work during 2008, thus ensuring that we can continue to operate in a responsible and acceptable manner.

### Well placed to face the future

Our low level of debt, which was reduced even further during the year thanks to healthy growth in earnings and a strong cash flow, means that we are well placed to face the future.

At the end of the year, our equity/assets ratio was 50 percent and our net liabilities stood at SEK 95 M.

During the year we have also ensured financing on favourable terms for the next few years, thus creating the right conditions for making the most of our future business opportunities.

A low level of debt, secured financing and the fact that we work within three complementary customer areas are real strengths in an increasingly uncertain financial climate.

### Priorities for 2009

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

- Continuing to sharpen our customer focus and improving our knowledge about our customers' customers.
- Continuing to increase our focus on technology development.
- Continuing to improve our expertise within project management and design.

Within Nolato Medical, we are striving to improve our presence in Europe and North America through acquisitions, and to ensure that we continue to win the confidence of our customers as they outsource their production, either in part or in its entirety. We are also working hard to capture market shares within our existing fields of operation. Organisationally, we will ensure that our customers have a single point of access for Nolato Medical – “one face to the cus-



tomers” – which more and more customers are demanding.

Nolato Telecom will continue with its work and grow organically through both broadening its customer base and offering new technologies. Within this business area, our ambition is not to be the biggest, but the best.

The same is true of Nolato Industrial, which strives to keep winning customer confidence and thus win additional market shares through its proximity to its customers, its effective technical solutions and its highly-automated production.

Despite the greater uncertainty within the market, I still have confidence in our future.

Nolato has an extremely effective business model, a strong financial position, and skilled, highly motivated employees.

I would like to take this opportunity to thank you all for your sterling efforts over the past year. Together, we are ready to face the challenges which 2009 will bring.

*Torekov, February 2009*

*Hans Porat  
President and CEO*



Wang Wei, Nolato Beijing, China



# The Nolato Group's business concept

**N**olato is an active supplier which, with its own expertise and its far-reaching specialist 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.

## Experience and innovation

The business is based on years of experience, in-depth expertise in materials and processes, early involvement in customers' projects, advanced project management and detailed knowledge of each customer's specific situation, combined with innovative thinking.

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

The customers normally have a compre-

hensive and continuous need for development and production.

The Group's field of operation spans much of the value chain, encompassing product design, product development, prototypes, purchasing additional components, verification, production, painting, decoration, assembly, testing and logistics. Some of the companies within the group also develop, manufacture and sell their own products. This is particularly true of Nolato Cerbo (which produces pharmaceutical packaging) and Nolato Hertila (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 cutting-edge skills between the units within the group, we can create added value both for our customers and for ourselves.

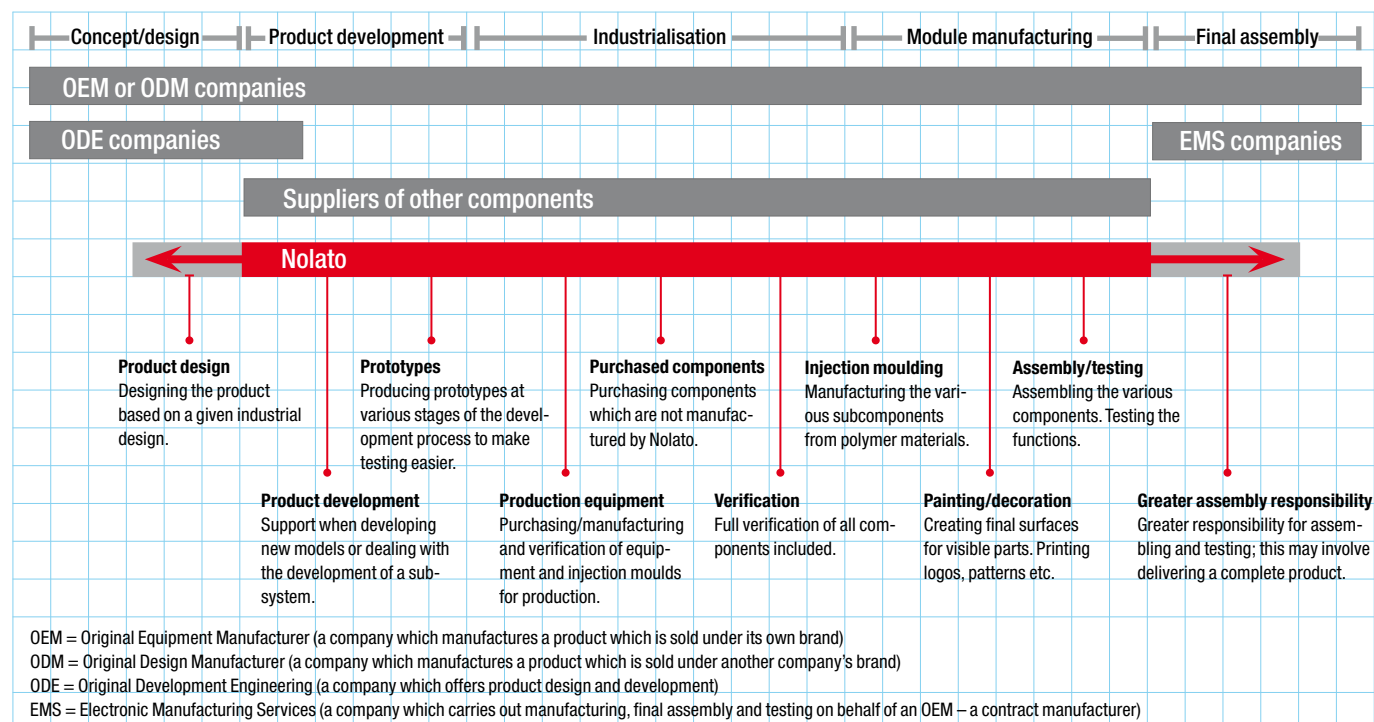
Our main business strategy involves developing cooperation with our customers by focusing on each customer's individual circumstances and needs. We constantly strengthen and broaden our offering through investing proactively in the cutting-edge technology which our customers require and gaining a better insight into the needs of our customers' customers. By contributing with our in-depth expertise in materials and processes at an early stage of their development work, we create the right circumstances for an optimal process, thus boosting our customers' profitability.

## Technology and commitment

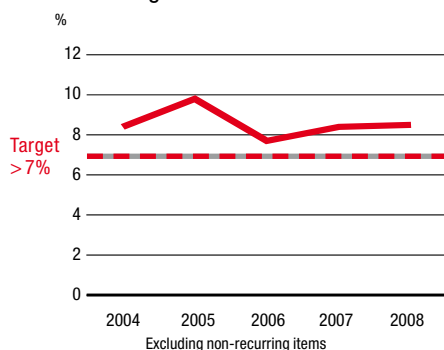
Advanced technology is a decisive factor in most of the business carried out by Nolato. We offer our customers the very latest technology and broad expertise, as well as adaptive levels of automation.

With our committed employees, continuous improvements, the elimination of *muda*

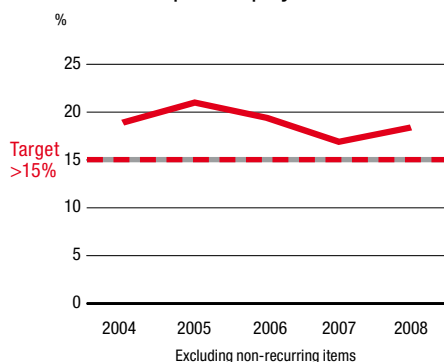
## Nolato's position within the value chain as a whole.



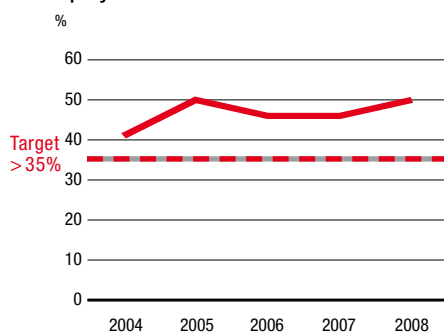
## ■ EBITA margin



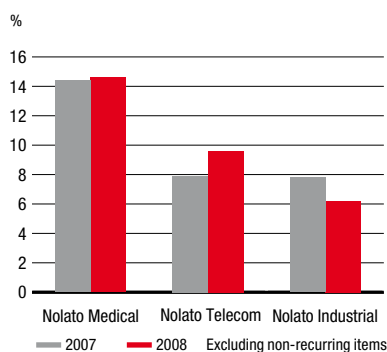
## ■ Return on capital employed



## ■ Equity/assets ratio



## ■ EBITA margin by business area



(taking away everything which does not add any value to the process) and a focus on *poka yoke* (a system which reduces the risk of making errors), we are able to create effective, profitable production environments which are highly competitive.

## Decentralised organisation

The Parent Company of the Group is Nolato AB (publ), corporate identity number 556080-4592, with its registered office in Torekov, Sweden.

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

During 2008, there were operational subsidiaries in Sweden, China, Malaysia and Hungary, and sales companies in France, Norway and Poland. The Malaysian operations were wound down in December 2008.

The organisation features far-reaching decentralisation, creating a sound basis for committed and motivated employees whilst enabling us to make operational decisions in close contact with our customers.

## Three customer-focused 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.

Sharing a common denominator of broad expertise within polymer technology, each business area is able to focus on its customer segment. With thorough knowledge of its customers' situation and needs, each business area is able to provide exactly the kind of cutting-edge expertise, working methods and applications skills which its customers require.

## The Group's financial targets

Since 2004, Nolato's stated financial targets have remained unchanged. For 2009, the Board has decided that these same targets should apply once again:

- EBITA margin above 7 percent
- Return on capital employed above 15 percent
- Equity/assets ratio above 35 percent

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

All financial targets were met in 2008. The EBITA margin was 8.5 percent, the return on

capital employed was 18.4 percent and the year-end equity/assets ratio was 50 percent.

Nolato has thereby met its financial targets for each of the last five years.

In 2008, two of Nolato's three business areas – Nolato Medical and Nolato Telecom – recorded EBITA margins which exceeded the Group's target, while Nolato Industrial's margin was just below target.

## The Group's growth targets

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

During 2008, Nolato Medical and Nolato Telecom showed healthy levels of growth, although Nolato Industrial has suffered as a result of the market downturn.

Nolato Medical's sales rose by 20 percent for remaining operations compared with 2007. According to estimates, growth in those market segments in which Nolato Medical operates is 5-10 percent, which means that the business area has clearly grown at a faster rate than the market.

Nolato Telecom's sales were up 35 percent compared with 2007. According to Gartner, the overall mobile phones market rose by 6 percent, meaning that Nolato Telecom has shown considerably better growth than the market.

Nolato Industrial's sales were down 5 percent compared with 2007. According to Statistics Sweden, Swedish rubber and plastics production fell by 6.1 percent in 2008, suggesting that Nolato Industrial's performance was also better than that within the market as a whole.

## Growth strategy

Our growth strategy is based on creating organic growth within all business areas and by 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' need for production in new geographic markets, and it is our intention that Nolato Industrial should grow primarily in its current Nordic and Central European markets.





## *The fuel cell which charges a mobile using power “out of thin air”*

*Just imagine if you could use your mobile phone for weeks on end without having to plug it in to recharge it. Or if it had enough power to stream high definition TV continuously or run other power-hungry applications.*

*Fortunately, a solution is at hand which literally obtains power from the air. A small Swedish-developed fuel cell generates power from the reaction between hydrogen gas and oxygen. This power can then be used to operate mobile phones with advanced technological functions which do not need to be plugged in to recharge.*

*The pocket-sized myFC fuel cell already*

*exists. It is based on a proton-conducting polymer membrane which uses hydrogen gas ( $H_2$ ) and oxygen gas ( $O$ ) to generate power. The process is completely clean, with the only waste product being normal water ( $H_2O$ ). This means that the fuel cell produces energy without having any noticeable effect on the environment.*

*The fuel cell can be filled with hydrogen gas in a number of different ways. One way is to fill a tank, much like gas in a cigarette lighter, while the oxygen is obtained directly from the air.*

*The membrane where the entire process actually takes place is just a couple of  $\mu m$*

*thick and a few  $cm^2$  in size, meaning that the fuel cell can be extremely compact. The first commercially operational version is only the size of a mobile phone and is connected via a cable. It is thought that it will be possible to make fuel cells in the future which are so small that they can be built into a mobile phone.*

*Nolato Telecom is a strategic partner of myFC, and helped to develop the manufacturing process for the membrane. The process needs to be extremely precise and quality-focused, due to both the complex chemical processes and the cost of the materials used.*



# Nolato Medical:

## Continued strong growth and good profitability

### Strategic launch in China

#### ■ Nolato Medical in brief

##### Operations:

Develops and manufactures advanced polymer products and product systems for medical technology and pharmaceuticals customers. The business area supplies medical devices, pharmaceutical packaging and niche products for applications such as heart surgery.

##### Market:

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 boasts a strong position in the Nordic region and a growing position in Europe.

##### Customers include:

AstraZeneca, Boston Scientific, Coloplast, Gambro, Novo Nordisk, Nycomed, Phadia and Radi Medical Systems

##### Competitors include:

Gerresheimer, Medisize and Nypor

##### Geographic information:

Production and development in Sweden, Hungary and China. Sales offices in France, Norway, Poland and the Czech Republic.

##### Units with operations within this business area:

Nolato Beijing, China. MD Jörgen Karlsson  
Nolato Cerbo, Trollhättan, Sweden. MD Glenn Svedberg  
Nolato Hungary, Mosonmagyaróvár, Hungary.  
MD Johan Arvidsson  
Nolato Medevo, Torekov, Lomma and Kristianstad, Sweden. MD Magnus Emeus  
Nolato Medical Rubber, Hörby, Sweden.  
MD Magnus Emeus

##### The future:

Globalisation and continued growth, taking over customer production (outsourcing), setting up production close to customers' operations in new geographic regions, and acquisitions in Europe and North America.

**Sales:** SEK 632 M (526)

**Operating income (EBITA):** SEK 92 M (76\*)

**EBITA margin:** 14.6% (14.4\*)

**Operating income (EBIT):** SEK 87 M (64)

**Employees (year average):** 415 (417)

\* Excluding non-recurring items

Nolato Medical offers medical technology and pharmaceuticals customers tailor-made, flexible and effective development and production of products and product systems in plastic, silicone rubber, latex and TPE. With good levels of profitability and several years of strong growth, the business area accounted for 22 percent (22) of the Group's sales in 2008 and 34 percent (34) of the Group's earnings.

Its operations are aimed at customers working within medical technology and pharmaceuticals. In-depth knowledge of the specific situation and requirements which determine its customers' needs – such as risk analyses, quality assurance, sound expertise and an understanding of complex processes – enables Nolato Medical to work closely with its customers.

Its broad customer offering includes development, design, injection moulding, extrusion and latex 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 in terms of particle contamination and temperature.

The business area offers products and product systems within three operational areas:

- Medical devices
- Pharmaceutical packaging
- Dipped products

#### Medical devices

Medical devices includes the development and production of polymer products and systems for applications such as treating diabetes and asthma, as well as analysis/diagnostics and home healthcare. Customers within this field include Novo Nordisk, Astra Tech, AstraZeneca and Phadia.

The products are often made up of complex systems, whereby Nolato Medical provides its customers with complete, assembled units.

This field features stable customer relation-



Peng Li, Nolato Medical, China



**Business Area President:**  
Christer Wahlquist

ships, long product lifecycles and extremely high quality requirements, with production taking place in Sweden, Hungary and China.

Nolato Medical is the Nordic market leader within this area, and has strengthened its position in the rest of Europe in recent years. Significant delivery volumes are also made to the USA within the niche area of injection-moulded silicone rubber.

### Pharmaceutical packaging

This area deals with the development and production of plastic pharmaceutical packaging, with customers including AstraZeneca, Nycomed and Kemwell. Nolato is the Scandinavian market leader, and also sells packaging to the rest of Europe.

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

Its customers are both pharmaceutical companies and manufacturers of various dietary supplements. They have strict requirements in terms of the technical properties of the packaging, such as airtightness, anti-tampering protection and light transmission. 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.

This field features increased polarisation between simple standard products and more advanced packaging. The products are relatively bulky, which bring geographic restrictions in terms of the ability to transport packaging in a competitive manner.

### Dipped products

Dipped products includes the development and production of thin-walled, flexible products made from synthetic and natural latex. These products include breathing bags, cardiopulmonary machine bellows and catheter balloons.

Catheter balloons, which are used in heart surgery, is an area in which Nolato Medical is a world-leading supplier, enjoying a particularly strong position in markets such as North America.

### Development, production and sales

Nolato Medical has modern development, production and sales units in Sweden, China and Hungary. Production is carried out in hygiene rooms and clean rooms, with strictly controlled conditions. The business area also has its own sales offices in France, Norway,



## Effective medical device in attractive packaging

*Male incontinence can be caused by both illness and stress. But whatever the cause, this can be a highly inconvenient and unpleasant condition.*

*And in the past, devices to prevent uncontrolled urine leakage could be hard to put on, both for the sufferer and for healthcare workers and carers. The packaging for previous devices – often a bulky plastic bag – was also unpopular with users.*

*When Coloplast set about developing a new generation of urinary sheaths together with Nolato Medical, the big challenge was creating a product which did not have these drawbacks.*

*The product should be secure, comfortable to use, and not signify illness. The solution turned out to be a whole new design, in a new material, packaged in an attractive, functional plastic box.*

*The new sheath is injection-moulded in*

*liquid silicone, a material which minimises the risk of allergic reactions, whilst also being soft and pliable.*

*The urinary sheath is now easy to put on, for both users and carers. There is very little risk of it slipping off or the tube to the urine collection bag coming loose.*

*The elasticity of the silicone also means that it feels comfortable and sits in place well. The silicone also allows the skin to breathe, improving comfort even further.*

*Unlike the old, bulky plastic bags, the new urinary sheath comes in an attractive pill box-like packaging which fits easily into the pocket and is less suggestive of illness.*

*The product has been very well received by customers, and has even won a number of design awards.*



Ronny Magnusson,  
Nolato Medical Rubber, Hörby, Sweden

Poland and the Czech Republic, as well as sales agents in a number of other markets.

### Acquisitions

Nolato Medical's growth strategy includes the acquisition of established companies in Europe and North America.

In autumn 2006, Medical Rubber in Hörby, Sweden – a leading manufacturer of injection-moulded and advanced silicone components for medical technology customers – was acquired.

This was followed in spring 2007 by the acquisition of Cerbo in Trollhättan, Sweden, a leading manufacturer of pharmaceutical packaging.

Both of these companies have shown excellent growth as part of Nolato, and have boosted the business area's product offering, in terms of both technology and markets.

### Market trends

Nolato Medical's market features sound levels of growth, thanks to changes in the population pyramid and lifestyle. At the same time, there are growing demands within the field of healthcare to reduce costs, leading to an ever greater proportion of home care, with hospitals becoming diagnosis and emer-

gency centres while the care itself takes place at home. This places increasing demands on medical devices in terms of both functionality and design.

Pharmaceutical and medical technology companies therefore need to cut their costs and increase their resources for developing new, customer-adapted products. This in turn leads to high demands for improving efficiency, for example by reducing the number of suppliers or outsourcing production to sub-contractors.

The reduction in the number of suppliers also means greater demands are placed on those suppliers who are willing and able to following customers in their global expansion. Selected suppliers thus come to play a greater role in development and design work, and in customers' production.

This is a positive development for Nolato Medical, which has a stated strategy of global growth together with both existing and new customers, of taking over customers' outsourced production, and of playing an active role in consolidating the market.

### Operations in 2008

The business area continued to show excellent growth during 2008. Growth was 20



Rusmir Dervisic, Nolato Cerbo, Trollhättan, Sweden



percent compared with the previous year, of which 15 percent was organic, meaning that Nolato Medical has tripled its sales in just a few years.

A milestone in the business area's growth was reached in the autumn, when Nolato Medical started production in China. Thanks to close cooperation with Nolato's existing production unit in Beijing, it was possible to start production barely three months after the decision was made to enter this market. The output of the new unit includes products which are delivered to the Danish company Coloplast's Chinese factory.

Establishing a presence is the first step towards increasing production in China, and it is hoped that this will also lead to production for other customers.

The outsourcing project in Hungary announced in the 2007 nine-month interim report made only small-scale deliveries during the first six months of 2008. Delivery volumes from Nolato Medical's Hungarian unit rose during the second half of the year, reaching full speed at the end of the fourth quarter. Annual sales for the project have been estimated at SEK 20 – 25 M at full speed.

In accordance with customer wishes, the business area's product development, project management and automation resources have been strengthened significantly over the course of the year.

All the business area's units have shown good growth in line with expectations. The integration of the two companies acquired in 2006 and 2007 and capacity increases in Hungary have both run according to plan.

Nolato Medical has thus boosted its market presence, and is becoming an increasingly important European player.

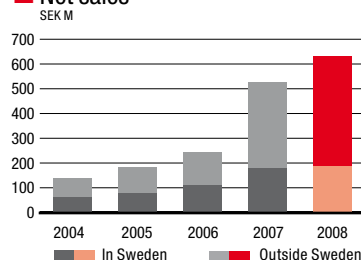
### Future strategy

The business area's strategic plan involves Nolato Medical continuing to develop as a global supplier to customers within pharmaceuticals and medical technology, with operations in Europe, Asia and America. The process of systematically building up resources and skills is continuing, with the goal of attracting selected customers through a high degree of expertise, a broad product offering and close cooperation within development and production.

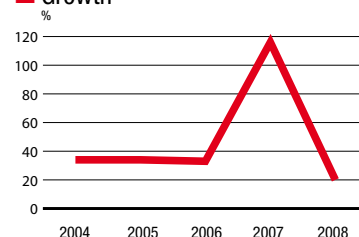
Growth will occur organically, through customers outsourcing their own production, and through acquisitions in both Europe and America.

## Nolato Medical: five-year review

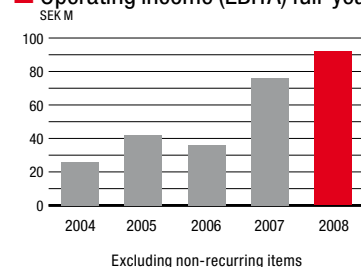
### Net sales



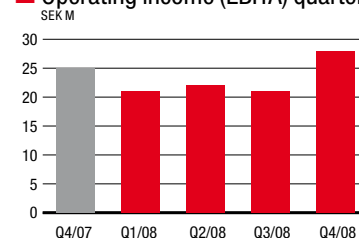
### Growth



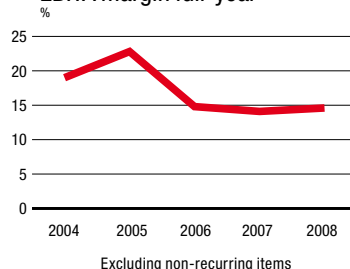
### Operating income (EBITA) full-year



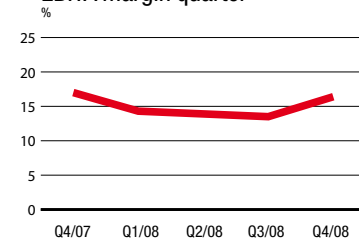
### Operating income (EBITA) quarter



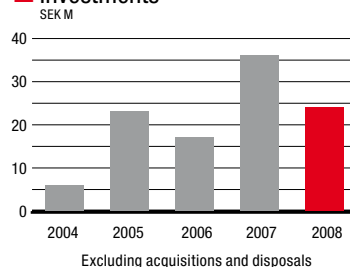
### EBITA margin full-year



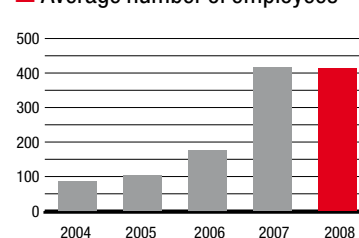
### EBITA margin quarter



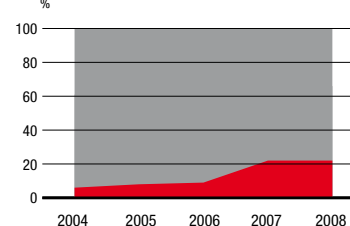
### Investments



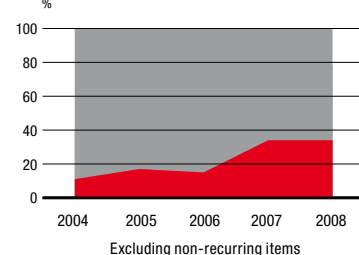
### Average number of employees



### Share of Group's net sales



### Share of Group's operating income (EBITA)



# Nolato Telecom: Intensive year with high volumes and a sharp rise in sales

## ■ Nolato Telecom in brief

### Operations:

A global developer and manufacturer of systems products for mobile phones and telecom base station customers.

### Market:

The market consists of a few large, global telecommunications companies with high technological demands, extremely short development times, quick production start-ups and short product life-cycles. Nolato Telecom enjoys a strong global position with selected customers, primarily within mobile phones.

### 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 and Sweden.

### Units with operations within this business area:

Nolato Alpha, Kristianstad, Sweden.

MD Håkan Hillqvist

Nolato Beijing, China. MD Jörgen Karlsson

Nolato Lovepac Converting, Beijing and Shenzhen,

China. MD Dan Wong

Nolato Silikonteknik, Hallsberg, Sweden and

Shanghai, China. MD Anders Ericsson

### The future:

Organic growth with existing and new customers, as well as offering a broader range of technologies.

**Sales:** SEK 1,243 M (920)

**Operating income (EBITA):** SEK 119 M (73)

**EBITA margin:** 9.6% (7.9)

**Operating income (EBIT):** SEK 119 M (73)

**Employees (year average):** 3,549 (2,735)

Nolato Telecom is one of the world's leading developers and manufacturers of system products for customers within the mobile phone sector.

This is Nolato's largest business area, accounting for 44 percent (37) of the Group's sales and 44 percent (32) of the Group's earnings during 2008.

With in-depth knowledge of the specific situation which applies to the telecommunications sector, Nolato Telecom works closely alongside its customers, offering them both expert development support and cost-effective, high-quality production.

The business area operates within four fields:

- Mechanical modules
- Converting
- Networks
- Shielding

### Mechanical modules

These operations are aimed at customers within mobile phones and other similar hand-held electronic products.

The products are complete "mechanical modules" for mobile phones, which could be described in simple terms as the part of the phone which the user sees. Electronics, a battery, antennas and software are then added to the mechanical module during the manufacturer's final assembly to create a working mobile phone.

This operational area features high demands in terms of quality, rapid product development, extremely fast ramp-ups (production start-ups), flexible management of varying production volumes and a short life span for each individual mobile phone module.

The customer offering includes product development, manufacturing prototypes, plastic components, metal components, metallisation, painting, assembly, testing and verification.

Major customers include RIM (which develops and manufactures the BlackBerry) and Sony Ericsson.

A global project management organisation enables Nolato Telecom to work closely alongside its customers, often on-site at their



### Business Area

#### President:

Jörgen Karlsson

(as of March 1, 2009)

Jonas Persson

(until February 28, 2009)



Nolato Beijing, China

development centres around the world. Production takes place in China.

### Converting

Converting involves the production of self-adhesive, laminated components for sealing and shock absorbing, delivered on reels and ready for the customer to use in final assembly. These products can be found in mobile phones produced by manufacturers such as Nokia and Sony Ericsson, and in the new iPhone. The company's customers also include contract manufacturers such as BYD, Foxconn and Jabil.

The development work is carried out in close cooperation with customers around the world, and production takes place in China.

### Shielding

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

In recent years, operations have shifted from producing the end shielding product to dealing exclusively with technology, processes and materials, developing and manufacturing shielding materials and applications methods. The technology is then licensed to local companies which buy the materials from Nolato and sell their applications to end-customers within the mobile phone and electronics industries.

The development work takes place in Sweden, while production takes place in Sweden and China. Sales are focused largely on the Asian market.

### Networks

Development and production are concentrated in Sweden, producing components primarily for 3G network base stations. Customers include Ericsson and Nokia Siemens.

### Development, production and sales

Nolato Telecom's operations are focused on China, with modern, wholly-owned production units where mechanical modules are developed and manufactured and converting is carried out. The business area also has development and production units in Sweden for shielding and networks.

Sales, project management and technology development resources are shared globally, and are used in close cooperation with customers' development units around the world.

Since certain Nolato Telecom customers questioned the use of Malaysia as a produc-



## Two IMD foils and a clean-room to create glossy phone

*When Sony Ericsson designs a top-of-the-range Walkman phone for the ultimate music experience, functionality isn't the only important factor – the phone's appearance should also be in a class of its own. Take for example the W980, where a special injection-moulding technique has been used to create a glossy, black feeling of depth.*

*The phone is encased in a gorgeous, piano gloss black shell, which has been designed to shine with a real sense of depth.*

*To achieve this deep glossiness, a technique known as IMD (In Mould Decoration) is used. This involves printing logos and other design elements on a plastic foil, which is then inserted into the mould and incorporated into the plastic component.*

*A single foil is normally used on top of the plastic to produce the desired cosmetic appearance and to give better scratch-resistance. However, in this particular case*

*two different foils are used together with a transparent plastic, which is injection-moulded between the two foils during the manufacturing process.*

*The top foil is glossy and transparent, while the base foil has been vacuum metalised to give it a glossy, dark smoked effect. Positioning this beneath the transparent layer of plastic is what creates the impression of depth, making the surface appear less flat and giving it a life of its own.*

*This technique might be easy to explain, but the process itself is actually extremely advanced and difficult to carry out in practice. For example, it is incredibly important to ensure that the process is absolutely clean. The tiniest speck of dust would show up, which is why the phone's shell is manufactured in a clean room with extremely strict environmental requirements in terms of being free from particles.*





Nolato Beijing, China

tion country, the Nolato's Board decided in July to focus on mobile phone module production in China. The production unit in Kuala Lumpur, Malaysia, was therefore closed during the fourth quarter.

### Market trends

Nolato Telecom's main market, the mobile phone sector, features constant product development and short product life-cycles. The market window for a mechanical module is between 12 and 24 months.

Mobile phones are continuing to become ever more advanced, with increased technological content in the form of cameras, music players, GPS functionality, etc.

Mobile phones are also evolving in terms of design, since many users want phones which are not only fashionable but which also reflect their own lifestyle.

The manufacturers are therefore starting to use a platform model, whereby phones use a common electronic module, but differ when it comes to the design of the mechanical module.

Metal is playing an ever greater role in the production of mobile phones, in the form of both cosmetic metal (i.e. metal which primarily fulfils a design function) and plastic which has been metallised to give the appearance of metal. The use of metal in the actual construction of mobile phones is also increasing.

According to Gartner, the global mobile phone market rose by 6 percent in 2008 to 1.22 billion units sold. Nokia has the biggest market share with almost 40 percent, followed by Samsung, LG, Sony Ericsson and Motorola with a combined global market share of just over 40 percent. In 2008, RIM (BlackBerry) and Apple (iPhone), both of which are big names within the smartphone segment, joined the ranks of the top ten mobile phone manufacturers.

A drop in mobile phone sales is expected in 2009 as a result of the serious economic downturn.

### Operations in 2008

2008 was a year of intense activity for Nolato Telecom, with a number of significant new projects in development and production. Volumes and production levels remained high throughout the year.

A large proportion of the deliveries for new mobile phone projects had a beneficial effect on the margin, and capacity utilisation has

been high. Relationships with the business area's biggest customers have been strengthened over the course of the year. Production for the new customer RIM (which develops and manufactures the BlackBerry) has run according to plan, with strong growth in volumes over the course of the year.

As previously mentioned, the proportion of cosmetic metal and the use of metallised plastic in mobile phones have both increased. In order to offer a broader range of technologies and meet customers' demands for metal components, the decision was made to invest in Nolato's own small-scale metal production in Beijing. Nolato's own resources for vacuum metalising plastic were also increased.

The positions at the start of the value chain have also shifted forward through continuously strengthening resources and skills. Engineers from Nolato Telecom now play an active part in customers' work right from the pre-concept stage, in order to optimise materials design and production processes at an early stage, and to identify and eliminate avoidable costs.

### New head of business area

As previously announced, Jörgen Karlsson has been appointed as the new head of Nolato Telecom with effect from March 1, 2009. He replaces Jonas Persson, who has chosen to leave Nolato of his own accord in order to take up a position outside the Group.

### Outlook for Nolato Telecom

Nolato Telecom has a strong product portfolio. As announced in the nine-month interim report, one of the business area's main customers has made significant changes to its future product range, leading to Nolato Telecom having to revise its production start-up times for these products.

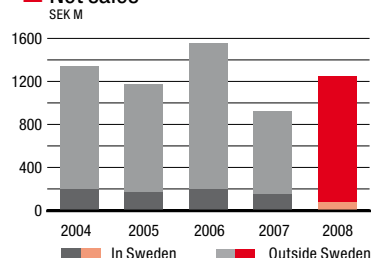
As a result, it is now thought that the business area will record markedly lower sales for the first six months of 2009 compared with the corresponding period for 2008, resulting in an operating income of around zero for the first six months of 2009.

### Future strategy

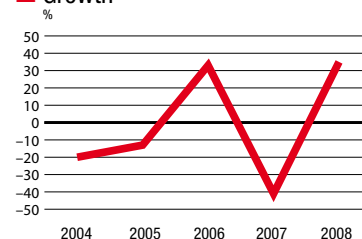
Nolato Telecom's strategy involves continuing to strengthen and broaden its range of technologies and to increase its market presence, in order to both deepen and broaden its cooperation with existing customers and attract new customers.

## Nolato Telecom: five-year review

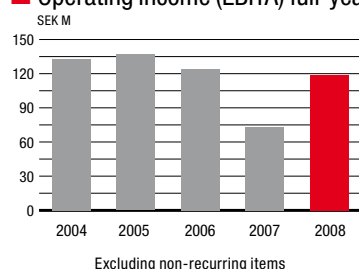
### Net sales



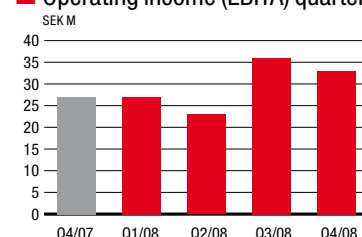
### Growth



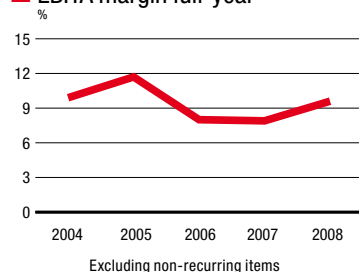
### Operating income (EBITA) full-year



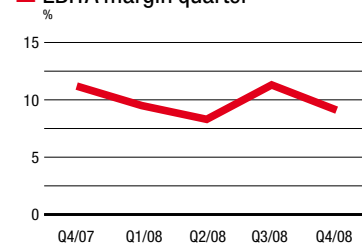
### Operating income (EBITA) quarter



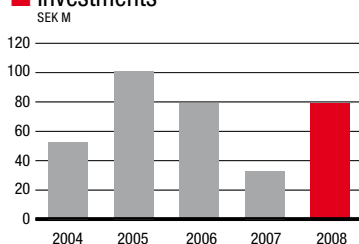
### EBITA margin full-year



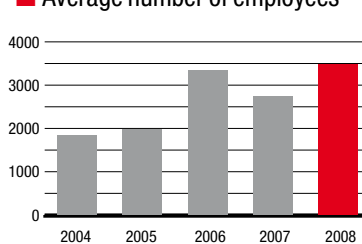
### EBITA margin quarter



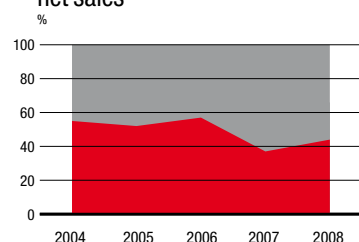
### Investments



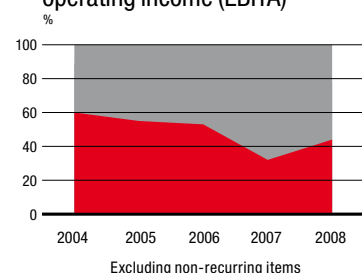
### Average number of employees



### Share of Group's net sales



### Share of Group's operating income (EBITA)



## Nolato Industrial: Gradual drop in volumes, but major new projects received

### ■ Nolato Industrial in brief

#### Operations:

A leading developer and manufacturer of polymer products and product systems for customers working within fields such as the automotive industry, white goods, gardening/forestry and furniture.

#### 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, Lindab, 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 within this business area:

Nolato Gota, Götene, Sweden. MD Anders Wallgren  
Nolato Hertila, Åstorp, Sweden. MD Anders Willman  
Nolato Hungary, Mosonmagyaróvár, Hungary.

MD Johan Arvidsson

Nolato Lövepac, Skånes Fagerhult, Sweden.

MD Peter Åkerblom

Nolato Plastteknik, Gothenburg, Sweden.

MD Magnus Hettne

Nolato Polymer, Torekov and Ängelholm, Sweden.

MD Anders Willman

Nolato Sunne, Sunne, Sweden. MD Jan Wikström

#### The future:

Strong, individual units which can benefit from each other's expertise, thus increasing their market shares in the Nordic region and parts of Central Europe.

**Sales:** SEK 950 M (1,000)

**Operating income (EBITA):** SEK 59 M (78)

**EBITA margin:** 6.2% (7.8)

**Operating income (EBIT):** SEK 56 M (76)

**Employees (year average):** 562 (605)

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

The business area consists of seven companies, six of which are in Sweden and one in Hungary, and accounted for 34 percent (41) of Group sales in 2008 and 22 percent (34) of Group earnings.

Nolato Industrial offers its customers products made from both hard and soft polymers (plastic, rubber and TPE), and from combinations of these and other materials, such as various metals.

The business area's operations are aimed mainly at larger industrial companies which attach great importance to development expertise, accurate deliveries, production capacity, quality and turnkey solutions.

Its business concept is based on strong, individual entrepreneurial companies which



Vesna Simic, Nolato Plastteknik, Gothenburg, Sweden



**Business Area  
President:**  
Hans Porat



create business opportunities both individually and in cooperation with other companies within the Group.

Where customer segments are common to the entire business area, operations are coordinated in order to ensure the best possible product offering.

A high degree of automation and production efficiency means that Nolato Industrial's competitiveness is constantly improving. The companies all feature a functional organisation, with every operator 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 objective, and a decentralised approach.

Operations can be divided into two main groups: one which deals with the automotive industry, white goods, gardening/forestry and furniture, and one which deals with packaging and other industries.

### The automotive industry, white goods, gardening/forestry and furniture

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

Nolato Automotive comprises those Nolato companies which supply the automotive industry. Examples of Nolato Automotive products include oil trap and filter holders for the engine compartment, side valances for interiors and fuel system tubes. Nolato Automotive also supplies most kinds of gaskets for engines. Its customers include both the Swedish and European automotive industries.

### Packaging and other industries

This operational area mainly supplies customers which are located geographically close to the Nolato company in question and where only one Nolato company is used as a supplier.

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. Within this area, customer relationships tend to be longer-term, featuring joint technological development and production.



## The membrane for a cleaner environment on the road

*A small membrane from Nolato helps prevent hundreds of thousands of cubic metres of oil from being discharged into the air by HGV engines.*

*The piston rings in a diesel engine are never completely sealed, which means that exhaust fumes leak into the crankcase. Previously, these oily and sooty fumes were simply discharged into the air through a hose from the engine, but this environmentally-unsound practice is now being banned around the world.*

*Swedish company Alfdex – a joint venture between Alfa Laval and Haldex – has therefore devised a separator for cleaning crankcase gases. It uses centrifugal technology to remove both soot particles and oil residues from diesel engine crankcase gases.*

*The separator comes as close to one hundred percent cleaning as possible, with the air emitted after cleaning containing less than 0.1 grams of oil per hour of operation.*

*The cleaning process is based on thin discs which rotate at 7,000-8,000 rpm, extracting the polluting particles. One vital element in this process is a membrane*

*which sits in the cleaned-air exhaust channel and ensures that significant underpressure does not occur in the crankcase. And this membrane is manufactured by Nolato in the western-Swedish town of Sunne.*

*The solution which Alfdex had chosen before Nolato's involvement turned out not to be up to scratch. This previous separator risked losing its functionality after a while, so Alfdex asked Nolato to come up with a solution.*

*A number of different combinations of materials and designs were tested in Nolato's materials laboratory in Sunne. This resulted in a membrane which combined soft, flexible rubber with an integral supporting core consisting of a thin, non-corrosive plate. The most difficult part was getting the special rubber to adhere to the plate, but in the end this was achieved and today Nolato supplies Alfdex with all its membranes.*

*A long-term test of the material proved that the solution really worked – it passed the lifespan requirements with flying colours and without dropping below the performance requirements.*



Nolato Gota, Götene, Sweden



Jimmie Larsson, Nolato Polymer, Ängelholm, Sweden



Runo Pedersen, Nolato Alpha, Kristianstad, Sweden



### Development, production and sales

Nolato Industrial features modern, effective development and production units in Gothenburg (Nolato Plastteknik), Götene (Nolato Gota), Skånes Fagerhult (Nolato Lövepac), Sunne (Nolato Sunne), Torekov (Nolato Polymer), Åstorp (Nolato Hertila), Ängelholm (Nolato Polymer) and Mosonmagyaróvár, Hungary (Nolato Hungary). Each company is responsible for marketing and sales, sometimes in close cooperation with other companies within the Group.

### Market trends

Nolato Industrial's operations 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. This is particularly true of those areas with customers within the automotive industry.

### Operations in 2008

As a result of the market downturn affecting Northern Europe, Nolato Industrial has experienced weaker demand from the automotive industry since the end of the first quarter of 2008. During the second half of the year, demand continued to decline even further, with low volumes to both the automotive industry and other industrial segments.

As a result of the anticipated long-term effects of this deep financial crisis and the consequently lower production volumes, a number of the companies within the business area have been forced to give notice to some employees. All told, the number of employees was reduced by more than 150 during the second half of the year, corresponding to around a quarter of the business area's employees.

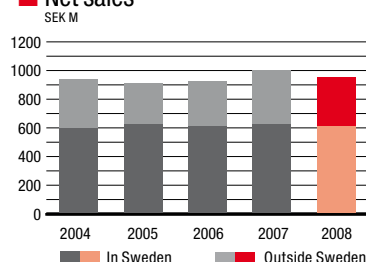
A number of orders were received during the year for major projects for future deliveries, including within the automotive and hygiene segments.

### Future strategy

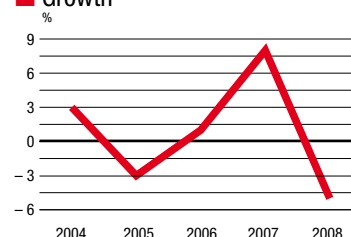
Nolato Industrial's strategy includes winning domestic market shares and market shares within existing customer segments through an even sharper focus on technology development and efficient production. Selective acquisitions may be of potential interest if these bring new technology or new customer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

## Nolato Industrial: five-year review

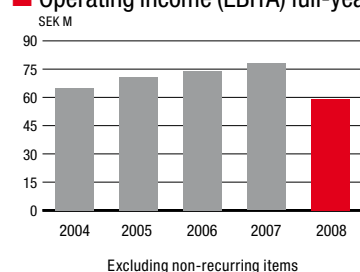
### Net sales



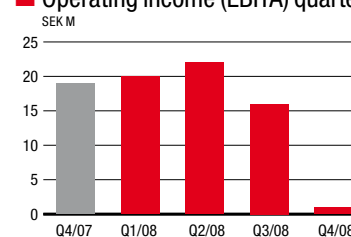
### Growth



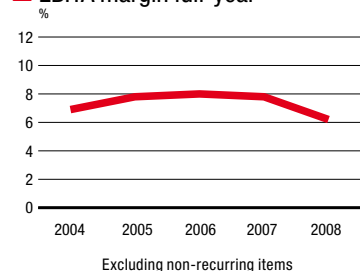
### Operating income (EBITA) full-year



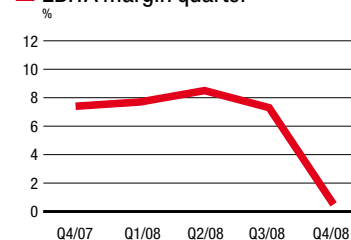
### Operating income (EBITA) quarter



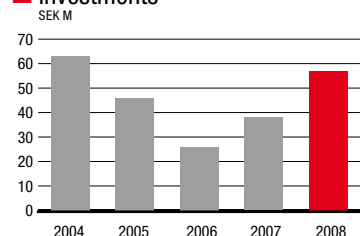
### EBITA margin full-year



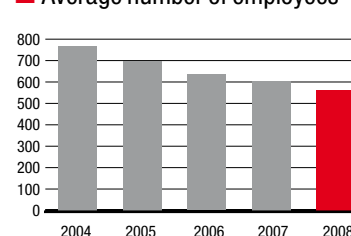
### EBITA margin quarter



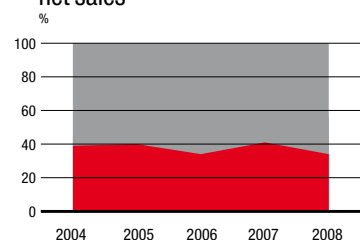
### Investments



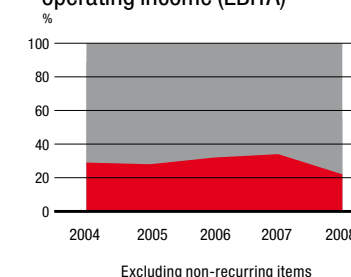
### Average number of employees



### Share of Group's net sales



### Share of Group's operating income (EBITA)





# Directors' report

## Our 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 Nolato 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.

During 2008, these value and policy documents were revised in order to reflect today's circumstances in terms of professionalism, organisation and responsibility.

The revised value and policy documents were approved by the Board in December 2008.

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

#### Basic Principles

Nolato's Basic Principles make up the common values platform for all Group operations, and are thus the guiding force for all employees, wherever they are in the world or within the Group.

#### Code of Conduct

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

#### Environmental Policy

The Environmental Policy formalises the guidelines for sustainable development in the Code of Conduct.

#### Quality Policy

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

#### Information Policy

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

→ All our value and policy documents can be found in full at [www.nolato.se](http://www.nolato.se).



## Our sustainability work

One of Nolato's Basic Principles is "We are responsible". This means that we at Nolato will contribute towards sustainable development through environmental awareness and by applying ethical and compassionate principles. These beliefs have guided Nolato ever since it was founded more than 70 years ago, and continue to play a key role in the everyday work of the Group.

Since 2002, Nolato has detailed the progress of a number of environmental parameters in its annual reports.

The amount of information collated in connection with annual reporting has increased considerably, and the GRI (Global Reporting Initiative) has provided guidance here. Reporting on sustainable development relates to 2008, and cannot be compared directly with previous years. Where relevant and practicable, however, we have described trends and tendencies.

### Decentralised organisation

Nolato's environmental work is decentralised, and each individual unit is responsible for its own operations, taking Nolato's Environmental Policy as the guiding document. It

has long been an underlying requirement that the environmental management system ISO 14001 should be introduced in all manufacturing units.

Sustainable development work is monitored through internal and external audits of ISO 14001, through the internal annual report on sustainability data, and by maintaining a dialogue between managers and employees at various levels within Nolato.

### Environmental management system

By the end of 2008, all Nolato's production units except the one in Hörby were certified in accordance with the requirements of environmental management standard ISO 14001. During 2008, 48 internal environmental audits and 16 audits by external certification bodies were carried out.

The environmental management system is currently being introduced at Nolato Medical Rubber in Hörby, and certification is planned during 2009. At the Beijing unit in China, work is also underway to introduce the occupational health and safety management standard OHSAS 18001.

All Nolato units are certified in accordance

with the requirements of the quality system ISO 9001. A number of units are also certified in accordance with ISO standards for the automotive industry (ISO 16949) or medical technology (ISO 13485). Nolato Cerbo was certified at the end of the year in accordance with the requirements of the new pharmaceutical packaging standard, ISO 15378, making it one of the first companies in the world to achieve this certification.

A number of other units, including Nolato Hungary, have integrated the various management systems in order to cover a broader operational area.

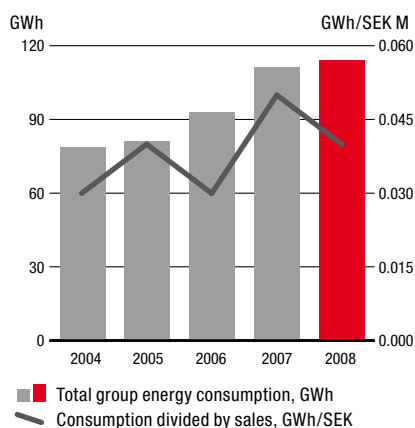
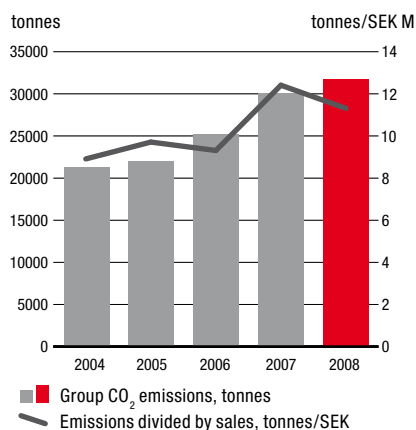
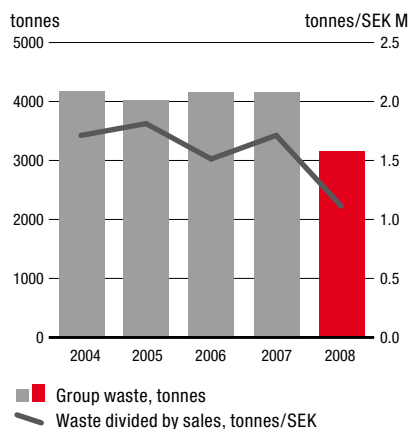
### Sustainability work

During 2008, Nolato carried out production operations at 15 sites in four different countries.

Operations in Kuala Lumpur, Malaysia, were wound down during the year, and operations at Lönsboda were transferred to the existing unit in Kristianstad.

Quantitative and qualitative information has been gathered from all manufacturing units.

Operations consist primarily of manufac-

**Energy consumption****CO<sub>2</sub> emissions****Waste**

turing products and product systems in various forms of polymer materials. Common manufacturing methods include injection moulding, compression moulding and assembly. Painting is also carried out at some units.

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

The main direct environmental aspects are energy consumption, the use of raw materials based on fossil resources (such as plastics and certain types of synthetic rubber), the use of chemicals, the emission of pollutants and greenhouse gasses into the atmosphere, and waste. Significant indirect environmental aspects include supplier activities, the transportation of raw materials and finished products, and the way in which our products are used. 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 preventative manner.

Within the frameworks of each environmental management system, each unit sets long-term and short-term environmental targets which are monitored at management level.

**Risks and opportunities**

Nolato carries out a considerable amount of its operations in countries where aspects

such as environmental risks, infringements of human rights and corruption need to be taken into account. Environmental and working environment risks also arise within Nolato's own operations. From a Group perspective, risks which affect the requirements of environmental legislation (such as the new chemical legislation REACH), energy consumption and energy costs, climate change, historical environmental damage (such as soil contamination), customer and consumer requirements and supplier conditions are of particular interest.

For a more detailed account of how the Group deals with aspects and risks affecting the environment, the working environment and social responsibility, please see the general risk section of this Annual Report on pages 32-33.

Society's increased interest in sustainable development also provides business opportunities for Nolato. Some of these have resulted in actual projects (details of some of which can be found in this Annual Report), while others are of potential interest to those dealing with the Group's business development.

**Environmental legislation**

Nolato follows applicable environmental laws and regulations in those countries where the Group operates. In addition, stricter requirements are applied where this is justified from an environmental point of view, and where these measures are deemed to be technically possible and economically reasonable. Our Environmental Policy, our Code of Conduct and the environmental



Markus Månsson and Felix Wang, Nolato Medical, China



requirements of our customers and other interested parties act as motivating forces, encouraging us to reach a higher level.

Nolato carries out operations with permit requirements in accordance with Swedish environmental legislation at its units in Gothenburg, Götene, Hallsberg, Hörby, Kristianstad, Lomma, Sunne, Torekov, Trollhättan, Åstorp and Ängelholm. All those operations have the environmental permits required. The environmental situation is reported in the form of annual environmental reports and other reports submitted to the supervisory authorities. No new permits were applied for during 2008. As a result of the county administrative boards' ambitions to update older permissions, it cannot be ruled out that some units may need to apply for permits during the next few years.

The units in China, Hungary and Malaysia must obtain permits in accordance with the environmental legislation in the country in question. Here, too, regular reports must be submitted to the environmental authorities. The Malaysian unit was closed in December 2008.

Over the course of the year, five production units were inspected by the environmental authorities. This did not result in any significant injunctions or rectifications. No breaches of environmental legislation were reported in 2008. The Hungarian plant was issued with a small fine due to atmospheric emissions being calculated incorrectly.

### Energy consumption

Around 95 percent 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 geothermic heating used for heating buildings.

Nolato's overall energy consumption was 114 GWh (111). The highest level of energy consumption was reported from the Chinese units, where significant operational expansion has led to increased energy consumption. Most other units have shown reduced or unchanged levels of energy consumption compared with the last three years.

Energy issues are important from both an environmental point of view and a financial point of view. The Group's total energy costs for 2008 were approximately SEK 70 M.

Several of the units work in a goal-focused manner when it comes to energy issues, such as a forthcoming investment in a free cooling



## *A contemporary classic – fully recyclable and smart*

*The Ellan rocking-chair is a contemporary classic. It is manufactured from a composite material which is 51 percent wood waste and 49 percent plastic. And its construction is such that it can be assembled without the use of any fittings or tools. The only material used is the wood-plastic composite.*

*IKEA markets the Ellan as a highly novel chair – stripped of all but the essentials, flat-packed and fully recyclable.*

*In fact, it was partly recycled before it was even made. The wood composite certainly posed a few challenges for Nolato, which injection moulds the chair, flat-packs it and delivers it to IKEA for sale all over the world.*

*Mixing wood with plastic is nothing unique, but this normally involves components where the look of the surface is not*

*particularly important. But this is a chair, and all the parts are visible. A good finish is required, and it needs to feel good against the hand, the back or the bottom.*

*A lot of test-runs had to be carried out before the manufacturing process was perfected, but the mass production of the Ellan now runs just as smoothly as any "normal" plastic injection-moulding process.*

*This is an unusual but smart rocking-chair. Not only are the materials highly resource-efficient, the chair is also lighter than a plastic equivalent with the same mechanical properties. That means less environmental impact and lower transportation costs.*

*The surface has a great texture. It can also be painted, so the designer can achieve the exact look required.*

system at Nolato Medevo in Lomma, which will give a significant reduction in electricity consumption. In Trollhättan and Gothenburg, hydraulic presses are being replaced with electric versions which can cut energy consumption by up to a half. Additional energy-saving projects are also being carried out at a number of units, with initiatives addressing the use of lighting, ventilation and cooling.

### Water consumption

Water is used primarily for cleaning, sanitary purposes and cooling. A number of Nolato's units have closed cooling water systems, thus reducing water consumption for processing purposes. During 2008, 94,300 cubic metres of water were used.

Water consumption has increased over the last six years. One major reason for this is the set-up and expansion of the plant in China. The costs incurred by the Group for water and cleaning wastewater totalled approximately SEK 1 M.

### Raw materials and chemical products

Important raw materials used within Nolato's production processes include plastic and rubber polymers, metal components, paints and various other constituent substances. During 2008, 15,800 tonnes of plastic raw materials and 1,540 tonnes of rubber raw materials were used.

The majority of the plastic materials were virgin raw materials, but recycled plastics can also be used in a number of applications and around 140 tonnes of recycled plastic materials were used in 2008.

More than 90 percent of the rubber materials were synthetic rubber. When manufacturing rubber compounds, only process oils with a maximum of 3 percent PAH (polycyclic aromatic hydrocarbons, which are considered as carcinogenic) are used.

Other materials of note from an environmental perspective include metals (approximately 910 tonnes) and solvents and paints (approximately 280 tonnes).

At the Chinese plant, a project has been

implemented which has resulted in paint consumption for injection painting mobile phone fascias being halved. This has also led to atmospheric emissions of VOC (volatile organic compounds) being reduced.

Within the EU, REACH chemical legislation is currently being introduced. The basic idea of this is that environmental and health risks should be identified as early on as possible, and that industry is responsible for ensuring that information is produced relating to these risks.

In December 2008, the registration of existing chemical substances for various applications was completed. As an initial step, those chemicals used in raw materials and products were registered in REACH in consultation with the suppliers.

### Greenhouse gasses

The greenhouse gas carbon dioxide is emitted through the use of fuel oil, natural gas, district heating and electricity. Overall carbon dioxide emissions for 2008 were approximately 31,800 tonnes (30,100). Of this, indirect carbon dioxide emissions through bought-in electricity accounted for more than 95 percent, and this figure is dependent on the types of energy sources used to generate the electricity.

For Nolato's part, energy consumption at the plant in China produces significant levels of greenhouse gas emissions, since the majority of electricity in China is generated through coal-burning power production.

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 units are affected by the EU Emissions Trading Directive.

### Other atmospheric emissions

Atmospheric emissions of sulphur dioxide and nitric oxides are extremely limited, and account for less than five tonnes each year in total.

Nolato uses paints and solvents, but effective purification plants mean that VOC emissions are low, accounting for a total of less than ten tonnes per year.

Emissions of dust and malodorous substances are also extremely low.

### Discharges to water

Wastewater discharges consist mainly of organic materials and nutrients from sanita-



Yaxin Hou, Nolato Medical, China

tion and cleaning premises. In addition, there are low-level emissions from cooling water.

All production units are connected to public sewage treatment plants.

### Waste

Reducing volumes of waste and increasing recycling are key aspects of our environmental work.

Over the last six years, the amount of waste sent to landfill has been reduced considerably. At the same time, the amount of waste recycled has been increased, both through external use as an energy source and through materials being recycled.

Internal recycling of materials has also increased, with more than 140 tonnes of plastic and rubber materials being recycled in 2008.

The total amount of waste generated during the year was 3,152 tonnes, of which 217 tonnes was hazardous waste. External waste processing costs amounted to SEK 2.5 M.

### Supply chain management

Within the context of Nolato's environmental management system, requirements are placed on suppliers in terms of their own environmental work. These requirements and our monitoring processes include carrying out an environmental status assessment when drawing up contracts, environmental surveys, site visits and environmental audits.

The majority of Nolato Telecom's production takes place in China, and regular environmental audits are carried out on the thirty largest suppliers who together account for over 90 percent of Nolato's purchasing volumes in China.

No deficiencies in suppliers' environmental work leading to cooperation being terminated were noted during 2008.

### Environmental costs and investments

During 2008, Nolato invested SEK 3.5 M in measures relating to the environment and the working environment. The largest individual investments were made in Lomma and Trollhättan, and related to free cooling systems.

Costs for the year totalled SEK 4.7 M, and consisted primarily of waste management costs and costs relating to the internal administration associated with environmental work and working environment initiatives.

A total of SEK 0.6 M worth of savings were reported in relation to environmental work.



## Resource-efficient development of pharmaceuticals cap

*Nolato Cerbo's new SC Light cap for pharmaceuticals containers is an excellent example of the way in which environmental improvements can be made to existing products.*

*For 30 years now, the SC model has been Nolato Cerbo's top-selling cap in the Cerbo Classic range. This is a safety screw cap featuring an inner membrane which needs to be removed before the user can get to the medication inside.*

*Now a new version of the cap has been developed – the SC Light – which brings both environmental benefits and customer savings.*

*By working closely alongside the customer, the cap has been made more resource-efficient in terms of both the actual consumption of materials and those materials which had previously gone to waste during production.*

*The SC Light cap is now 30 percent*

*lighter than the previous version, and waste levels have been cut.*

*The reduced consumption of materials also means a reduction in energy consumption for manufacturing, since there are much smaller amounts of plastic raw materials to be heated up and cooled down again.*

*The manufacturing flow has also been optimised. Three different machines were needed to produce the previous version of the SC cap, and changing between these machines was a time-consuming process. The SC Light cap is manufactured in a single combined automated cell, leading to a significant reduction in throughput times.*

*Since the cap is part of the pharmaceuticals chain, the new version went through comprehensive functionality and performance testing before being approved for mass production.*





Nolato Beijing, China

## Our social responsibility – ethical and human principles

**N**olato believes firmly in people and their inherent abilities. We therefore aim to help every employee to develop, based on their own ambitions and the company's objectives.

### Employee information

The average number of employees in the Nolato Group during 2008 was 4,531 (3,760), of which 3,406 (2,369) were in Asia and 1,125 (1,391) in Europe. The increase compared with the previous year relates mainly to Nolato Telecom in China.

At the end of the year, the Group had 3,839 (3,433) employees, of which 69 percent were in China, 24 percent in Sweden and 7 percent in Hungary.

There are also a small number of employees in France, Norway and Poland.

The significant difference in terms of the number of employees is due to the cut-backs made as a result of the economic downturn, particularly during the fourth quarter, and the closure of the production unit in Kuala Lumpur, Malaysia.

At the end of the year, the number of

employees at Nolato Medical was 452 (416), with 2,773 (2,360) at Nolato Telecom, 609 (653) at Nolato Industrial and 5 (4) within Group functions.

76 (74) percent of all employees at the end of the year were outside Sweden.

### Setting salaries and union membership

All production units are wholly-owned by Nolato and are operated under their own management.

The Chinese facilities 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 establishes employees' rights to be represented by unions and other employee representatives, as well as the right to collective negotiations and agreements.

At nine of Nolato's units, all employees are covered by collective agreements. At the other two Swedish units, between 80 and 90

percent 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 are provided with information about the union on employment, and can then make their own decision on membership. At the end of the year, 84 percent of the employees in China were union members. All employees 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.

### Absence due to illness

Absence due to illness at Nolato in 2008 was 1.9 percent (2.6) on average for all companies within the Group. Of this, long-term absence due to illness made up 0.9 percentage points (1.3).

The lowest levels of absence due to illness were in China, with 0.4 percent (0.3). Absence due to illness was 0.6 percent (0.6) in Malaysia and 6.8 percent (5.5) in Hungary. The average figure for the Swedish companies was 6.7 percent (6.6).

The fact that the Group's overall absence due to illness is so low is due to the low levels in China, where 69 percent of the Group's employees were based at the end of the year.

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

Offering a good working environment is one of Nolato's Basic Principles, and this is made clear in the Code of Conduct. In practice, we achieve this through preventative measures, training, safety rounds and monitoring.

All units within the Group have safety committees or equivalent bodies, except for one facility in Sweden which has fewer than 25 employees. During 2008, 26 occupational accidents which resulted in more than one day's absence were reported. Total absence due to illness caused by occupational accidents was 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 during 2008.

Over the course of the year, a limited number of work-related illnesses were noted, including six cases of talc-related eczema at two of the Swedish facilities.

### Training

The average number of training hours per employee at the Group's production units during 2008 was 3.9 hours.

Environmental, working environment and safety training was carried out at a number of units, and this normally involved one to three hours of training per employee.

### Human rights, diversity and equality

Nolato's Code of Conduct establishes Nolato's support and respect for internationally-upheld human rights, encourages diversity, and distances the Group from all forms of victimisation and discrimination. There was nothing to suggest that we breached these principles during 2008.

Our equality work is carried out on a decentralised basis at each unit, in accordance with the individual companies' equality plans. 70 percent (63) of the Group's employees were women. This statistic is noticeably affected by the large proportion of female employees in China – 81 percent (73). The proportion of female employees at the Group's European facilities was 35 percent (43).

20 percent (20) of the Board are women. The corresponding figures for the Group management and subsidiary management are 0 percent (0) and 24 percent (16) respectively.

### Business ethics

In accordance with the principles of Nolato's Code of Conduct, Nolato's external relationships shall feature integrity and responsibility. We do not offer customers, potential customers, authorities or other representatives of society any payments or advantages which contravene applicable laws or what could be deemed to be reasonable and accepted business and marketing practice.

Nor do Nolato's employees accept gifts, benefits or payments which could affect, or be seen to affect, the objectivity of our business decisions. We avoid situations where company loyalty could come into conflict with personal interests.

During 2008, there was nothing to suggest that these ethical rules have been breached.

### Political neutrality

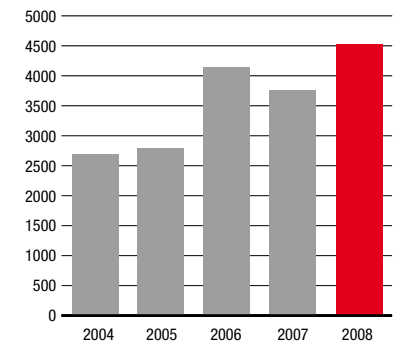
The Nolato Group takes a neutral position on political issues, and neither the company's name nor its financial resources may be used for political purposes.

### Supplier requirements

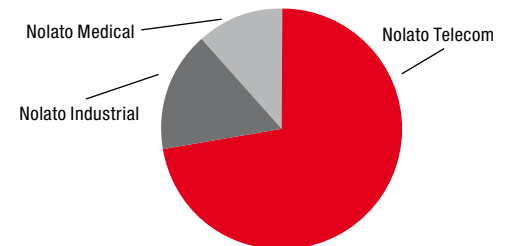
Nolato places the same requirements on its suppliers as it does on its own employees when it comes to dealing with social issues. Guidelines for evaluating social issues at Group company suppliers were introduced at Group level during 2008 in order to ensure a common model for evaluating and monitoring suppliers' statuses within this area.

In China, all Nolato Telecom's main suppliers have signed a contract with Nolato, whereby these suppliers commit to following the rules of Nolato's Code of Conduct. Compliance with this is reviewed each year for the thirty largest suppliers, who account for more than 90 percent of Nolato's purchasing volumes in China.

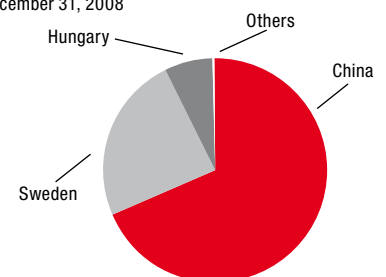
### Average number of employees



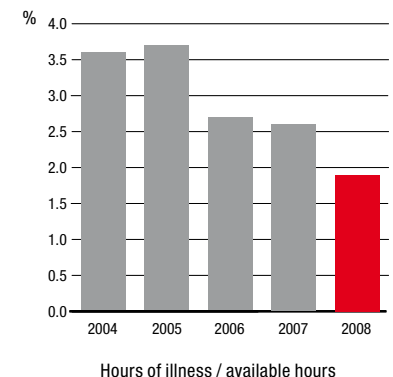
### Employees per business area December 31, 2008



### Employees per country December 31, 2008



### Absence due to illness



# Risks and risk management

Nolato's strategy includes continuously minimising business, operational and financial risks, whilst still taking advantage of market opportunities.

## Financial risks

In order to manage financial risks, the Group operates according to a financial policy adopted by Nolato's Board of Directors. This policy specifies what levels of financial risk the Group can accept, including risks associated with currencies, borrowing, interest, liquidity and credit, as well as how risks are to be minimised.

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

## Revenue and earnings risks

Within Nolato Telecom, which accounted for 44 percent of the Group's sales in 2008, the market has grown significantly in recent years. Both longer-term growth and short-term fluctuations provide opportunities for strong growth within this business area, but also mean a risk of negative changes.

Nolato Medical's market promises good long-term potential for growth, and the business area has grown rapidly in recent years, both organically and through acquisitions, accounting for 22 percent of Group sales in 2008 and a large proportion of Group earnings.

Market trends for Nolato Industrial, which accounted for 34 percent of Group sales in 2008, are in line with industrial manufacturing in Scandinavia and Central Europe.

Nolato Telecom's and Nolato Industrial's markets in particular are experiencing continued price pressure, with falling prices as a result of tough market competition. Dealing with this price risk is a feature of day-to-day work, and requires continuous cost cutting and productivity increases, which Nolato has managed to achieve to its advantage so far.

Within Nolato Telecom, this has included transferring production to Asia, resulting in lower costs. At Nolato Industrial, cost-effective high-productivity facilities in Sweden, combined with the production of labour-

intensive parts in low-cost countries, has enabled the business area to cope with price pressure to date.

## Customer dependence

Nolato Telecom has a greater dependency on a small number of customers.

The other business areas' customer bases are considerably broader, with no single customer or customer group being so dominant that any loss of business would have a significant impact on the Group's profitability.

The Group's revenues are mostly derived from major international industrial groups. These tend to be open when it comes to providing information, making it possible in most cases to monitor their financial performance. By following our customers' financial performance closely, we are able to minimise the risk of bad debt losses.

However, if any of these major customers were to suffer financial difficulties, there would be a risk of significant losses.

## Product risks

Nolato supplies products in accordance with its customers' technical specifications and quality requirements. This is dealt with by skilled Group company staff who are responsible for day-to-day operations. The biggest risk of quality and production disruption normally arises when the production of new products begins.

This is particularly true when ramping up major telecommunications projects, where there is a risk of quality and productivity disruption which could have a major impact on the Group's earnings.

In order to prevent any such problems, the Group follows a highly-developed concept for running the project prior to the industrialisation and production phases, in line with established quality assurance requirements and checklists.

In order to avoid the risk of problems with deliveries, it is important to maintain extremely close contact with each customer, as well as effective, reliable systems for quality control and development.

Nolato has chosen to work with a relative-

ly small number of customers, and to work closely and extensively alongside them. This makes constant close contact with customers possible, thus ensuring that deliveries satisfy their wishes.

At the same time, all Group companies operate in accordance with various quality and continuous improvement systems, which are tailored to meet production requirements and customer requirements.

## Supplier risks

Supplier risks include the risk of changes to prices from suppliers which cannot be passed on to customers, and access to raw materials and other input goods. A number of suppliers in Europe and worldwide provide raw materials for plastics and rubber, as well as machinery. Alternative suppliers can be used, but in some cases changing supplier requires customer approval.

In terms of components for Group-supplied component systems, the choice of suppliers is usually made in consultation with the customer.

## Raw materials prices

The products which Nolato manufactures normally have a plastic or rubber raw materials content which makes up between 5 and 50 percent of the selling price. These raw materials are developed using different forms of oil-based products. This means that raw materials prices are dependent on oil prices and the US dollar exchange rate, as well as other factors such as production capacity and other production costs in the intermediate processing stages.

Plastic raw materials content varies from business area to business area. For Nolato Telecom, with its many thin-walled products, plastic only accounts for around 5 percent of the selling price, while the corresponding figure is around 15 percent for Nolato Medical and around 20 percent for Nolato Industrial.

At Nolato Industrial, which has the highest proportion of plastic raw materials, most customer agreements enable the business area to pass on costs to the customer or renegotiate the effects of any such price increases.



This right applies to most agreements where material prices have changed beyond certain agreed levels, limiting sensitivity to changes in material prices.

The prices of plastic raw materials fell during the second half of 2008, by up to 20 percent in some cases, but the effect of this price drop was countered to some extent by the relative weakness of the Swedish krona.

### Electricity prices

The Group's production operations are relatively electricity-intensive, and the Group is thus reliant on the price of electricity.

The Group follows a policy for purchasing electricity with the aim of evening out the effects of changes in the variable portion of electricity prices. This policy means that 40–80 percent of electricity requirements for the four forthcoming quarters are purchased under fixed-price agreements.

### Legal risks

Nolato works with external lawyers and consultants on legal issues. The Group also has internal policies and regulations relating to which agreements, etc., people in various positions are authorised to enter into.

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

The Group currently has one legal dispute with a supplier. A full provision has been made for any anticipated risk of loss. The Group is not involved in any other ongoing legal disputes of any significance.

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

Nolato is party to 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.

### Property and liability risks

In terms of traditional insurance risks such as fire, theft, downtime and liability, Nolato believes that the Group has appropriate and sufficient cover through its insurance policies.



Konstantinos Arkoudas, Nolato Polymer, Torekov, Sweden

### Environmental risks and undertakings

Requirements in terms of preventative environmental measures and reinstating damaged environments can entail considerable costs for individual companies. The best known examples relate to contaminated soil and removing asbestos and PCBs from buildings and installations.

At Nolato, an overview risk assessment has been carried out in terms of contaminated soil and the presence of asbestos and PCBs. We are not aware of any contaminated soil at the facilities owned by the Company. There are no underground tanks. We are not aware of any historic emissions, leaks or accidents involving oils, solvents or chemicals, and no such incidents were reported during 2008. There are therefore no legal or other requirements in terms of decontamination, and hence there are no costs associated with this.

Assessments and investigations relating to the risk of soil contamination are carried out in connection with company acquisitions and winding down operations.

In terms of asbestos, it is extremely unlikely that this material is present in our new facilities.

Asbestos audits have been carried out for Nolato's older facilities in certain cases. In other cases, it is believed that no asbestos is present in buildings and installations. At the

Trollhättan unit, there is asbestos in one section of the building. This does not pose any risks, and will be removed when future renovation work is carried out.

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. This seals will be removed no later than during 2010.

### Accidents and uncontrolled emissions to the environment

During 2008, there were no fires, explosions or accidents at our production facilities. There was a leak in equipment containing coolant at the Trollhättan plant which resulted in the emission of 52 kg of R407C to the atmosphere. This incident was reported to the supervisory authorities.

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

### Climate-related risks

Two of Nolato's Swedish plants are situated in risk areas where future climate changes could cause landslips (Götene) or flooding (Kristianstad). We are not currently taking any action, but are monitoring the risk and vulnerability analyses carried out by the authorities.



ChunHong Cui, Nolato Beijing, China

## General information

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

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

The Parent Company of the Group is Nolato AB (publ), corporate identity number 556080-4592, with its registered office in Torekov, Sweden.

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

During 2008, there were operational subsidiaries in Sweden, China, Malaysia and

Hungary, and sales companies in France, Norway and Poland.

The Malaysian operations were wound down in December 2008.

### 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 advanced polymer products and product systems for medical technology and pharmaceutical customers, supplying medical devices, pharmaceutical packaging and niche products for applications such as heart surgery.

Nolato Telecom is a global developer and

manufacturer of polymer systems for mobile telephony and telecom base station products.

Nolato Industrial is a leading developer and manufacturer of polymer products and product systems for customers working within fields such as the automotive industry, white goods, gardening/forestry and furniture.

### Sales and earnings

Consolidated sales for the Nolato Group totalled SEK 2,824 M (2,421). Operating income (EBITA) was SEK 240 M (204). Income after financial items was SEK 216 M (171). Net income was SEK 178 M (150), with earnings per share of SEK 6.77 (5.70).

Nolato Medical saw sales grow to SEK 632 M (526). This corresponds to a 20 percent

increase for remaining operations compared with 2007. Of this, 15 percent was organic growth. The business area continued to show excellent growth during 2008. Volumes were good during the year for most of the business area's customer segments.

Sales accounted for 22 percent (22) of the Group's entire sales.

Operating income (EBITA) increased to SEK 92 M (76 excluding operations disposed of and non-recurring items). The EBITA margin was 14.6 percent (14.4). High levels of capacity utilisation, combined with a favourable product mix, resulted in the high margin.

Nolato Telecom saw sales grow to SEK 1,243 M (920), an increase of 35 percent compared with 2007.

2008 was a year of intensive activity for Nolato Telecom, with a number of significant new projects being developed and produced. Volumes and capacity utilisation remained good.

Relationships with the business area's biggest customers have been strengthened over the course of the year. Production for the new customer RIM (which develops and manufactures the BlackBerry) has run according to plan, with strong growth in volumes over the course of the year.

Sales accounted for 44 percent (37) of the Group's entire sales.

Operating income (EBITA) was SEK 119 M (73). The EBITA margin was 9.6 percent (7.9).

A large proportion of the deliveries for new mobile phone projects had a beneficial effect on the margin, and capacity utilisation has been high.

In line with the industry market trend, Nolato Industrial has experienced a drop in demand from the automotive industry since the end of the first quarter. During the second half of the year, demand continued to decline even further, with extremely low volumes to this and other industrial segments towards the end of the year.

A number of orders were received during the period for major projects for future deliveries, including within the automotive and hygiene segments.

Sales dropped by 5 percent to SEK 950 M (1,000), thus accounting for 34 percent (41) of total Group sales. Operating income (EBITA) totalled SEK 59 M (78), with an EBITA margin of 6.2 percent (7.8).

For further comments on the Group's earnings, position and cash flow, please refer to pages 37, 39 and 41 of the financial reports.

Page 82 has an overview of financial trends for the past five years.

### Outlook for Nolato Telecom

Nolato Telecom has a strong product portfolio. As announced in the nine-month interim report, one of the business area's main customers has made significant changes to its future product range, leading to Nolato Telecom having to revise its production start-up times for these products.

As a result, it is now thought that the business area will record markedly lower sales for the first six months of 2009 compared with the corresponding period for 2008, resulting in an operating income of around zero for the first six months of 2009.

### The Parent Company

Nolato AB is a holding company which carries out joint Group functions such as Group management, financial and economic functions, and certain IT functions.

Sales totalled SEK 22 M (17). The increase in sales is a result of higher costs levied on subsidiaries. Income after financial items was SEK -122 M (64). This drop is due to lower dividends from subsidiaries and fixed asset writedowns.

### Guidelines for the remuneration of senior executives

The guidelines for the remuneration of senior executives agreed on at the latest Annual Meeting are detailed in Note 10 on pages 54-55. This note also explains what happens if these executives resign or are dismissed by the Company. No decision has yet been made on remuneration for 2009, but proposals will be published when giving notice of the 2009 Annual Meeting.

### Nolato's shares

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

The share capital of Nolato AB totals SEK 132 M, 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 2008 Annual Meeting authorised the Board, with a maximum duration of until the next Annual Meeting, to acquire and transfer a maximum of 10 percent of the Company's own shares, in accordance with the Board's proposal to the Annual Meeting. No acquisitions or transfers have taken place during 2008.

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

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

### 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.

### Events after the end of the financial year

No significant events have occurred since the balance sheet date.





## Consolidated income statement

SEK M	Note	2008	2007
Net sales	6	2,824	2,421
Cost of goods sold	7	– 2,385	– 2,033
<b>Gross income</b>		<b>439</b>	<b>388</b>
Selling expenses		– 59	– 54
Administrative expenses	8	– 140	– 137
Other operating expenses	9	– 8	– 7
		<b>– 207</b>	<b>– 198</b>
<b>Operating income</b>	10,18	<b>232</b>	<b>190</b>
Financial income	12,14	6	3
Financial expenses	12,15	– 22	– 22
		<b>– 16</b>	<b>– 19</b>
<b>Income after financial items</b>		<b>216</b>	<b>171</b>
Tax	17	– 38	– 21
<b>Net income from remaining operations</b>		<b>178</b>	<b>150</b>
Net income from operations disposed of	42	—	1
<b>Net income</b>	19	<b>178</b>	<b>151</b>
All earnings are attributable to the Parent Company's shareholders			
Depreciation/amortisation according to plan	11	167	160
Earnings per share from remaining op., before and after dilution (SEK)		6.77	5.70
Earnings per share, before and after dilution (SEK)		6.77	5.74
Number of shares on December 31 (thousands)		26,307	26,307
Average number of shares (thousands)		26,307	26,307

## ■ Comments on the consolidated income statement

Group sales rose by 17 percent, with organic growth of 15 percent. Currency effects had a positive impact of around 1 percent on sales. Nolato Medical and Nolato Telecom experienced a significant increase in sales, up 20 percent and 35 percent respectively, while Nolato Industrial saw sales drop by 5 percent.

Gross income rose mainly as an effect of higher sales. Gross income is sales minus the cost of goods sold. The cost of goods sold consists of production costs, which are mostly made up of materials costs and manufacturing salaries, as well as other production expenses. As a percentage of sales, the gross margin was somewhat lower than 2007, mainly due to a change in the product mix, but also due to costs of SEK 10 M associated with staff cut-backs during the fourth quarter.

Selling and administrative expenses rose marginally compared with 2007, but their proportion in relation to the increased sales fell, contributing towards the improved relative profitability.

Total depreciation rose slightly to SEK 167 M (160), consisting mainly of depreciation of fixed assets in production, which is included in the cost of goods sold in the income statement.

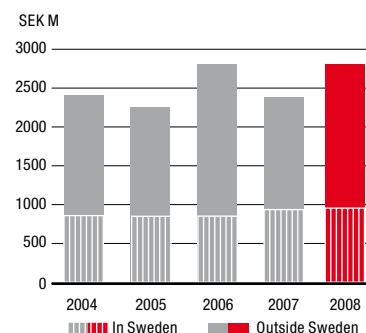
Other operating expenses consist of the amortisation of intangible assets arising from acquisitions, which amounted to SEK 8 M (7) and relate to the amortisation of customer relationships. These have been assigned values from the acquisition analysis carried out in connection with the 2006 and 2007 acquisitions, which are written off during their financial lifetime.

Earnings for the previous year were affected by non-recurring items totalling SEK 7 M during the first quarter of 2007 relating to the acquisition of the Cerbo Group.

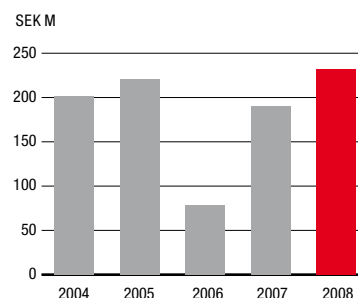
Net financial items improved compared with 2007. Financial items included SEK +2 M (-1) in currency exchange rate difference effects on loans in foreign currencies. Financial expenses, which consist of interest expenses, remained unchanged. The average lower net liabilities have had a positive impact on interest expenses, while the higher average interest rate level has had a negative effect. Earnings after net financial items rose by 26 percent to SEK 216 M (171).

Net income was SEK 178 M (150), with earnings per share of SEK 6.77 (5.70). A change in the method of determining the value of group contributions to foreign subsidiaries had a positive effect of SEK 8 M on tax expenses, while a change in tax rates had a positive effect of SEK 3 M. In 2007, non-recurring income in relation to tax totalled SEK 22 M. The effective tax rate excluding these tax effects was 23 percent (25). Nolato Beijing has been awarded a special tax status in China, which means that the tax rate will be 15 percent for a period of three years beginning in 2008 (18 percent in 2007).

### ■ Sales



### ■ Operating income (EBIT)



## Consolidated balance sheet

SEK M	Note	2008	2007
<b>Assets</b>			
<b>Fixed assets</b>			
Intangible fixed assets	20	377	383
Tangible fixed assets	23	767	752
Other securities held as fixed assets		2	—
Deferred tax assets	17	20	14
<b>Total fixed assets</b>		<b>1,166</b>	<b>1,149</b>
<b>Current assets</b>			
Inventories	25	238	201
Accounts receivable	26	513	462
Current tax assets		0	6
Other receivables		26	16
Derivative assets	34	0	10
Prepaid expenses and accrued income		15	12
Cash and bank		168	62
<b>Total current assets</b>		<b>960</b>	<b>769</b>
<b>Total assets</b>		<b>2,126</b>	<b>1,918</b>
<b>Shareholders' equity and liabilities</b>			
<b>Shareholders' equity</b>			
Share capital	27	132	132
Other capital contributed		228	228
Other reserves	28	105	31
Retained earnings		593	490
<b>Total shareholders' equity</b>		<b>1,058</b>	<b>881</b>
<b>Long-term liabilities</b>			
Loans	29	—	230
Provisions for pensions and similar obligations	31	89	86
Deferred tax liabilities	17	107	129
Other liabilities, interest-bearing		2	2
Other provisions	32	2	2
<b>Total long-term liabilities</b>		<b>200</b>	<b>449</b>
<b>Current liabilities</b>			
Accounts payable		404	315
Loans	29	123	18
Overdraft facilities	29	49	48
Other liabilities, interest-bearing		0	2
Customer advances		11	8
Current tax liabilities		41	17
Other liabilities		21	21
Derivative liabilities	34	4	—
Accrued expenses and deferred income	33	208	157
Other provisions	32	7	2
<b>Total current liabilities</b>		<b>868</b>	<b>588</b>
<b>Total liabilities</b>		<b>1,068</b>	<b>1,037</b>
<b>Total liabilities and shareholders' equity</b>		<b>2,126</b>	<b>1,918</b>
Collateral pledged	38	204	163
Contingent liabilities	39	3	3



## ■ Comments on the consolidated balance sheet

Total assets stood at SEK 2,126 M (1,918).

Fixed assets rose only slightly, as investments were roughly on a level with depreciation.

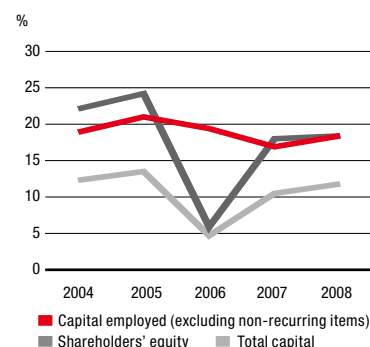
Current assets in the form of inventories and current receivables rose as a result of the increase in sales.

Cash holdings rose due to the positive cash flow by SEK 106 M to SEK 168 M (62). Inter-

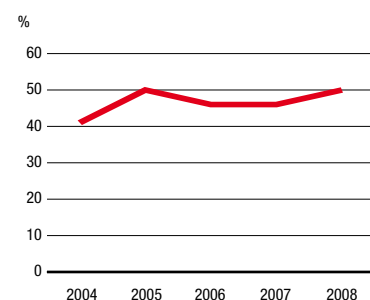
est-bearing liabilities fell significantly as a result of principal payments which were possible thanks to the positive cash flow.

Non-interest-bearing liabilities rose as a result of the increase in sales. Shareholders' equity rose as a consequence of the net income for 2008 and translation differences. However, shareholders' equity was reduced by a dividend of SEK 79 M (63).

## ■ Return



## ■ Equity/assets ratio



## ■ Changes in consolidated shareholders' equity

SEK M	Share capital	Other contributed capital	Other reserves	Retained earnings	Total shareholders' equity
<b>Balance on January 1, 2007</b>	<b>132</b>	<b>228</b>	<b>30</b>	<b>399</b>	<b>789</b>
Translation differences	—	—	3	1	4
Transfer of depreciation – buildings and land	—	—	–2	2	—
Cash flow hedging, net	—	—	—	—	—
<i>Total changes in net asset value rep. dir. against shareh. equity, excl. trans. with the co.'s shareh.</i>	—	—	1	3	4
Net income	—	—	—	151	151
<i>Total changes in net asset value, excl. transactions with the company's shareholders</i>	—	—	1	154	155
Dividend for 2006	—	—	—	–63	–63
<b>Balance on December 31, 2007</b>	<b>132</b>	<b>228</b>	<b>31</b>	<b>490</b>	<b>881</b>
<b>Balance on January 1, 2008</b>	<b>132</b>	<b>228</b>	<b>31</b>	<b>490</b>	<b>881</b>
Translation differences	—	—	80	—	80
Transfer of depreciation – buildings and land	—	—	–4	4	—
Cash flow hedging, net	—	—	–2	—	–2
<i>Total changes in net asset value rep. dir. against shareh. equity, excl. trans. with the co.'s shareh.</i>	—	—	74	4	78
Net income	—	—	—	178	178
<i>Total changes in net asset value, excl. transactions with the company's shareholders</i>	—	—	74	182	256
Dividend for 2007	—	—	—	–79	–79
<b>Balance on December 31, 2008</b>	<b>132</b>	<b>228</b>	<b>105</b>	<b>593</b>	<b>1 058</b>

## Consolidated cash flow statement

SEK M	Note	2008	2007
<b>Operations</b>			
Operating income		232	193
<i>Adjustments for items not included in cash flow:</i>			
Depreciation and amortisation		167	162
Provisions		5	9
Capital gain/loss on disposals		2	—
Unrealised exchange rate differences		14	0
		<b>420</b>	<b>364</b>
Pension payments		— 3	— 3
Interest received		2	3
Interest paid		— 22	— 24
Income tax paid		— 32	— 15
<b>Cash flow from operations before changes in working capital</b>		<b>365</b>	<b>325</b>
<b>Cash flow from changes in working capital</b>			
Changes in inventories		— 21	19
Changes in accounts receivable		— 6	— 10
Changes in accounts payable		67	— 33
Other changes in working capital		46	14
		<b>86</b>	<b>— 10</b>
<b>Cash flow from operations</b>		<b>451</b>	<b>315</b>
<b>Investment activities</b>			
Acquisition of tangible fixed assets		— 154	— 97
Sale of tangible fixed assets		13	9
Acquisition of operations and shares, excluding liquid funds	41	—	— 187
Sale of subsidiary	42	—	117
Acquisitions of other financial fixed assets		— 2	—
<b>Cash flow from investment activities</b>		<b>— 143</b>	<b>— 158</b>
<b>Cash flow before financing activities</b>		<b>308</b>	<b>157</b>
<b>Financing activities</b>			
Borrowings		82	—
Repayment of loans		— 218	— 168
Dividend paid		— 79	— 63
<b>Cash flow from financing activities</b>		<b>— 215</b>	<b>— 231</b>
<b>Cash flow for the year</b>		<b>93</b>	<b>— 74</b>
<b>Liquid funds, opening balance</b>		<b>62</b>	<b>131</b>
Exchange rate difference in liquid funds		13	5
<b>Liquid funds, closing balance</b>		<b>168</b>	<b>62</b>

## ■ Comments on the consolidated cash flow statement

### Cash flow from operations

Cash flow before investments totalled SEK 451 M (315). The change in working capital was a positive SEK 86 M (–10). The healthy earnings for 2008 and the drop in the need for working capital at the end of the year resulted in the extremely strong cash flow for 2008.

### Financial position

Interest-bearing assets totalled SEK 168 M (62) and interest-bearing liabilities and provisions totalled SEK 263 M (376).

Net debt thus totalled SEK 95 M (314). Shareholders' equity was SEK 1,058 M (881). The equity/assets ratio was 50 percent (46). During the second quarter, dividends totalled SEK 79 M (63) were paid to shareholders.

At the end of the year, Nolato extended and increased loan agreements with credit institutions by SEK 350 M, with a two-year term. Nolato therefore has total loan agreements of approximately SEK 750 M, of which SEK 350 M has a two-year term and the remainder runs until December 31, 2009.

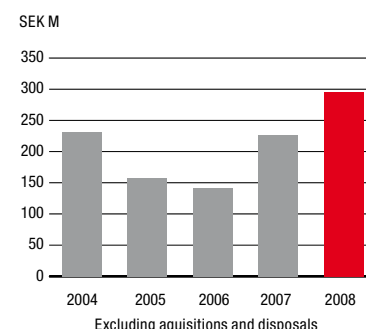
### Investments

Cash flow after investments totalled SEK 296 M (227), excluding acquisitions and disposals of operations. Net investments affecting cash flow amounted to SEK 155 M (88), excluding SEK 12 M (–70) net in acquisitions and disposals.

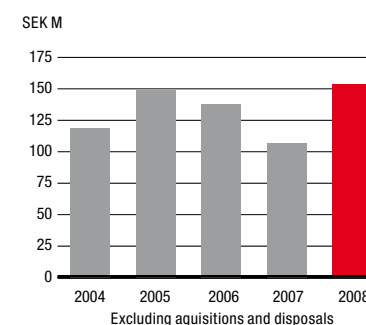
Gross investments in fixed assets totalled SEK 158 M (107) excluding acquisitions, including items not affecting cash flow totalled SEK 4 M (10). These relate primarily to outstanding supplier invoices for investments as at the balance sheet date.

SEK M	2008	2007
Buildings and land	9	5
Machinery and equipment	113	87
Construction in progress	36	15
<b>Total investments</b>	<b>158</b>	<b>107</b>

### ■ Cash flow after investments



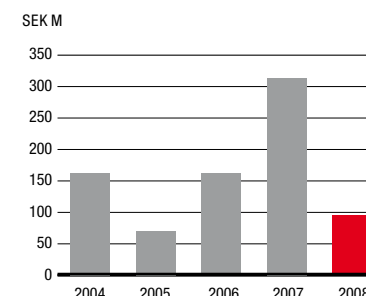
### ■ Investments



### ■ Financial position

SEK M	2008	2007
Interest-bearing liabilities to credit institutions	174	300
Interest-bearing pension liabilities	89	86
Market value of derivatives	—	– 10
<b>Total borrowings</b>	<b>263</b>	<b>376</b>
Cash and bank balances	– 168	– 62
<b>Net financial liabilities</b>	<b>95</b>	<b>314</b>
Working capital	103	189
<i>As a percent of sales (avg.) (%)</i>	<i>5.2</i>	<i>7.4</i>
Capital employed	1,321	1,267
<i>Return on capital employed, excl. non-recurring items (avg.) (%)</i>	<i>18.4</i>	<i>16.9</i>
Shareholders' equity	1,058	881
<i>Return on equity (avg.) (%)</i>	<i>18.4</i>	<i>18.0</i>

### ■ Net financial liabilities





## ■ Parent Company income statement

SEK M	Note	2008	2007
Net sales	5	22	17
Selling expenses		– 9	– 6
Administrative expenses	8	– 39	– 36
		<b>– 48</b>	<b>– 42</b>
<b>Operating income</b>	10,18	<b>– 26</b>	<b>– 25</b>
Income from shares in Group companies	13	– 91	93
Financial income	12,14	12	21
Financial expenses	12,15	– 17	– 25
		<b>– 96</b>	<b>89</b>
<b>Income after financial items</b>		<b>– 122</b>	<b>64</b>
Appropriations	16	– 42	– 30
Tax	17	18	16
<b>Net income</b>		<b>– 146</b>	<b>50</b>
Depreciation/amortisation according to plan	11	0	0

## ■ Parent Company changes in shareholders' equity

SEK M	<i>Restricted equity</i>		<i>Unrestricted equity</i>		Total share- holder's equity
	Share capital	Statutory reserve	Translation reserve	Retained earnings	
<b>Opening balance on January 1, 2007</b>	<b>132</b>	<b>228</b>	<b>– 5</b>	<b>341</b>	<b>696</b>
Exchange rate difference on overseas net investment	—	—	0	—	0
Group contributions received	—	—	—	139	139
Tax attributable to items reported directly against shareholders' equity	—	—	—	– 39	– 39
<i>Total changes in net asset value rep. dir. against shareh. ' equity, excl. trans. with the co. 's shareh.</i>	—	—	—	100	100
Net income	—	—	—	50	50
<i>Total changes in net asset value, excl. transactions with the company's shareholders</i>	—	—	—	150	150
Dividend for 2006	—	—	—	– 63	– 63
<b>Closing balance on December 31, 2007</b>	<b>132</b>	<b>228</b>	<b>– 5</b>	<b>428</b>	<b>783</b>
<b>Opening balance on January 1, 2008</b>	<b>132</b>	<b>228</b>	<b>– 5</b>	<b>428</b>	<b>783</b>
Exchange rate difference on overseas net investment	—	—	10	—	10
Group contributions 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 shareh. ' equity, excl. trans. with the co. 's shareh.</i>	—	—	10	145	155
Net income	—	—	—	– 146	– 146
<i>Total changes in net asset value, excl. transactions with the company's shareholders</i>	—	—	10	– 1	9
Dividend for 2007	—	—	—	– 79	– 79
<b>Closing balance on December 31, 2008</b>	<b>132</b>	<b>228</b>	<b>5</b>	<b>348</b>	<b>713</b>

## ■ Parent Company balance sheet

SEK M	Note	2008	2007
<b>Assets</b>			
<b>Tangible fixed assets</b>			
Equipment	22	0	0
<b>Financial fixed assets</b>			
Shares in Group companies	24	699	771
Receivables from Group companies		138	221
Other securities held as fixed assets		2	—
Deferred tax assets	17	2	2
<b>Total fixed assets</b>		<b>841</b>	<b>994</b>
<b>Current assets</b>			
Receivables from Group companies		241	156
Other receivables		2	15
Prepaid expenses and accrued income		2	2
		<b>245</b>	<b>173</b>
Cash and bank		53	6
<b>Total current assets</b>		<b>298</b>	<b>179</b>
<b>Total assets</b>		<b>1,139</b>	<b>1,173</b>
<b>Shareholders' equity and liabilities</b>			
<b>Shareholders' equity</b>			
<i>Restricted equity</i>			
Share capital (26,307,408 shares)	27	132	132
Statutory reserve		228	228
		<b>360</b>	<b>360</b>
<i>Unrestricted equity</i>			
Retained earnings		499	373
Net income		– 146	50
		<b>353</b>	<b>423</b>
<b>Total shareholders' equity</b>		<b>713</b>	<b>783</b>
<b>Untaxed reserves</b>	37	<b>72</b>	<b>30</b>
<b>Other provisions</b>	32	<b>2</b>	<b>2</b>
<b>Long-term liabilities</b>			
Liabilities to credit institutions	29	—	177
Liabilities to Group companies		21	70
<b>Total long-term liabilities</b>		<b>21</b>	<b>247</b>
<b>Current liabilities</b>			
Liabilities to credit institutions	29	123	66
Accounts payable		3	2
Liabilities to Group companies		161	14
Current tax liabilities		34	—
Other liabilities		1	15
Accrued expenses and deferred income	33	9	14
<b>Total current liabilities</b>		<b>331</b>	<b>111</b>
<b>Total shareholders' equity and liabilities</b>		<b>1,139</b>	<b>1,173</b>
Collateral pledged	38	—	—
Contingent liabilities	39	144	136

## ■ Parent Company cash flow statement

SEK M	2008	2007
<b>Operations</b>		
Operating income	– 26	– 25
<i>Adjustments for items not included in cash flow:</i>		
Unrealised exchange rate differences, etc.	16	5
	<b>– 10</b>	<b>– 20</b>
Dividends from subsidiaries	44	39
Interest received	12	16
Interest paid	– 18	– 25
Income tax paid	– 18	– 11
<b>Cash flow from operations before changes in working capital</b>	<b>10</b>	<b>– 1</b>
<b>Changes in working capital</b>		
Changes in operating receivables and operating liabilities	133	57
<b>Cash flow from operations</b>	<b>143</b>	<b>56</b>
<b>Investment activities</b>		
Acquisitions of financial fixed assets	– 2	– 210
Sale of financial fixed assets	4	—
Liquidation of subsidiaries	—	100
<b>Cash flow from investment activities</b>	<b>2</b>	<b>– 110</b>
<b>Cash flow before financing activities</b>	<b>145</b>	<b>– 54</b>
<b>Financing activities</b>		
Borrowings	80	—
Repayment of loans	– 206	– 17
Change in long-term intra-Group transactions	– 32	1
Dividend paid	– 79	– 63
Group contribution received	139	97
<b>Cash flow from financing activities</b>	<b>– 98</b>	<b>18</b>
<b>Cash flow for the year</b>	<b>47</b>	<b>– 36</b>
<b>Liquid funds, opening balance</b>	<b>6</b>	<b>42</b>
Exchange rate difference in liquid funds	0	0
<b>Liquid funds, closing balance</b>	<b>53</b>	<b>6</b>



## Note 1 General information

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

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

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

## Note 2 Accounting and valuation principles

### Consolidated accounting principles

#### Compliance with standards and laws

The Group accounts are 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 1.1 of the Swedish Financial Accounting Standards Council, *Supplementary Rules for Consolidated Financial Statements*, has also been applied.

The Parent Company applies the same accounting principles as the Group, except in those cases specified in the section Accounting principles of the Parent Company. Those deviations which arise between the principles of the Parent Company and the Group are caused by limitations in the possibility of applying IFRS for the Parent Company as a result of the Swedish Annual Reports Act, the Swedish Law on Safeguarding Pension Commitments 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 reports.

The accounting principles have been applied consistently by the Group's companies.

#### 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 2008. The changed standards and statements have not had any material effect on the Group's reports.

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

IASB and IFRIC have issued the following new standards and statements which come into force for financial years beginning on January 1, 2009 or later. There are no instances of early application.

The changes to IFRS 2 *Share-based Payment* clarify e.g. which conditions constitute vesting conditions, the fact that all other conditions constitute non-vesting conditions, and how the latter should be reported. This change applies to financial years beginning on January 1, 2009 or later.

The revised IFRS 3 *Business Combinations* and the amended IAS 27 *Consolidated and Separate Financial Statements* involve changes in relation to consolidated accounting and reporting acquisitions. The revised standards apply to financial years beginning on July 1, 2009 or later.

IFRS 8 *Operating Segments* defines what an operating segment is and what information must be provided about these in financial reports. The standard, which has been adopted by the EU, applies to financial years beginning on January 1, 2009 or later.

Changes to IAS 1 *Presentation of Financial Statements* involves changes to the presentation of financial reports in certain respects, and proposes new, non-mandatory, names for these reports. The change does not affect the determination of those amounts reported. The changed IAS 1 applies to financial years beginning on January 1, 2009 or later.

Changes to IAS 23 *Borrowing Costs* state that borrowing costs must be activated if 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. This change applies to financial years beginning on January 1, 2009 or later.

Changes to IAS 27 *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*. These changes affect e.g. the reporting of dividends received from subsidiaries, associated companies and joint venture companies, and how the formation of a new parent company should be reported. This change applies to financial years beginning on January 1, 2009 or later.

Changes have been made to IAS 32 *Financial Instruments: Classification* and IAS 1 *Presentation of Financial Statements* under "Puttable Financial Instruments and Obligations Arising on Liquidation", which mean that certain extremely restricted financial instruments which have the character of shareholders' equity instruments but which were previously reported as liabilities should instead be reported as shareholders' equity. This interpretation applies to financial years beginning on January 1, 2009 or later.

IAS 39 *Financial Instruments: Recognition and Measurement: Eligible Hedged Items*. This applies to financial years beginning on January 1, 2009 or later. The change consists of a clarification in terms of how the rules of IAS 39 should be applied in two cases of hedging. These cases affect a unilateral risk in a hedge item and inflation in a financially-hedged item.

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 from shareholders' equity to income, i.e. step-by-step consolidation or linear consolidation. This interpretation applies to financial years beginning on October 1, 2008 or later.

IFRIC 17 *Distribution of Non-cash Assets to Owners* deals with issues in connection with dividends paid using means other than cash. This interpretation applies to financial years beginning on July 1, 2009 or later.

Nolato will evaluate the effects and application of the new standards and statements during 2009. A preliminary assessment is currently being carried out in relation to IFRS 8 *Operating Segments*. This standard will mainly affect financial reporting through a larger pro-

portion of joint Group costs being distributed among the operating segments, i.e. the Group's business areas.

### Basis for preparing the financial reports

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 reports 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 financial reports 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 reports and estimates made which may entail significant adjustments to the financial reports for the following year are described under Note 3, Significant estimates and judgments.

### Consolidated accounts

The consolidated financial statements include Nolato AB (publ) (the Parent Company) and those subsidiaries in which the Parent Company directly or indirectly holds more than 50 percent 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 Group's income statement during the period when they are held.

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. Subsidi-

aries' financial reports are included in the consolidated accounts from the time of the acquisition up until the date when control ceases.

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 reports for the various units within the Group are valued in the currency used in the economic environment in which the various companies primarily operate. 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 balance sheet date. Exchange rate gains and losses arising from the payment of such transactions and from the revaluation of monetary assets and liabilities denominated in foreign currencies at the rate on the balance date are reported 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 shareholders' equity.

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

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

### Business segment information

The Group's primary classifying principles for business segments are based on business lines which correspond to the Group's classification of business area operations. The Group's secondary information on business segments is based on where customers and the assets and investments of subsidiaries are located geographically.

Revenues, costs and earnings for the various profit centres have been affected by internal deliveries. Internal prices between the business areas are market-based. Internal deliveries are eliminated when the consolidated financial statements are prepared.

### 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.

### 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 the income statement.

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. Nolato's operations do not normally include any significant investment projects which take a considerable amount of time to prepare, with no early application in relation to activating borrowing costs on investments thus being carried out.

Exchange rate gains and losses are reported net.

### 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 reported value may no longer be recoverable. A writedown is taken as the amount at which the reported value of the asset exceeds its recoverable value. The recoverable value is the higher of an asset's fair value less selling expenses and its value in use. In assessing the need for a writedown, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

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 particular asset.

Writedowns of loan receivables and customer receivables 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 reported value of the asset after reversal does not exceed the reported value which the asset would have had if no reversal had been carried out, taking into account the amortisation which would have been applied at that time.

### Reporting income tax

Income tax reported includes taxes payable or receivable

during the year in question, adjustments to prior years' current tax and changes in deferred tax. All tax liabilities and assets are valued at nominal amounts based on tax rules and tax rates which have been decided, or which have been announced and which are very likely to be confirmed. Tax effects related to items which are reported in the income statement are also reported in the income statement. Tax effects related to items which are reported against shareholders' equity are reported against shareholders' equity.

Deferred tax is calculated using the balance sheet method for all temporary differences which arise between reported values of assets and liabilities. The temporary differences are caused primarily by tax-deductible losses and untaxed reserves.

Deferred tax assets attributable to unused loss carry-forwards or other future tax deductions are reported if they are likely to be used to offset taxable surpluses within the foreseeable future.

### 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 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 costs relate 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. In those cases where it is deemed to be highly likely that development projects will lead to future financial benefits, they are activated. Activated development costs are 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 is 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 at historical acquisition value less accumulated scheduled depreciation and any writedowns. Depreciation is calculated based on the estimated useful life. Expenditure which is directly attributable to the purchase of the asset is included in the acquisition value. Transfers from shareholders' equity 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.

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 when it arises.

In 2001, there was a revaluation of SEK 99 M for buildings and land. In conjunction with the transition to IFRS, the remaining revaluation after taking depreciation into account, SEK 92 M, 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:

Building n 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 reported value of an asset is written down immediately to its recoverable value if the asset's reported value exceeds its expected recoverable value.

### Inventories

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

### Liquid funds

Liquid funds include, in addition to cash holdings and bank deposits, short-term financial investments which are exposed to only an insignificant risk of fluctuation in value, are traded in the open market at known rates, and mature less than three months after the acquisition date. Liquid funds and short-term investments are valued at fair value.

### 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 are reported as fixed assets in the Group's balance sheet. The obligation to pay future leasing fees is reported as a liability. These assets are subject to scheduled depreciation, while the lease payments are reported as interest and payments of loan principal.

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.

### 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 vested. The Group bears the risk of ensuring that payments undertaken are made. Nolato's defined benefit plans are unfunded. These obligations are reported in the balance sheet as provisions.

Pension expenses and pension obligations stemming from defined benefit plans are calculated using the projected unit credit method. This method allocates pension expenses as employees perform services for the Company, which increases their entitlement to future payment. Calculation is made annually by independent actuaries. The Company's liabilities are valued at the present value of expected future payments using a discount rate equal to the interest rate of top-rated corporate bonds or government bonds with a maturity equal to that of such liabilities. The most important actuarial assumptions can be seen in Note 31.

Actuarial gains and losses may arise in setting the present value of pension obligations and the fair value of plan assets. 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 percent of the present value of pension obligations or the fair value of plan assets, whichever is higher, is reported in the income statement over the employees' average remaining period of service.

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 2008 financial year, the Company had no access to any such information which would allow it to report this plan as a defined benefit plan. The ITP pension plan (for salaried employees in industry), which is insured at Alecta, is thus reported as a defined contribution plan. Charges for the year for pension insurance policies held with Alecta totalled SEK 6 M (5).

Alecta's surplus can be allocated to insurers and/

or insurees. On December 31, 2008, Alecta's surplus, in the form of the collective funding ratio, amounted to 112 percent (152). 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 benefits

The Group has a share-based remuneration plan in which payment is made in cash. The scope and conditions of the programme are detailed in Note 10 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 when it is settled. 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.

### 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 demonstrably 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 12 months from the balance sheet date are discounted to present value.

### Bonus plans

The Group reports a liability and expense for bonuses based on the bonus policy established by the Board. The Group reports a liability when there is a legal obligation or an informal obligation based on previous practice.

### 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 working capital and working 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 working capital, nor in the change in balance sheet items reported under financing activities.

### Borrowing costs

Borrowing costs are charged to the period to which they are attributable. During 2008, there were no assets under construction which were expected take a substantial period of time to prepare for their intended use or sale.

### Provisions

Provisions have been made for all obligations attribut-



able to the financial year or a previous financial year which, on the balance sheet date, were likely to materialise but where there was uncertainty about the amount or the date when the obligation will be met.

#### 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 earnings are included in operating income.

#### Financial instruments

The Group classifies its financial instruments into one of the following categories: financial assets valued at fair value via the income statement, loan receivables and customer receivables, financial instruments which are held until maturity and financial assets which can be sold. 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 assets where the value is set at fair value and changes in value are reported in the income statement.

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 to-

gether 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 shareholders' equity. Accumulated amounts in shareholders' equity are reversed in the income statement in those periods when the hedge item affects earnings (for instance, when the 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 shareholders' equity, those gains/losses remain in shareholders' equity and are entered in the income statement at the same time 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 shareholders' equity 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.

#### Earnings per share

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

### The Parent Company's accounting principles

The Parent Company's annual report has been drawn up in accordance with the Swedish Annual Reports Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2.1, Accounting for Legal Entities. The Swedish Financial Reporting Board's statements relating to listed companies have also been applied. RFR 2.1 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 Reports Act and the Swedish Law on Safeguarding Pension Commitments, and in view of the relationship between reporting and taxation. The recommendation details which exceptions from and additions to IFRS apply.

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

#### Net 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.

#### 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.

#### Remuneration to employees

##### Defined benefit plans

Defined benefit pension plans are insured through a policy held with Alecta. According to RFR 2.1, 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 74,000 (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 Law on Safeguarding Pension Commitments 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.

#### 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 December 31, 2008 are described in Note 36 on page 66.

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

### Tangible fixed assets

Fixed assets are reported at historical acquisition value less accumulated scheduled depreciation. Depreciation has been calculated based on estimated useful life as follows:

The following depreciation periods have been used:

Information systems	3 years
Other equipment	5 years

## Note 3 Significant estimates and judgments

In order to prepare the financial reports, Group management and the Board of Directors must make estimates and assumptions which affect the asset and liability items and revenue and cost items reported in the financial statements and in other information submitted. The estimates and assumptions for accounting purposes dealt with in this section are those considered to be most important for understanding the financial reports, given the degree of important assumptions and uncertainty.

### Pension benefits

The present value of pension obligations depends on a number of factors determined on an actuarial basis using a number of assumptions. The assumptions used in determining the present value of such obligations include the discount rate and salary increases. Every change in these assumptions will affect the reported value of pension obligations.

The Group determines an appropriate discount rate at the end of every year. This is the rate used to determine the present value of expected future payments which it is assumed will be paid for the pension obligations. In determining the appropriate discount rate, the Group takes into consideration government bond interest rates denominated in the currency in which the payments will be made and with a maturity that corresponds to the estimates for the pension obligation in question.

### Income tax

The Group operates in certain countries where numerous estimates are needed in order to determine the total provision for income tax. There are many transactions and calculations where the final tax is uncertain at the time the transaction and calculations are made. The Group reports a liability based on known rules at year-end. In cases where the final tax differs from that initially reported, such differences will affect the provisions for current and deferred tax for the period when these were determined.

### Goodwill impairment testing

Each year, the Group investigates whether there is any need to write down goodwill, in accordance with the accounting principle described in Note 2. The recoverable value of cash-generating units has been determined by calculating the value in use. Certain assumptions must be made to arrive at these calculations.

After performing a sensitivity analysis, it can be stated that even if the retested gross margin had been 10 percent lower than the management's estimate or the discount rate had been 10 percent higher than the management's estimate, this would not have resulted in any writedown of the reported value.

### 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 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, inventory is reported at net market value.

## Note 4 Financial risk management

Nolato's financial policy specifies how responsibility for financial operations is to be delegated within the Group, what financial risks the Group is prepared to assume and what financial risks should be limited. The policy balances and limits the following financial risks:

- foreign exchange risks (cash flow and translation exposure)
- borrowing and interest rate risks
- liquidity and credit risks in the financial markets.

The policy is adopted by Nolato's Board and revised annually or when necessary.

Nolato's business risks are described on pages 32–33.

### Foreign exchange risks

#### Cash flow risks

These are defined as changes in the cash flow due to foreign exchange rate fluctuations in currency flows.

The Group applies hedging reporting, whereby the effective portion of changes in the fair value of cash flow hedges which meets the conditions for hedge accounting is reported in shareholders' equity. Accumulated amounts in shareholders' equity are reversed in the income statement in those periods when the hedge item affects earnings (for instance, when a forecast sale took place).

According to the Group's financial policy, future forecast net flows of foreign currency for products and services are hedged for a period of twelve months as follows:

Next 3 months	60–80%
Next 4 – 6 months	40–60%
Next 7 – 9 months	20–40%
Next 10 – 12 months	0–20%

Foreign exchange risks for financial flows relating to loans and investments in foreign currencies can be avoided by the Group's companies borrowing in foreign currencies or hedging these flows. According to this policy, any hedging or risk-taking is decided on a case-by-case basis for foreign exchange risk in financial flows. Any hedging costs and any differences in interest rate levels between countries are taken into consideration in decisions on any possible risk-taking. Nolato's current exposure can be seen in the sensitivity analysis.

#### Translation exposure

Translation exposure is the effect produced when the income statement and balance sheet of a foreign subsidiary are translated into Swedish kronor in the consolidated income statement and balance sheet. Translation is a reporting effect calculated at every reporting date. The income statement is translated at the average rate for the year, while the closing rate on December 31 is used to translate the balance sheet.

According to the Group's policy, the Group's capital – that is, its foreign net assets – is not hedged. Nolato's current exposure can be seen in the sensitivity analysis.

### Funding and borrowing risk

In order to maintain financial flexibility and satisfy the Group's capital needs, Nolato has negotiated credit fa-

cilities 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 and increased loan agreements with credit institutions by SEK 350 M, with a two-year term. The remainder of the total loan framework runs until December 31, 2009. Current liquid reserves are detailed in Note 29 on page 63 and in the analysis of interest-bearing net liabilities, Note 30 on page 64.

### Interest rate risk

Interest rate risk is defined as the risk of an effect on the Group's earnings as a result of changes in market interest rates. The maturity of the Group's fixed-term loans and investments determines how quickly interest rate changes impact on earnings. The Group's policy specifies that the average maturity of fixed-term loans and investments for the Group is to be between 0 months and 2 years. This affects all interest-bearing assets and liabilities, i.e. net liabilities.

The interest rate effect and interest-bearing liabilities can be seen in the sensitivity analysis.

### Liquidity and credit risks

The Group's policy for investing liquid funds specifies that they may only be invested in financial instruments which can be redeemed at short notice or which have a highly liquid secondary market, in order to reduce liquidity risk.

Investments other than traditional bank deposits may only be made in low-risk interest-bearing securities (with a high rating based on official statistics from official rating agencies) and high liquidity. According to the policy, the maturity period of these interest-bearing securities may not exceed three months.

### Customer dependence

Nolato Telecom has a greater dependency on a small number of customers. The other business areas' customer bases are considerably broader, with no single customer or customer group being so dominant that any loss of business would have a significant impact on the Group's profitability. However, if any of these major customers were to suffer financial difficulties, there would be a risk of significant losses.

## Transaction exposure and sensitivity analyses

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

SEK M	12 months estimated net flows	Total hedging	Percentage	Average exchange rate
USD	181	101	56%	7.56
EUR	27	9	33%	10.67
DKK	49	23	47%	1.36
<b>Total</b>	<b>257</b>	<b>133</b>	<b>52%</b>	

Nolato's Swedish operations have a net exposure largely in EUR, USD and DKK. The Chinese operations have a net exposure largely in CNY/USD, while the Hungarian operations only have a limited foreign currency net flow. At the end of the year, 52 percent of the future forecast net flow was hedged via forward contracts.

### Transaction exposure on December 31, 2008

SEK M	Unhedged forecast net flows, 12 months	Change in currency	Effect on earnings
USD	80	+/- 1%	1
EUR	18	+/- 1%	0
DKK	26	+/- 1%	0
<b>Total</b>	<b>124</b>		<b>1</b>

The Group had SEK 124 M in unhedged net flows, including effects from currency hedges. A +1/–1% change in the value of the Swedish krona would have an SEK 1 M effect on net income.



## Interest-bearing net liabilities on December 31, 2008

	Outstanding amount (SEK M)	Term out- standing (mo)	Remaining fixed- interest period (mo)	Average interest 2008 (%)
<b>Interest-bearing liabilities</b>				
Bank loans, SEK	85	1	1	5.7
Bank loans, USD	38	1	1	3.4
Overdraft facilities, EUR	49	6	1	4.9
Pension liability, SEK	89	—	—	5.2
Other liabilities, SEK	2	23	12	5.3
<b>Total</b>	<b>263</b>			<b>5.3</b>
<b>Interest-bearing assets</b>				
Liquid funds	– 168	—	—	1.1
<b>Total net liabilities</b>	<b>95</b>			

Non-interest-bearing liabilities are attributable primarily to accounts payable, with the term outstanding shown in the table below:

Maturity	< 1 month	Within 1–3 months	Within 4–12 months	> 1 year	Total
	294	102	7	1	<b>404</b>

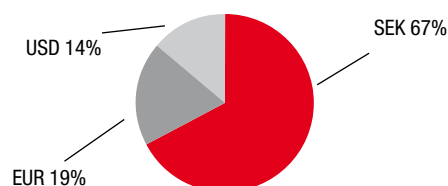
Other non-interest-bearing financial liabilities fall due within 12 months.

## Translation exposure of net assets on December 31, 2008

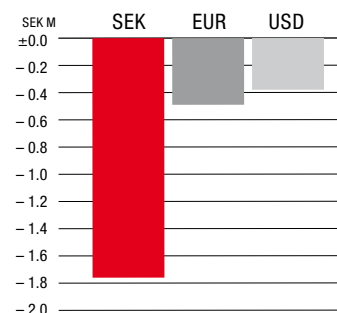
SEK M	Net assets	Swedish krona 1 % stronger
Nolato Beijing, CNY	272	– 2
Nolato Hungary, HUF	65	– 1
Nolato Lovepac Converting, CNY	40	0
Nolato Kuala Lumpur, MYR	– 33	0
Cerbo Norge, NOK	2	0
Cerbo Polen, PLN	1	0
Cerbo France, EUR	– 2	0
Cerbo Danmark, DKK	– 2	0
<b>Total</b>	<b>343</b>	<b>– 3</b>

The Group had SEK 343 M in foreign net assets, and a one percent strengthening of the Swedish krona would have an SEK –3 M impact on net assets.

## Breakdown of interest-bearing liabilities by currency



## Interest rate effect



The effect on interest expense of a 1 percent rise in interest rates, including derivatives, calculated on interest-bearing liabilities at the end of the year. A one percent rise in interest rates would have a negative effect on the Group of SEK 3 M.

## Note 5 Intra-Group purchases and sales

The Parent Company	2008	2007
Sales to Group companies, total	22	17
Purchases from Group companies, total	– 13	—

## Note 6 Information about divisions and geographic areas

### Information about divisions

The Group's operations are reported via three business areas. These business areas are the primary classifying principle. A description of the three business areas can be found on pages 12–23.

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. Directly attributable items and items which could be attributed to the segments in a reasonable and reliable manner have been included in the segments' earnings, assets and liabilities.

The assets in each business area consist of all operating assets used by the division, primarily fixed assets, inventories and accounts receivable. Liabilities assigned to divisions include all operating liabilities, mainly accounts payable and accrued expenses.

Those items not allocated in the balance sheet are liquid funds, borrowings, provisions for pensions and deferred taxes. Those items not allocated in the income statement are attributable to financial items, financial expenses and tax expenses.

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

Group	Nolato Medical		Nolato Telecom		Nolato Industrial		Elimination		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
<b>Sales</b>										
External sales	632	526	1,243	908	949	987	—	—	2,824	2,421
Intra-Group sales	—	—	—	12	1	13	– 1	– 25	—	—
<b>Total sales</b>	<b>632</b>	<b>526</b>	<b>1,243</b>	<b>920</b>	<b>950</b>	<b>1,000</b>	<b>– 1</b>	<b>– 25</b>	<b>2,824</b>	<b>2,421</b>
<b>Earnings</b>										
Operating income (EBITA)	92	76	119	73	59	78	– 30	– 23	240	204
Amortisation of intangible assets arising from acquisitions	– 5	– 5	—	—	– 3	– 2	—	—	– 8	– 7
Non-recurring items	—	– 7	—	—	—	—	—	—	—	– 7
<b>Operating income</b>	<b>87</b>	<b>64</b>	<b>119</b>	<b>73</b>	<b>56</b>	<b>76</b>	<b>– 30</b>	<b>– 23</b>	<b>232</b>	<b>190</b>
Financial income									6	3
Financial expenses									– 22	– 22
Tax expenses for the year									– 38	– 21
<b>Net income</b>									<b>178</b>	<b>150</b>
<b>Other information</b>										
Assets	598	606	786	537	765	706	– 211	– 7	1,938	1,842
Assets not allocated									188	76
<b>Total assets</b>	<b>598</b>	<b>606</b>	<b>786</b>	<b>537</b>	<b>765</b>	<b>706</b>	<b>– 211</b>	<b>– 7</b>	<b>2,126</b>	<b>1,918</b>
Liabilities	100	103	418	221	224	196	– 46	2	696	522
Liabilities not allocated									372	515
<b>Total liabilities</b>	<b>100</b>	<b>103</b>	<b>418</b>	<b>221</b>	<b>224</b>	<b>196</b>	<b>– 46</b>	<b>2</b>	<b>1,068</b>	<b>1,037</b>
Investments	24	36	79	33	57	38			160	107
Depreciation/amortisation	41	36	72	62	54	62			167	160
Significant expenses, other than depreciation/amortisation with no offsetting payments, writedowns and provisions	—	6	4	—	10	8			14	14

### Information about geographic regions

In the Nordic region, which is the Group's domestic market, the Group manufactures and sells 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 2008 in China and Malaysia for the Nolato Telecom business area. The Nolato Medical business area started pro-

duction in China during 2008. Since certain Nolato customers questioned the use of Malaysia as a production country, the Board decided in July to focus on operations in China, winding down and closing the production unit in Malaysia. Operations and customer deliveries ceased as planned during the fourth quarter.

	Nordic countries		Other Europe		North America etc.		Asia		Group	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
External net sales	1,180	1,208	674	596	282	45	688	572	2,824	2,421
Assets	1,363	1,342	206	161	—	—	557	415	2,126	1,918
Average number of employees	890	977	235	414	—	—	3,406	2,369	4,531	3,760
Investments	55	55	35	23	—	—	70	29	160	107

## Note 7 Research and development

Group	2008	2007
Customer-specific product development costs	213	127
<b>Total</b>	<b>213</b>	<b>127</b>

## Note 8 Information on remuneration to auditors

The Company's auditing firm has received remuneration:

For auditing and other reviews in accordance with the Swedish Companies Act, etc.

SEK thousands

	Group		Parent Company	
	2008	2007	2008	2007
KPMG	1,683	—	400	—
Ernst & Young	—	2,288	—	418
<b>Total</b>	<b>1,683</b>	<b>2,288</b>	<b>400</b>	<b>418</b>

For independent consulting, assistance, etc.

SEK thousands

	Group		Parent Company	
	2008	2007	2008	2007
KPMG	979	—	856	—
Ernst & Young	378	1,362	225	1,109
<b>Total</b>	<b>1,357</b>	<b>1,362</b>	<b>1,081</b>	<b>1,109</b>

## Note 9 Other operating expenses

Group	2008	2007
Amortisation on customer relations	– 8	– 7
<b>Total</b>	<b>– 8</b>	<b>– 7</b>

## Note 10 Personnel

## Average number of employees

Parent Company	2008		2007	
	Number	Of which men	Number	Of which men
Nolato AB, Torekov, Sweden	7	86%	6	83%
<b>Group companies</b>				
Cerbo France Sarl, France	1	0%	1	0%
Cerbo Göteborg AB, Gothenburg, Sweden	—	—	13	57%
Cerbo Norge A/S, Norway	3	33%	2	50%
Cerbo Polen Sp. z o.o., Poland	2	50%	2	50%
Medigrafik AS, Denmark	—	—	13	67%
Nolato Alpha AB, Kristianstad, Sweden	125	76%	82	85%
Nolato Beijing Ltd, China	2,676	17%	1,920	23%
Nolato Cerbo AB, Trollhättan, Sweden	95	55%	83	53%
Nolato Gota AB, Götene, Sweden	94	74%	114	72%
Nolato Hertila AB, Åstorp, Sweden	22	73%	16	79%
Nolato Hungary Kft, Hungary	232	57%	224	49%
Nolato Kuala Lumpur SDN BHD, Malaysia	372	30%	193	11%
Nolato Lovepac Converting Ltd, China	357	38%	256	53%
Nolato Lövepac AB, Skånes Fagerhult, Sweden	42	71%	65	71%
Nolato Medevo AB, Torekov, Sweden	129	66%	133	68%
Nolato Medical Rubber AB, Hörby, Sweden	82	45%	84	46%
Nolato Plastteknik AB, Gothenburg, Sweden	101	54%	101	56%
Nolato Polymer AB, Torekov, Sweden	82	78%	90	73%
Nolato Silikonteknik AB, Hallsberg, Sweden	21	76%	30	70%
Nolato STG AB, Lönsboda, Sweden	—	—	44	61%
Nolato Sunne AB, Sunne, Sweden	88	85%	101	85%
Nolato Tallinn AS, Estonia	—	—	187	14%
<b>Group total</b>	<b>4,531</b>	<b>30%</b>	<b>3,760</b>	<b>37%</b>

## Costs for remuneration to employees

Group	2008	2007
Salaries and remuneration, etc.	510	465
Share-based remuneration	0	0
Pension expenses, defined benefit plans, Note 31	7	6
Pension expenses, defined contribution plans	32	33
Employer payroll fees	139	147
<b>Total</b>	<b>688</b>	<b>651</b>

There are 97 (105) senior executives within the Group. Remuneration charged to income and benefits for these senior executives during the year totalled SEK 56 M (70).

Parent Company	2008	2007
Salaries and remuneration	12	10
Share-based remuneration	0	—
Pension expenses, defined contribution plans	4	5
Employer payroll fees	5	3
<b>Total</b>	<b>21</b>	<b>18</b>

Of the Parent Company's pension expenses, SEK 1.4 M (1.7) 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 M (0). The Parent Company only has employees in Sweden.

## Gender distribution of senior executives

Group	2008		2007	
	Men	Women	Men	Women
Managing directors	17	—	16	1
Board members	73	9	69	5
Other senior executives	59	19	64	12
<b>Total</b>	<b>149</b>	<b>28</b>	<b>149</b>	<b>18</b>

Parent Company	2008		2007	
	Men	Women	Men	Women
President and CEO	1	—	1	—
Board members	7	2	7	2
Other senior executives	4	—	4	—
<b>Total</b>	<b>12</b>	<b>2</b>	<b>12</b>	<b>2</b>



## Remuneration to the Board and senior executives

### Remuneration and other benefits during 2008

SEK thousands	Base salary/ Directors' fee	Variable remuneration*	Other benefits**	Pension premiums	Other remuneration***	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
<b>Total</b>	<b>10,606</b>	<b>3,067</b>	<b>624</b>	<b>3,017</b>	<b>175</b>	<b>17,489</b>

### Remuneration and other benefits during 2007

SEK thousands	Base salary/ Directors' fee	Variable remuneration*	Other benefits**	Pension premiums	Other remuneration***	Total
Chairman of the Board, Carl-Gustaf Söndén	220	—	—	—	—	220
Board member, Gun Boström	120	—	—	—	—	120
Board member, Erik Paulsson	120	—	—	—	—	120
Board member, Henrik Jorlén	120	—	—	—	—	120
Board member, Lars-Åke Rydh	120	—	—	—	1	121
Board member, Roger Johanson	120	—	—	—	—	120
President and CEO, Georg Brunstam	3,229	1,373	238	1,344	1,308	7,492
Other senior executives (4 people)	6,012	1,570	352	1,326	193	9,453
<b>Total</b>	<b>10,061</b>	<b>2,943</b>	<b>590</b>	<b>2,670</b>	<b>1,502</b>	<b>17,766</b>

\* Variable remuneration relates to remuneration charged as expenses for the financial year and payable in the following year.

\*\* Other benefits relates to company cars.

\*\*\* Other remuneration relates to the Board members' taxable travel allowance as well as payments made to the President and CEO and other senior executives for accrued holiday benefits.

### Remuneration and other benefits during 2009

As a result of the global economic downturn and the cut-backs made within the Group, Nolato's Group management has decided to freeze base salaries for senior executives during 2009. This freeze applies to Group management, business area management and the managing directors of Group companies.

#### Principles for remuneration and benefits

A director's fee is paid to the Chairman of the Board and members of the Board, as decided by the Annual Meeting. No director's fee is paid to employees of the Group or to employee representatives. Remuneration for the President and CEO and other senior executives is made up of a base salary, variable remuneration, other benefits and a pension. Other senior executives are individuals who, together with the President and CEO, constitute the Group management. During 2008, 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 operating income and the return on capital employed. The maximum outcome for the President and CEO is 40 percent of base salary and for other senior executives 30 percent of base salary. At the same time, the relevant profit centre must report positive earnings excluding non-recurring items. In 2008, the outcome for the President and CEO was 40 percent of base salary (40) and for other senior executives an average of 27 percent of base salary (26).

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 percent 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 has been charged to income at a rate of SEK 70,000. At the end of 2008, the value of this bonus scheme was deemed to be SEK 183,000.

#### Pensions

The retirement age for the President and CEO and other senior executives is 65. The President and CEO's pension premium amounts to 40 percent of pension-qualifying salary, and follows a defined contribution plan. Variable remuneration does not qualify as pensionable income. For 2008, the pension premium was 40 percent of base salary (40). Other senior executives have defined contribution pension plans. For 2008, the average pension premium was 26 percent of base salary (22). Variable remuneration does not qualify as pensionable income.

#### Severance pay

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

## Note 11 Depreciation

Depreciation/amortisation according to plan are included in operating expenses as follows:

	Group		Parent Company	
	2008	2007	2008	2007
Customer relations	8	7	—	—
Capitalised development expenditure	0	—	—	—
Buildings and land	16	15	—	—
Machinery and other technical facilities	135	128	—	—
Equipment, tools, fixtures and fittings	8	10	0	0
<b>Total</b>	<b>167</b>	<b>160</b>	<b>0</b>	<b>0</b>

Depreciation/amortisation was distributed according to use as follows:

	Group		Parent Company	
	2008	2007	2008	2007
Cost of goods sold	156	149	—	—
Selling expenses	0	1	—	—
Administrative expenses	3	3	0	0
Other operating expenses	8	7	—	—
<b>Total</b>	<b>167</b>	<b>160</b>	<b>0</b>	<b>0</b>

## Note 12 Exchange rate differences

	Group		Parent Company	
	2008	2007	2008	2007
Exchange rate diff. in op. income, net*	7	3	—	—
Exchange rate diff. in net financial items	2	– 1	1	5
<b>Total</b>	<b>9</b>	<b>2</b>	<b>1</b>	<b>5</b>

\*Includes income from derivatives of SEK – 3 M (0).  
The corresponding Parent Company item is SEK – 2 M (0).

## Note 13 Income from shares in Group companies

Parent Company	2008	2007
Dividends from Group companies	44	39
Income from liquidation of Group companies	—	74
Writedown of Group company receivables	– 67	—
Writedown of Group company shares	– 68	– 20
<b>Total</b>	<b>– 91</b>	<b>93</b>

## Note 14 Financial income

	Group		Parent Company	
	2008	2007	2008	2007
Interest income, Group companies	—	—	10	14
Interest income, bank deposits	4	3	1	2
Exchange rate differences	2	—	1	5
<b>Total</b>	<b>6</b>	<b>3</b>	<b>12</b>	<b>21</b>

## Note 15 Financial expenses

	Group		Parent Company	
	2008	2007	2008	2007
Interest expenses, Group companies	—	—	– 5	– 7
Interest expenses, credit institutions	– 17	– 16	– 12	– 17
Interest expenses, pension liabilities	– 5	– 4	—	—
Other financial expenses	0	– 1	0	– 1
Exchange rate differences	—	– 1	—	—
<b>Total</b>	<b>– 22</b>	<b>– 22</b>	<b>– 17</b>	<b>– 25</b>

## Note 16 Appropriations

Parent Company	2008	2007
Reversal of tax allocation reserve	3	—
Provision to tax allocation reserve	– 45	– 30
<b>Total</b>	<b>– 42</b>	<b>– 30</b>

## Note 17 Tax

	Group		Parent Company	
	2008	2007	2008	2007
<b>Current tax expenses</b>				
Tax expenses for the period	- 62	- 17	18	16
Adj. for tax attributable to previous years	0	- 1	0	—
	- 62	- 18	18	16
<b>Deferred tax expense (-)/revenue (+)</b>				
Tax revenue for temp. differences	33	20	0	0
Tax expense for temp. differences	- 9	- 23	—	—
	24	- 3	0	0
<b>Total reported tax expense</b>	<b>- 38</b>	<b>- 21</b>	<b>18</b>	<b>16</b>

## Difference between the Group's tax and tax based on applicable tax rate

	Group		Parent Company	
	2008	2007	2008	2007
Reported income before tax	216	171	- 164	34
Tax according to applicable tax rate	- 61	- 47	46	- 10
Effect of change in tax rate on temp. diff. in Sweden	3	—	0	—
Dividends from subsidiaries	—	—	13	11
Income from liquidation of subsidiaries	—	—	—	21
Non-ded. writed. of shares/receivables in subs.	—	—	- 38	- 6
Prior loss carryforwards utilised	—	- 3	—	—
Tax attributable to previous years	0	- 1	0	—
Prior loss carryforwards not utilised	—	8	—	—
Loss carryforwards not utilised	- 8	- 2	—	—
Change in determining Gr. contr. to foreign co.s	8	—	—	—
Effect of foreign tax rates	13	14	—	—
Standard interest on tax allocation reserve	—	—	- 1	—
Other non-ded. expenses/taxable income	7	10	- 2	0
<b>Total</b>	<b>- 38</b>	<b>- 21</b>	<b>18</b>	<b>16</b>

The tax rate applicable to the Group's income is 28%.

Tax on Group contributions received is reported directly against shareholders' equity.

## Tax related to items reported directly against shareholders' equity

	Group		Parent Company	
	2008	2007	2008	2007
Hedge accounting	1	—	—	—
Current tax related to Group contributions	—	—	- 57	- 39
<b>Total</b>	<b>1</b>	<b>—</b>	<b>- 57</b>	<b>- 39</b>

## Deferred tax liabilities

	Group		Parent Company	
	2008	2007	2008	2007
Machinery and equipment	41	48	—	—
Tax allocation reserves	23	11	—	—
Revaluation of real estate	16	19	—	—
Customer relations	13	17	—	—
Buildings and land	7	7	—	—
Earnings from foreign subsidiaries	—	8	—	—
Other items	19	28	—	—
<b>Total</b>	<b>119</b>	<b>138</b>	<b>—</b>	<b>—</b>

## Deferred tax assets

	Group		Parent Company	
	2008	2007	2008	2007
Provisions for pensions	1	1	—	—
Loss carryforwards capitalised	7	8	—	—
Inventories	5	2	—	—
Other provisions	2	1	—	—
Tangible fixed assets	11	7	—	—
Other items	6	4	2	2
<b>Total deferred tax assets</b>	<b>32</b>	<b>23</b>	<b>2</b>	<b>2</b>
<b>Net deferred taxes</b>	<b>- 87</b>	<b>- 115</b>	<b>2</b>	<b>2</b>

Offsetting of deferred tax assets and deferred tax liabilities occurs where a legal right of offset applies. SEK 20 M (14) was thus reported as deferred tax assets and SEK 107 M (129) as deferred tax liabilities.

The Group's unutilised loss carryforwards amounted to SEK 77 M (100) and relate 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.

## Note 18 Expenses allocated by type of cost

	Group		Parent Company	
	2008	2007	2008	2007
Raw materials and supplies	- 1,381	- 1,121	—	—
Changes in inventories of finished goods and work in progress	17	16	—	—
Costs for remuneration to employees	- 688	- 651	- 22	- 19
Energy costs	- 69	- 65	—	—
Other costs	- 304	- 250	- 26	- 23
Amortisation and depreciation	- 167	- 160	—	—
<b>Total operating expenses</b>	<b>- 2,592</b>	<b>- 2,231</b>	<b>- 48</b>	<b>- 42</b>

## Note 19 Non-recurring items

Non-recurring items for the following amounts are included in the income statement:

Group	2008	2007
Restructuring costs from acquisition of Cerbo	—	– 7
Tax changes for foreign subsidiaries	—	20
Tax effect	—	2
<b>Total</b>	<b>—</b>	<b>15</b>

Non-recurring items have been allocated in the income statement among the following items:

Group	2008	2007
Administrative expenses	—	– 7
Tax	—	22
<b>Total</b>	<b>—</b>	<b>15</b>

### Non-recurring costs for 2007 for restructuring on acquisition of the Cerbo Group

Non-recurring items relating to the acquisition of the Cerbo Group on March 5, 2007 amounting to SEK 7 M were charged to income. These costs consist of termination costs for Cerbo Group management as a direct result of their posts no longer remaining after Nolato made the acquisition.

## Note 20 Intangible fixed assets

Group	Customer relations	Capitalised dev. exp.	Goodwill	Total
<b>As of January 1, 2007</b>				
Acquisition value	32	17	301	350
Acc. amortisation, writedowns	– 1	– 17	– 139	– 157
<b>Reported value</b>	<b>31</b>	<b>0</b>	<b>162</b>	<b>193</b>
<b>January 1 – December 31, 2007</b>				
Reported value on January 1	31	0	162	193
Acquisitions	38	—	242	280
Disposals	– 3	—	– 80	– 83
Amortisation	– 7	—	—	– 7
<b>Reported value</b>	<b>59</b>	<b>0</b>	<b>324</b>	<b>383</b>
<b>As of December 31, 2007</b>				
Acquisition value	67	17	463	547
Acc. amortisation, writedowns	– 8	– 17	– 139	– 164
<b>Reported value</b>	<b>59</b>	<b>0</b>	<b>324</b>	<b>383</b>
<b>January 1 – December 31, 2008</b>				
Reported value on January 1	59	0	324	383
Acquisitions	—	2	—	2
Amortisation	– 8	0	—	– 8
<b>Reported value</b>	<b>51</b>	<b>2</b>	<b>324</b>	<b>377</b>
<b>As of December 31, 2008</b>				
Acquisition value	67	19	463	549
Acc. amortisation, writedowns	– 16	– 17	– 139	– 172
<b>Reported value</b>	<b>51</b>	<b>2</b>	<b>324</b>	<b>377</b>

### Capitalised development expenditure

Capitalised development expenditure includes assets developed internally with a reported value of SEK 2 M (—). Capitalised expenditure for the previous year is attributable to acquired assets.

### Goodwill impairment testing

Reported goodwill values were tested before December 31, 2008. As detailed below, a total of SEK 324 M in goodwill is reported in Nolato's consolidated balance sheet. Goodwill is allocated to individual cash-generating units, identified by business area.

Group	2008	2007
Nolato Medical	221	221
Nolato Industrial	103	103
<b>Total</b>	<b>324</b>	<b>324</b>

The recoverable amounts for a cash-generating unit are determined using calculations of useful life. These calculations are determined according to expected future cash flows based on forecasts and strategic plans which 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 percent. 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 percent (10.6).



## Note 21 Leasing

### Financial leases

Group	2008	2007
Acquisition value of buildings and machinery	25	25
Accumulated depreciation of buildings and machinery	– 23	– 21
<b>Reported value</b>	<b>2</b>	<b>4</b>

The Parent Company has no significant leasing agreements.

### Future Group payment obligations as at December 31, 2008

	Financial leases	Operating leases
Lease payment for the year	1	22
Year 2009	1	20
Year 2010	0	5
Year 2011	—	4
Year 2012	—	4
Year 2013	—	3
Year 2014	—	3
Year 2015	—	—

Operational leases consist mainly of rental contracts for production premises.

## Note 22 Equipment

### Equipment

Parent Company	2008	2007
Accumulated acquisition value on January 1	2	2
Acquisitions	0	0
Disposals	0	—
<b>Accumulated acquisition value on December 31</b>	<b>2</b>	<b>2</b>
Accumulated depreciation on January 1	– 2	– 2
Depreciation	0	0
<b>Accumulated depreciation on December 31</b>	<b>– 2</b>	<b>– 2</b>
<b>Reported value</b>	<b>0</b>	<b>0</b>

## Note 23 Tangible fixed assets

Group	Buildings and land	Machinery and other technical facilities	Equipment, tools, fixtures and fittings	Construction in progress and advance payments	Total
<b>As of January 1, 2007</b>					
Acquisition value	423	1,281	151	24	1,879
Accumulated depreciation, writedowns	– 181	– 889	– 126	—	– 1,196
<b>Reported value</b>	<b>242</b>	<b>392</b>	<b>25</b>	<b>24</b>	<b>683</b>
<b>January 1 – December 31, 2007</b>					
Reported value on January 1	242	392	25	24	683
Acquisitions	5	77	10	15	107
Acquired via business combinations	20	126	—	30	176
Reclassification	2	32	12	– 46	—
Disposals	—	– 60	– 2	– 2	– 64
Depreciation	– 15	– 130	– 10	—	– 155
Exchange rate differences	2	3	—	—	5
<b>Reported value</b>	<b>256</b>	<b>440</b>	<b>35</b>	<b>21</b>	<b>752</b>
<b>As of December 31, 2007</b>					
Acquisition value	461	1,563	170	21	2,215
Accumulated depreciation, writedowns	– 205	– 1,123	– 135	—	– 1,463
<b>Reported value</b>	<b>256</b>	<b>440</b>	<b>35</b>	<b>21</b>	<b>752</b>
<b>January 1 – December 31, 2008</b>					
Reported value on January 1	256	440	35	21	752
Acquisitions	9	107	6	36	158
Reclassification	6	51	– 11	– 46	—
Disposals	– 11	– 1	– 3	0	– 15
Depreciation	– 16	– 135	– 8	0	– 159
Exchange rate differences	6	21	2	2	31
<b>Reported value</b>	<b>250</b>	<b>483</b>	<b>21</b>	<b>13</b>	<b>767</b>
<b>As of December 31, 2008</b>					
Acquisition value	452	1,660	141	13	2,266
Accumulated depreciation, writedowns	– 202	– 1,177	– 120	—	– 1,499
<b>Reported value</b>	<b>250</b>	<b>483</b>	<b>21</b>	<b>13</b>	<b>767</b>

The Group's reported values for buildings and machinery include financial leases – see Note 21. Tangible fixed assets includes assets with retention of title worth SEK 73 M (56).

### Taxation values and reported values

	2008	2007
Taxation value of buildings in Sweden	151	159
Reported value of buildings in Sweden	138	160
Taxation value of land in Sweden	33	33
Reported value of land in Sweden	34	35

## Note 24 Shares in Group companies

Parent Company	2008	2007
Acquisition value on January 1	976	844
Acquisitions	—	187
New share issue/additions	—	23
Disposals	– 4	—
Liquidation	—	– 78
<b>Accumulated acquisition value on December 31</b>	<b>972</b>	<b>976</b>
Accumulated writedowns on January 1	– 205	– 237
Writedowns for the year	– 68	– 20
Liquidation	—	52
<b>Accumulated writedowns on December 31</b>	<b>– 273</b>	<b>– 205</b>
<b>Reported value</b>	<b>699</b>	<b>771</b>

Over the course of the year, the Parent Company disposed of its entire holding in Nolato STG AB at book value to Nolato Alpha AB.

### The Parent Company's holdings

	Equity holding %		Reported book value	
	2008	2007	2008	2007
AB Cerbo Group, Trollhättan, Sweden	100%	100%	187	187
Nolato Alpha AB, Kristianstad, Sweden	100%	100%	12	12
Nolato Beijing Ltd, China	100%	100%	91	91
Nolato Gejde AB, Torekov, Sweden	100%	100%	1	1
Nolato Gota AB, Götene, Sweden	100%	100%	79	116
Nolato Hungary Kft, Hungary	100%	100%	46	46
Nolato Kuala Lumpur SDN BHD, Malaysia	100%	100%	0	0
Nolato Lovepac Converting Ltd, China	100%	100%	9	9
Nolato Lövepac AB, Skånes Fagerhult, Sweden	100%	100%	10	10
Nolato Medevo AB, Torekov, Sweden	100%	100%	6	6
Nolato Medical Rubber AB, Hörby, Sweden	100%	100%	163	163
Nolato Plastteknik AB, Gothenburg, Sweden	100%	100%	37	62
Nolato Polymer AB, Torekov, Sweden	100%	100%	5	5
Nolato Silikonteknik AB, Hallsberg, Sweden	100%	100%	8	12
Nolato STG AB, Lönsboda, Sweden	—	100%	—	4
Nolato Sunne AB, Sunne, Sweden	100%	100%	33	35
Nolato Torekov AB, Torekov, Sweden	100%	100%	12	12
<b>Reported value</b>			<b>699</b>	<b>771</b>

### Shares owned via Group companies

	Equity holding %	
	2008	2007
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%
Kartongprod. 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%	100%

### Interests in joint ventures

	Equity holding %	
	2008	2007
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
Nolato Alpha AB	556164-1050	Kristianstad, Sweden
Nolato Beijing Ltd	110000410152952	China
Nolato Cerbo AB	556054-9270	Trollhättan, Sweden
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 Lovepac Converting Ltd	110000410302897	China
Nolato Lövepac AB	556120-6052	Sk Fagerhult, Sweden
Nolato Medevo AB	556309-0678	Torekov, Sweden
Nolato Medical Rubber AB	556146-2606	Hörby, Sweden
Nolato OPD Ltd, Kina	110302010534069	China
Nolato Plastteknik AB	556198-4385	Gothenburg, Sweden
Nolato Polymer AB	556380-2890	Torekov, Sweden
Nolato Silikonteknik AB	556137-5873	Hallsberg, Sweden
Nolato STG AB	556098-4584	Lönsboda, Sweden
Nolato Sunne AB	556101-2922	Sunne, Sweden
Nolato Torekov AB	556042-2858	Torekov, Sweden

## Note 25 Inventories

Group	2008	2007
Raw materials and supplies	103	91
Products being manufactured	42	33
Finished goods and goods for resale	87	72
Work in progress	6	5
<b>Total</b>	<b>238</b>	<b>201</b>

During the year, the Group wrote down inventories by SEK 19 M (7). Writedowns for the year are included in *Cost of goods sold* in the income statement. During the year, reversed writedowns totalled SEK 39 M (2).

## Note 26 Accounts receivable

Group	2008	2007
Account receivable	527	463
Deduction: Provision for decline in value of accounts receivable	– 14	– 1
<b>Reported value</b>	<b>513</b>	<b>462</b>

During the year, the Group reversed SEK 1 M (0) of provisions for decline in value of accounts receivable as of January 1. Provisions for the year totalled SEK 14 M (0).

## Total customer receivables

	Total	Not due	≤15 days	Due 16–60 days	> 60 days
2008	527	420	63	34	10
2007	463	351	63	35	14

## Accounts receivable, including provisions for decline in value

	Total	Not due	≤15 days	Due 16–60 days	> 60 days
2008	513	417	63	28	5
2007	462	351	63	35	13

At the end of 2008 and the end of 2007, there was no credit insurance.

## Note 27 Share capital

The share capital of Nolato AB totals SEK 132 M, 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 quotient value of each share is SEK 5.

	Number of shares	Share capital SEK thousands
Share capital, December 31, 2006	26,307,408	131,537
Share capital, December 31, 2007	26,307,408	131,537
Share capital, December 31, 2008	26,307,408	131,537

## Capital management

The Group aims to have a sound capital structure and financial stability. “Capital” is defined as the Group’s total reported share capital, i.e.:

	2008	2007
Share capital	132	132
Other capital contributed	228	228
Revaluations	45	49
Translation reserve	62	– 18
Hedging reserve	– 2	0
Retained earnings, incl. net income	593	490
<b>Total capital</b>	<b>1,058</b>	<b>881</b>

The Board aims to maintain a good balance between a high return which can be achieved through higher borrowing and the advantages and security offered by a sound capital structure. On the basis of this, the Board has identified and established the following financial targets for the Nolato Group:

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

The Board sets the Group’s financial targets each year. These targets should be seen as average figures over the course of a business cycle. All financial targets were met in 2008, as follows:

- The EBITA margin was 8.5 percent
- The return on capital employed was 18.4 percent
- The equity/assets ratio was 50 percent

The Board’s dividend proposal shall take into consideration Nolato’s long-term development potential, financial position and investment needs. The Board’s dividend policy means that the Board shall intend to propose a dividend corresponding on average to at least 35 percent of net income. The board proposed a dividend of SEK 2.75 (3.00) per share for 2008, corresponding to 41 percent (52) of the Group’s net income.

The financial targets remain the same as in previous years. All Parent Company credit is restricted by capital requirements – see Note 29 on page 63. Otherwise, the Group has no stated external capital requirements.



## Note 28 Other reserves

Group	Revaluation build. & land	Hedging reserve	Transl. reserve	Total
<b>Balance on January 1, 2007</b>	<b>51</b>	<b>0</b>	<b>-21</b>	<b>30</b>
<i>Revaluations:</i>				
Transfer of depreciation – gross	- 3	—	—	- 3
Transfer of depreciation – tax	1	—	—	1
Translation differences	—	—	3	3
<b>Balance on December 31, 2007</b>	<b>49</b>	<b>0</b>	<b>-18</b>	<b>31</b>
<b>Balance on January 1, 2008</b>	<b>49</b>	<b>0</b>	<b>-18</b>	<b>31</b>
<i>Revaluations:</i>				
Transfer of depreciation – gross	- 5	—	—	- 5
Transfer of depreciation – tax	1	—	—	1
<i>Cash flow hedges:</i>				
Fair value on losses for the year	—	- 6	—	- 6
Tax on fair value losses	—	2	—	2
Transfers to the income statement	—	3	—	3
Tax on transfers to the income statement	—	- 1	—	- 1
Translation differences	—	—	80	80
<b>Balance on December 31, 2008</b>	<b>45</b>	<b>- 2</b>	<b>62</b>	<b>105</b>

*Hedging reserve*

The hedging reserve includes the effective portion of the accumulated net change in fair value of a cash flow hedging instrument attributable to hedged transactions which have not yet occurred.

*Translation reserve*

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

## Note 29 Borrowings

	Group		Parent Company	
	2008	2007	2008	2007
<b>Long-term</b>				
Bank loans	—	230	—	177
	—	230	—	177
<b>Short-term</b>				
Bank loans	123	18	123	66
Overdraft facilities	49	48	—	—
	172	66	123	66
<b>Total borrowings</b>	<b>172</b>	<b>296</b>	<b>123</b>	<b>243</b>

**Maturity dates for bank loan borrowings:**

	2008	2007	2008	2007
Within 1 year	172	66	123	66
Between 2 and 5 years	—	230	—	177
More than 5 years	—	—	—	—
<b>Total</b>	<b>172</b>	<b>296</b>	<b>123</b>	<b>243</b>

**Amounts reported, by currency:**

	2008	2007	2008	2007
EUR	49	180*	0	132
SEK	85	55	85	55
USD	38	57	38	56
HUF	0	4	—	—
<b>Total</b>	<b>172</b>	<b>296</b>	<b>123</b>	<b>243</b>

\* The Group had hedged liabilities of EUR 15 M in 2007 through a currency swap at a rate of 8.79. The market value of the currency swap was SEK 10 M. During the last quarter of 2008, the loan and the related currency swap were repaid.

**Interest-bearing liabilities and interest rate swaps**

At the end of the year, the Group's interest-bearing liabilities amounted to SEK 172 M (296). The average tax rate was 5.3 percent (5.1). The average fixed-interest term was 3 months (3).

	Group		Parent Company	
	2008	2007	2008	2007
Liabilities with floating interest rates	172	296	123	243
<b>Total liabilities</b>	<b>172</b>	<b>296</b>	<b>123</b>	<b>243</b>

**Terms and repayment periods**

Total credit lines granted within the Group amount to SEK 753 M (775). At the end of the year, Nolato extended and increased loan agreements with credit institutions by SEK 350 M, with a two-year term. The remainder of the total loan framework runs until December 31, 2009. Collateral pledged for these credit facilities totals SEK 202 M (159). The credit facilities are conditional on the customary covenants, which are met by the Group. 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 30 Net debt

Group	2008	2007
Cash and bank balances	168	62
Loans, long-term	—	– 230
Provisions for pensions and similar obligations	– 89	– 86
Other long-term liabilities, interest-bearing	– 2	– 2
Loans, short-term	– 123	– 18
Overdraft facilities	– 49	– 48
Other short-term liabilities, interest-bearing	0	– 2
Derivative instruments, Note 34	—	10
<b>Total</b>	<b>– 95</b>	<b>– 314</b>

### Note 31 Provisions for pensions and similar obligations

Group	2008	2007
SEK thousands		
Defined benefit pension plans	87,936	85,361
Other pension plans	1,084	1,038
<b>Total</b>	<b>89,020</b>	<b>86,399</b>

#### Defined benefit pension plans

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

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

SEK thousands	2008	2007
Present value of unfunded obligations	111,779	101,618
Unreported actuarial losses	– 23,843	– 16,257
<b>Net liability in the balance sheet</b>	<b>87,936</b>	<b>85,361</b>

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

SEK thousands	2008	2007
Balance on January 1	101,618	67,137
Benefits vested during the period	693	1,004
Interest expenses	4,535	3,761
Benefits redeemed	—	—
Pension payments	– 3,115	– 2,687
Acquisitions of Group companies	—	28,185
Actuarial loss	8,048	4,218
<b>Total</b>	<b>111,779</b>	<b>101,618</b>

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

SEK thousands	2008	2007
Expenses related to service during the financial year	693	1,004
Interest expense	4,535	3,761
Actuarial losses reported for the year	462	326
<b>Total expense for defined benefit pension plans</b>	<b>5,690</b>	<b>5,091</b>
Expense for defined contribution plans	25,930	26,735
Expense for special salary tax and yield tax	7,594	7,638
<b>Total pension expense</b>	<b>39,214</b>	<b>39,464</b>

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

SEK thousands	2008	2007
<i>Amounts charged to operating income:</i>		
Cost of goods sold	168	199
Selling expenses	356	13
Administrative expenses	631	1,118
<i>Amounts charged to financial expenses:</i>		
Financial expenses	4,535	3,761
<b>Total</b>	<b>5,690</b>	<b>5,091</b>

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

SEK thousands	2008	2007
Net liability on January 1 according to the balance sheet adopted	85,361	54,772
Acquisitions of Group companies	—	28,185
Net expense reported in the income statement	5,690	5,091
Pension payments and benefits redeemed	– 3,115	– 2,687
<b>Net liability on December 31</b>	<b>87,936</b>	<b>85,361</b>

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

%	2008	2007
Discount rate	3.80	4.50
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 December 31:

2008	2007	2006	2005	2004
111,779	101,618	67,137	66,147	53,533

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

2008	2007	2006	2005	2004
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 2008 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 3 M (5). Alecta's surplus can be allocated to insurers and/or insurees. On December 31, 2008, Alecta's surplus, in the form of the collective funding ratio, amounted to 112 percent (152). 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 32 Other provisions**

Group	Share-based bonus	Provision to restructuring reserve	Other	Total
Amount on January 1	—	2	2	4
Provisions for the year	0	6	0	6
Provisions utilised	—	— 1	—	— 1
<b>Amount on December 31</b>	<b>0</b>	<b>7</b>	<b>2</b>	<b>9</b>

At the end of 2008, restructuring reserve provisions stood at SEK 7 M, which will be paid out in 2009. Provisions utilised for the year of SEK 1 M are attributable to remuneration paid to dismissed staff from previous years.

Parent Company	Share-based bonus	Provisions to restructuring reserve	Other	Total
Amount on January 1	—	—	2	2
Provisions for the year	0	—	0	0
<b>Amount on December 31</b>	<b>0</b>	<b>—</b>	<b>2</b>	<b>2</b>

The share-based bonus provision for the year is attributable to the share-based bonus programme, which is explained in Note 10 on page 55.

**Note 33 Accrued expenses and deferred income**

	Group		Parent company	
	2008	2007	2008	2007
Salary liabilities	76	68	6	6
Employer payroll fees	29	35	1	3
Deliveries of goods received, not invoiced	37	17	—	—
Other items	66	37	2	5
<b>Total</b>	<b>208</b>	<b>157</b>	<b>9</b>	<b>14</b>

**Note 34 Derivative instruments**

Group	Assets	2008 Liabilities	Assets	2007 Liabilities
Currency forward contracts, cash flow hedges	0	4	—	—
Currency forward contracts, fair value hedges	—	—	10	—
<b>Total</b>	<b>0</b>	<b>4</b>	<b>10</b>	<b>—</b>

**Currency forward contracts**

Currency forward contracts entered into but unutilised are detailed in the table below. The market value on December 31, 2008, was SEK –4 M (0). The market value of contracts identified as cash flow hedges which meet the conditions for hedge accounting was SEK –3 M (0). This value has been reported in shareholders' equity. The remaining market value, SEK –1 M (0), was reported in the income statement.

Currency	Nom. value in contract SEK M	Average rate (SEK)	Market value	Reported against inc. statement	Reported against shareholders' eq.
USD/SEK	101	7.56	– 3	– 1	– 2
EUR/SEK	9	10.67	0	0	0
DKK/SEK	23	1.36	– 1	0	– 1
<b>Total</b>	<b>133</b>		<b>– 4</b>	<b>– 1</b>	<b>– 3</b>

Gains and losses in shareholders' equity in relation to currency forward contracts on December 31, 2008, will be transferred to the income statement at various dates within one year of the balance sheet date.

**Currency forward contracts, fair value hedges**

	Maturity date	Amount	Rate	Currency	Market value
31/12/2007	06/11/2008	15,000	8.79	EUR	10

The currency swap pertained to the hedging of long-term liabilities in EUR.

## Note 35 Fair value of financial assets and liabilities

Group	Dec 31, 2008				Dec 31, 2007			
Financial assets	Loan receivables and customer receivables	Assets valued at fair value via income statement	Non-financial assets	Total	Loan receivables and customer receivables	Assets valued at fair value via income statement	Non-financial assets	Total
Intangible fixed assets	—	—	377	377	—	—	383	383
Tangible fixed assets	—	—	767	767	—	—	752	752
Other securities held as fixed assets	—	—	2	2	—	—	—	—
Deferred tax assets	—	—	20	20	—	—	14	14
Inventories	—	—	238	238	—	—	201	201
Accounts receivable	513	—	—	513	462	—	—	462
Current tax assets	—	—	0	0	—	—	6	6
Other receivables	—	—	26	26	—	—	16	16
Derivative assets	—	0	—	0	—	10	—	10
Prepaid expenses and accrued income	—	—	15	15	—	—	12	12
Cash and bank balances	168	—	—	168	62	—	—	62
<b>Total</b>	<b>681</b>	<b>0</b>	<b>1,445</b>	<b>2,126</b>	<b>524</b>	<b>10</b>	<b>1,384</b>	<b>1,918</b>

Financial liabilities	Liab. valued at fair value via income statement	Other financial liabilities	Non-financial liabilities	Total	Liab. valued at fair value via income statement	Other financial liabilities	Non-financial liabilities	Total
Loans	—	123	—	123	—	248	—	248
Provisions for pensions and similar obligations	—	89	—	89	—	86	—	86
Deferred tax liabilities	—	—	107	107	—	—	129	129
Other liabilities, interest-bearing	—	2	—	2	—	4	—	4
Other provisions	—	—	9	9	—	—	4	4
Accounts payable	—	404	—	404	—	315	—	315
Overdraft facilities	—	49	—	49	—	48	—	48
Customer advances	—	11	—	11	—	8	—	8
Current tax liabilities	—	—	41	41	—	—	17	17
Other liabilities	—	—	21	21	—	—	21	21
Derivative liabilities	4	—	—	4	—	—	—	—
Accrued expenses and deferred income	—	—	208	208	—	—	157	157
<b>Total</b>	<b>4</b>	<b>678</b>	<b>386</b>	<b>1,068</b>	<b>—</b>	<b>709</b>	<b>328</b>	<b>1,037</b>

## Note 36 Financial instruments

## Parent Company

According to the Parent Company's accounting principles, financial instruments are not reported in the balance sheet. On December 31, 2008, the market value of un-realised derivatives was SEK –3 M (0).

## Currency forward contracts, cash flow hedges

Currency	Nominal value in contract	Average rate (SEK)	Market value
USD/SEK	36	7.35	–2
EUR/SEK	9	10.67	0
DKK/SEK	23	1.36	–1
<b>Total</b>	<b>68</b>		<b>–3</b>

## Note 37 Untaxed reserves

Parent Company	2008	2007
Tax allocation reserves 2008	27	30
Tax allocation reserves 2009	45	—
<b>Total</b>	<b>72</b>	<b>30</b>

## Note 38 Collateral pledged for own liabilities and provisions

	Group		Parent Company	
	2008	2007	2008	2007
Chattel mortgages	131	107	—	—
Real estate mortgages	71	52	—	—
Assets with retention of title	2	4	—	—
<b>Total</b>	<b>204</b>	<b>163</b>	<b>—</b>	<b>—</b>

## Note 39 Contingent liabilities

	Group		Parent Company	
	2008	2007	2008	2007
Guarantees on behalf of subsidiaries	—	—	144	136
Guarantee commitments, FPG/PRI	1	1	—	—
Other contingent liabilities	2	2	—	—
<b>Total</b>	<b>3</b>	<b>3</b>	<b>144</b>	<b>136</b>



## Note 40 Related parties

The Parent Company has control over the subsidiaries, in accordance with the structure described in Note 24.

When delivering goods and services between Group companies, business terms and conditions and market pricing are applied. The scope of internal invoicing and joint Group services is detailed in Note 5, 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 44 M (39).

The Group's transactions with senior executives in the form of salaries and other remuneration, benefits, pensions and severance pay agreements with the Board and the President and CEO are detailed in Note 10 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 related parties.

The Parent Company has assumed guarantees on behalf of Group companies worth SEK 144 M (136).

## Note 41 Company acquisitions during 2007

### Acquisition of AB Cerbo Group

#### Description of the acquisition

Nolato acquired 100% of the shares in AB Cerbo Group on March 5, 2007. The acquisition was reported using the acquisition method, with the total purchase price being allocated among the assets acquired and liabilities assumed based on their fair values. Fair value was determined following generally accepted accounting principles and methods. AB Cerbo Group's earnings have been included in Nolato's consolidated accounts since March 5, 2007.

#### Financial effects

During the period March 5 – December 31, 2007, AB Cerbo Group contributed SEK 199 M to the Group's net sales and SEK 1 M to the Group's net earnings (after SEK 7 M charged in restructuring costs in connection with the acquisition, SEK 5 M net after tax).

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

##### Acquisition value

Purchase price	184
Acquisition expenses	4
<b>Total acquisition value</b>	<b>188</b>
Plus fair value of net assets acquired (as specified below)	55
<b>Goodwill</b>	<b>243</b>

Goodwill consists of synergies expected to be achieved mainly as a result of higher sales volumes, but also to some degree from lower costs through better purchasing terms from external suppliers and coordination of different levels of the business area.

##### Cash flow effects

Cash paid acquisition value	188
Less liquid funds acquired	-1
<b>Net cash flow</b>	<b>187</b>

## Assets acquired and liabilities assumed

	Reported value	Adjustment to fair value	Fair value
Goodwill	91	-91	0
Other intangible assets	0	38	38
Tangible fixed assets	176	—	176
Inventories	32	2	34
Other current assets	54	—	54
Liquid funds	1	—	1
<b>Total acquired assets</b>	<b>354</b>	<b>-51</b>	<b>303</b>
Provisions	30	—	30
Deferred tax liabilities	21	12	33
Long-term liabilities	227	—	227
Current liabilities	68	—	68
<b>Total liabilities assumed</b>	<b>346</b>	<b>12</b>	<b>358</b>
<b>Acquisition assets, net</b>	<b>8</b>	<b>-63</b>	<b>-55</b>

## Note 42 Sale of Group companies during 2007

### Sale of Cerbo Göteborg AB and Medigrafik A/S

During 2007, Nolato sold its shares in Cerbo Göteborg AB and Medigrafik A/S.

#### Financial effects

Purchase price	117
Book value	-117
<b>Capital gain</b>	<b>0</b>

#### Contribution of the companies disposed of to the Group's earnings:

Net sales	33
Cost of goods sold	-27
<b>Gross income</b>	<b>6</b>

Selling expenses	-2
Administrative expenses	-1
<b>Operating income</b>	<b>3</b>

Financial expenses	-1
--------------------	----

<b>Income after financial items</b>	<b>2</b>
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Tax	-1
-----	----

<b>Earnings from operations disposed of</b>	<b>1</b>
---------------------------------------------	----------

## Proposed distribution of earnings

### Nolato AB (publ)

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

Retained earnings	SEK	499 M
Net income	SEK	– 146 M
<b>Total</b>	<b>SEK</b>	<b>353 M</b>

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

Dividend of SEK 2.75 per share to the shareholders	SEK	72 M
To be carried forward	SEK	281 M
<b>Total</b>	<b>SEK</b>	<b>353 M</b>

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 February 27, 2009. The consolidated income statement and balance sheet and the Parent Company's income statement and balance sheet will be proposed for adoption at the Annual Meeting on April 27, 2009.

Torekov February 27, 2009



Carl-Gustaf Sondén  
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 meeting of the shareholders of Nolato AB

Corporate identity number 556080-4592

I have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the President of Nolato AB for the financial year January 1, 2008 to December 31, 2008. The annual accounts and the consolidated accounts of the company are included in the printed version of this document on pages 24 – 68. The Board of Directors and the President are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards (IFRS) as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. My responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on my audit.

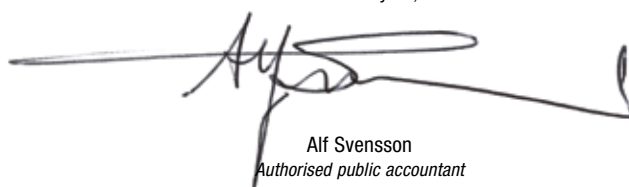
I conducted my audit in accordance with generally accepted auditing standards in Sweden. Those standards require that I plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President and significant estimates made by the Board of Directors and the President when preparing the annual accounts and the consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consoli-

dated accounts. As a basis for my opinion concerning discharge from liability, I examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any Board member or the President. I also examined whether any Board member or the President has, in any other way, acted in contravention of the Companies Act, the 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 accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with international financial reporting standards (IFRS) as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

I recommend to the annual meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Torekov February 27, 2009

A handwritten signature in dark ink, appearing to read 'Alf Svensson', with a long horizontal line extending to the left and a vertical line extending downwards.

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 M, 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.

## Share price performance

Nolato's B shares fell in 2008 by 30 percent to a year-end price of SEK 32.00 (45.90). The highest and lowest prices over the year were SEK 60.75 (May 7) and SEK 26.40 (December 22). Nolato AB's total market capitalisation as at December 31, 2008 was SEK 842 M.

During 2008, 5.9 million (14.5) Nolato shares were traded on the Stockholm Stock Exchange. The turnover rate, i.e. the degree of liquidity, was 25 percent (62).

## Ownership structure

On December 31, 2008, Nolato AB had 6,562 shareholders (6,610). The proportion of shares held by Swedish institutions and funds was 30 percent of the share capital (30). The proportion held by foreign shareholders was 16 percent (13).

The ten largest groups of owners held 61 percent (61) of the share capital and 80 percent (80) of the votes.

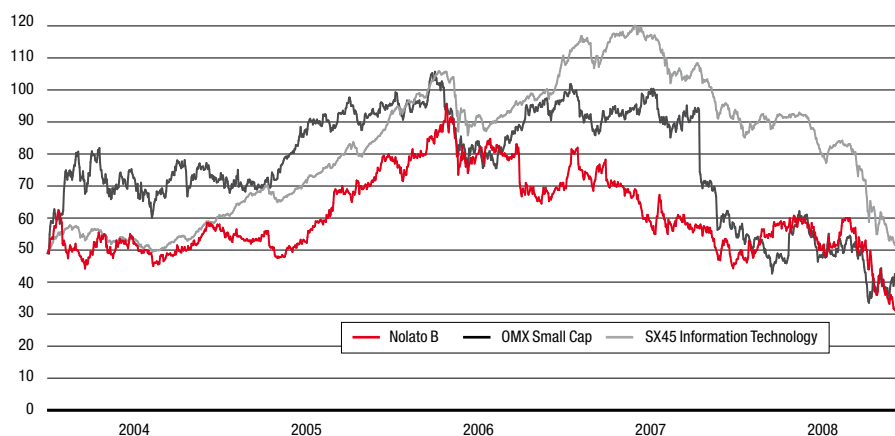
## Dividend policy

The Board's dividend proposal shall take into consideration Nolato's long-term development potential, financial position and investment needs.

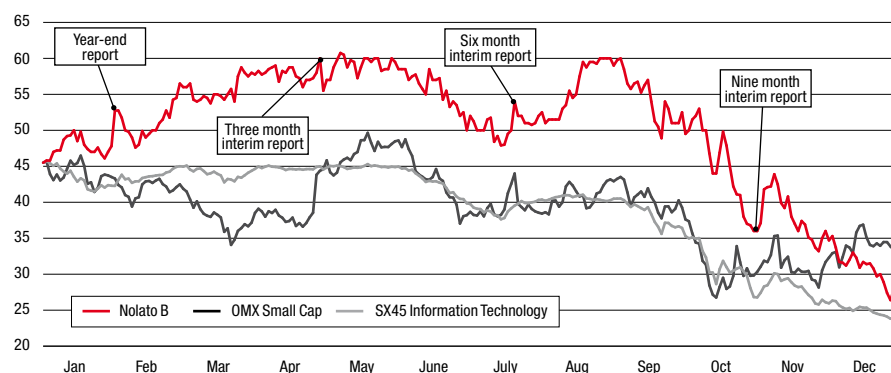
The Board's dividend policy means that the Board intends to propose a dividend which corresponds on average to at least 35 percent of net income.

The board proposes a dividend of SEK 2.75 (3.00) per share for 2008.

## Share price performance 2004 – 2008 (SEK)



## Share price performance 2008 (SEK)



## Data per share

	2008	2007	2006	2005	2004
Net earnings per share, SEK <sup>1</sup>	6.77	5.70	1.82	6.88	5.15
Adjusted earnings per share, SEK <sup>2</sup>	6.99	5.32	6.08	6.31	5.15
Shareholders equity per share, SEK <sup>3</sup>	40	33	30	32	25
Cash flow per share, SEK	11.71	5.97	-0.42	6.01	8.80
Share price at December 31, SEK	32.00	45.90	71.00	79.00	58.00
Price/earnings ratio, times <sup>4</sup>	5	8	39	11	11
Turnover rate, %	25	62	55	74	91
Dividend (2008 proposal), SEK	2.75	3.00	2.40	2.40	1.75
Yield (2008 proposal), % <sup>5</sup>	8.6	6.5	3.4	3.0	3.0
Dividend as percentage of earnings per share (2008 prop.)	41	52	132	35	34
Average number of shares, thousands	26,307	26,307	26,307	26,307	26,307
Price/equity ratio, SEK	0.8	1.4	2.4	2.5	2.3
Market capitalisation, SEK M	842	1,208	1,868	2,078	1,526

### Definitions

<sup>1</sup> Net income divided by the average number of shares.

<sup>2</sup> Net income, excluding non-recurring items and amortisation on intangible assets arising from acquisitions, divided by the average number of shares.

<sup>3</sup> Shareholders' equity divided by the number of shares.

<sup>4</sup> Quoted share price on December 31 divided by net earnings per share.

<sup>5</sup> Dividend for the year divided by the market price quoted on December 31.



### Buy-back of the Company's own shares

The 2008 Annual Meeting authorised the Board, with a maximum duration of until the next Annual Meeting, to acquire and transfer a maximum of 10 percent of the Company's own shares, in accordance with the Board's proposal to the Annual Meeting.

### 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, +46 8 566 28633
- Carnegie – Charlotte Widmark, +46 8 676 8787 and Oskar Tuwesson, +46 8 676 8678
- Evli Bank – Anders Wiklund, +46 8 407 8039
- Kaupthing Bank – Mikael Laséen, +46 8 791 4827
- Swedbank – Jan Ihrfelt, +46 8 5859 1848

### Categories of shareholders 31/12/2008

Shareholders	Number	% of all holders	% of capital	% of votes
Individuals	6,025	91.8	39.3	54.4
<i>of which in Sweden</i>	<i>5,957</i>	<i>90.8</i>	<i>38.8</i>	<i>54.1</i>
Institutions	537	8.2	60.7	45.6
<i>of which in Sweden</i>	<i>373</i>	<i>5.7</i>	<i>44.7</i>	<i>37.4</i>
<b>Total</b>	<b>6,562</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

In Sweden	6,330	96.5	83.5	91.5
Other Nordic	45	0.7	4.0	2.1
Other European	122	1.9	5.9	3.0
US	35	0.5	5.1	2.6
Rest of world	30	0.4	1.5	0.8
<b>Total</b>	<b>6,562</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Category	Class A (thousands)	Class B (thousands)	% of capital	% of votes
Financial institutions	0	7,435	28.3	14.5
<i>funds and banks</i>	<i>0</i>	<i>2,721</i>	<i>10.4</i>	<i>5.3</i>
<i>insurance companies</i>	<i>0</i>	<i>3,316</i>	<i>12.6</i>	<i>6.5</i>
<i>other fin. institutions</i>	<i>0</i>	<i>1,398</i>	<i>5.3</i>	<i>2.7</i>
Social security funds	0	184	0.7	0.4
Swedish state	0	11	0.0	0.0
Unions & organisations	0	163	0.6	0.3
Other Swedish institutions	819	3,148	15.1	22.2
Holders outside Sweden	0	4,331	16.5	8.5
Swedish individuals	1,940	8,276	38.8	54.1
<b>Total</b>	<b>2,759</b>	<b>23,548</b>	<b>100.0</b>	<b>100.0</b>

### The ten largest shareholders 31/12/2008

Shareholder	Number of Class A shares	Number of Class B shares	% of capital	% of votes
Paulsson family	819,200	2,372,575	12.14	20.66
Jorlén family	1,104,700	1,732,841	10.79	24.99
Boström family	835,500	1,658,670	9.48	19.58
Skandia Liv	0	1,857,410	7.06	3.63
Svolder	0	1,349,187	5.13	2.64
IF Skadeförsäkring	0	1,167,000	4.44	2.28
Lannebo Fonder	0	1,041,000	3.96	2.04
Odin Fonder	0	921,200	3.50	1.80
Skandia Fonder	0	882,146	3.35	1.72
Carlson Fonder	0	406,433	1.54	0.79
<b>Total for ten largest shareholders</b>	<b>2,759,400</b>	<b>13,388,462</b>	<b>61.39</b>	<b>80.13</b>
Other shareholders	0	10,159,546	38.61	19.87
<b>Total</b>	<b>2,759,400</b>	<b>23,548,008</b>	<b>100.00</b>	<b>100.00</b>

### Class of shares 31/12/2008

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

### Breakdown of shareholdings by size 31/12/2008

Holding	Number of shareholders	Number of A shares	Number of B shares	% of capital	% of votes
1 – 500	4,266	0	774,104	2.94	1.51
501 – 1,000	1,098	0	888,997	3.38	1.74
1,001 – 5,000	895	0	2,000,507	7.60	3.91
5,001 – 10,000	128	0	954,081	3.63	1.87
10,001 – 15,000	38	0	467,600	1.78	0.91
15,001 – 20,000	19	0	351,992	1.34	0.69
20,001 –	118	2,759,400	18,110,727	79.33	89.37
<b>Totalt</b>	<b>6,562</b>	<b>2,759,400</b>	<b>23,548,008</b>	<b>100.00</b>	<b>100.00</b>

### Share capital performance 1984 – 2008

Year	Increase in share capital (SEK)	Total number of shares	Total share capital (SEK)
1984 New issue <sup>1</sup>	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 <sup>2</sup>	5,000,000	1,515,200	37,880,000
1986 New issue <sup>3</sup>	3,529,400	1,656,376	41,409,400
1994 Split 5:1 <sup>4</sup>	0	8,281,880	41,409,400
1994 New issue <sup>5</sup>	3,750,000	9,031,880	45,159,400
1994 Conversion <sup>6</sup>	700,615	9,172,003	45,860,015
1995 Conversion <sup>6</sup>	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 <sup>7</sup>	37,582,010	26,307,408	131,537,040

<sup>1</sup> New issue targeted to SEB for public sale in connection with listing

<sup>2</sup> Targeted new issue in connection with the acquisition of Nolato Lövepac

<sup>3</sup> Targeted new issue in connection with the acquisition of Nolato Gejde

<sup>4</sup> Split with an increase in the number of shares, with five new shares for every old share

<sup>5</sup> Targeted new issue in connection with the acquisition of Nolato Plastteknik

<sup>6</sup> Conversion and issue of new shares when converting convertible loan

<sup>7</sup> New share issue with two new shares per five old shares at a subscr. price of SEK 35 each

# Corporate governance report

## Corporate governance 2008

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 AB, 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 6,562 shareholders as at December 31, 2008.

The ten largest shareholders were the Paulsson family with 12 percent of the share capital, the Jorlén family with 11 percent, the Boström family with 9 percent, and seven institutional investors, who together owned an additional 29 percent.

Together, the ten largest shareholders hold 61 percent of the share capital and 80 percent of the votes.

For further information about ownership, see the previous page.

## Annual Meetings

The shareholders' right to make decisions on matters relating to Nolato is exercised at Annual 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 Meeting, either in person or via a representative.

Resolutions at Annual Meetings are normally passed by simple majority. On certain issues, as prescribed in the Swedish Companies Act, a specific minimum percentage of the shareholders present is required in order for the Annual Meeting to achieve a quorum or a statutory voting majority.

The Annual Meeting must be held within

six months of the end of the financial year. At the Annual Meeting, matters relating to subjects such as dividends, adopting the income statement and balance sheet, discharging the members of the Board and the President and CEO from liability, electing the Board members, the Chairman of the Board and, where appropriate, auditors, determining the fees payable to the Board and the auditors and agreeing on guidelines for the remuneration of senior executives and the principles for appointing the Nomination Committee are dealt with.

Shareholders also have the opportunity to ask questions about the Company and its development at the Annual Meeting. All Board members, the Company's management and the auditors are normally present to answer any such questions.

## The 2008 Annual Meeting

The 2008 Annual Meeting was held on April 28, 2008 in Grevie. Carl-Gustaf Sondén, who is also the Chairman of the Board, was elected as the chairman for the meeting.

## Resolution on the dividend

The Annual Meeting approved a dividend of SEK 3.00 (2.40) per share.

## Election of the Board and resolution on fees

Carl-Gustaf Sondén, Gun Boström, Roger Johanson, Henrik Jorlén, Erik Paulsson and Lars-Åke Rydh were re-elected as Board members. Hans Porat was elected as a new Board member. Carl-Gustaf Sondén was elected as Chairman of the Board.

The meeting resolved that, for the period until the next Annual Meeting, the Board should receive fees totalling SEK 900,000, excluding travel allowances (SEK 820,000), to be distributed as follows among the non-employed members: SEK 250,000 (220,000) to the Chairman, and SEK 130,000 (120,000) each to the other non-employed members.

## Election of auditors

For the period until the 2012 Annual Meeting, Alf Svensson was newly elected as ordi-

nary auditor and Camilla Alm Andersson as deputy auditor, both of whom work for KPMG AB.

## Buy-back of the Company's own shares

The Annual Meeting authorised the Board, with a maximum duration of until the next Annual Meeting, to acquire and transfer a maximum of 10 percent of the Company's own shares, in accordance with the Board's proposal to the Annual Meeting.

## Resolution on the Nomination Committee

The Annual 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 largest shareholders in terms of number of votes as at the end of September 2008. 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 2009 Annual Meeting.

The Nomination Committee's mandate period shall run until a new Nomination Committee has been elected. Unless the members of the Nomination Committee agree otherwise, the chairman of the Nomination Committee shall be the member who represents the largest shareholder in terms of number of votes.

## Other resolutions

The Annual 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 and CEO from liability for the 2007 financial year.

## Nomination Committee

As decided by the 2008 Annual Meeting (see above), the Nomination Committee shall consist of one representative for each of the five largest shareholders as at the end of September 2008.

The Nomination Committee ahead of the





2009 Annual Meeting consists of Henrik Jorlén (chairman, representing the Jorlén family), Erik Paulsson (representing the Paulsson family), Gun Boström (representing the Boström family), Erik Sjöström (representing Livförsäkringsaktiebolaget Skandia) and Magnus Molin (representing Svolder AB).

The Nomination Committee is responsible for making proposals to the Annual Meeting on the Chairman of the Board and other Board members, director's fees for each of the Board members, the chairman of the Annual 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.

Until February 2009, the Nomination Committee has held two meetings.

Shareholders who wish to contact the Nomination Committee may e-mail [henrik.jorlen@bjarenet.com](mailto:henrik.jorlen@bjarenet.com), [erik.paulsson@hansan.se](mailto:erik.paulsson@hansan.se), [gun.bostrom@gmail.com](mailto:gun.bostrom@gmail.com), [erik.sjostrom@skandia.se](mailto:erik.sjostrom@skandia.se) or [magnus.molin@svolder.se](mailto:magnus.molin@svolder.se).

The address for regular mail is: The Nolato Nomination Committee, c/o Henrik Jorlén, Kommendörsgatan 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 *follow or explain*. This means that companies which apply the Code may deviate from specific rules, but must then provide explanations and the rea-

sons 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 which hold 65 per-

cent of the Company's votes, is best represented within the Nomination Committee by these shareholders together with other major shareholders. Since the representatives of these families have such a large shareholding, they have deemed it to be both natural and necessary that they should also be involved and exercise their shareholders' interests through representation on both the Company's Nomination Committee and the Board.

## The Board and its work

### Composition

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 Meeting for the period up until the first Annual Meeting held after the year in which the Board members were elected.

Following the Annual Meeting of April 28, 2008 the Board consists of seven members elected at the Annual Meeting: Carl-Gustaf Sondén (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 Norrman. Each of the employee representatives has a deputy, and these are Inggerd Andersson, Bo Eliasson and Fredrik Welandér.

Apart from the CEO and the union representatives, none of the Board members is employed by or works within the Company's operations.

The Board members Roger Johanson, Lars-Åke Rydh and the Chairman of the Board Carl-Gustaf Sondén are deemed by the Board to act independently of the Company's major shareholders. From time to time, Erik Paulsson represents other companies which are Nolato suppliers or customers. Both in relation to the situation of this Board member and to that of each supplier/customer, Nolato's Board has determined that the transactions carried out with these companies do not constitute significant business connections when considering the size of revenues generated in comparison with annual supplier/customer sales.

Nolato's Board has therefore determined that all members elected by the Annual Meet-

ing, apart from the CEO, are independent in relation to the Company.

The members of the Board of Nolato are presented on pages 78–79.

### The working methods of the Board

The Board decides on the ultimate direction of Nolato's operations and prepares the necessary instructions. It determines the Nolato Group's management structure and appoints, dismisses and oversees the people who manage and represent Nolato.

Principles were decided on at the Board's constituent meeting following the Annual Meeting concerning the Board's rules of procedure for its work, the delegation of duties between the Board and the President and CEO, and financial reporting. The key elements of these principles determine the following:

- The Board shall establish a work plan with five regular meetings over the course of the year, at which various matters as stipulated by the rules of procedure shall be considered.

- Notice of the meeting, the agenda and the relevant documentation for the Board meeting shall normally be sent out no later than one week before the meeting. Numbered minutes shall be kept for every meeting.

- The delegation of duties clarifies the responsibilities of the Board and the key duties of the Chairman and the President and CEO. The instructions for the President and CEO include limitations on decisions in relation to investments, acquisitions, transfers and certain agreements.

- In order to enable the Board to follow and monitor the Group's financial position and development on an ongoing basis, the President and CEO shall provide the Board with monthly reports on sales, income, capital commitment, cash flow, the balance sheet, forecast monitoring and forecast updates.

The Board ensures the quality of financial reporting, which takes place through adopted governance instruments, such as the instructions for the President and CEO, the instructions for financial reporting to the Board, the information policy and the financial policy.

The Board also ensures the quality of financial reporting by reviewing the interim reports, the year-end report and the Annual Report in detail, both before and at the Board meetings.

The Board 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, Carl-Gustaf Sondén, organises and leads the work of the Board so that this is carried out in accordance with the Swedish Companies Act, other legislation and regulations, applicable rules for listed companies (including the Swedish Code of Corporate Governance) and the Board's internal governance instruments. The Chairman of the Board monitors operations through ongoing contact with the President and CEO, and is responsible for other Board members receiving sufficient information and documentation for making decisions. The Chairman of the Board is also responsible for the Board being kept updated, improving its knowledge about Nolato and otherwise receiving the training required in order for the Board to be able to carry out its work in an effective manner. In addition, the Chairman of the Board ensures that the work of the board is evaluated on an annual basis, and that the Nomination Committee is informed of the outcome of this evaluation.

### The 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 President and CEO.

The committee also proposes all remuneration and benefits for the President and CEO to the Board. The Board has approved these principles for the variable remuneration of senior executives and all remuneration and benefits for the President and CEO.

The committee is also responsible for approving all remuneration to the executive management.

The members of the Remuneration Committee are Carl-Gustaf Sondén (chairman) and Henrik Jorlén, who were appointed by the Board. The committee held two meetings in 2008.

Ahead of 2009, the committee will submit proposals to the 2009 Annual Meeting on principles for variable remuneration and other remuneration and benefits for the President and CEO and senior executives.

### The Board's work in 2008

During 2008, the Board held five meetings and a constituent meeting after the Annual

Meeting. Reviews of the Company's operations, markets and finances were rolling 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 2008

During 2008, the Board members elected by the Annual Meeting attended the following Board meetings:

	Jan	Apr	Jul	Oct	Dec
Carl-Gustaf Sondén	x	x	x	x	x
Gun Boström	x	x	x	x	x
Roger Johanson	x	x	x	x	x
Henrik Jorlén	x	x	x	x	–
Erik Paulsson	x	x	x	x	x
Lars-Åke Rydh	x	x	x	x	x
Hans Porat <sup>1)</sup>			x	x	x

<sup>1)</sup> Elected at the 2008 Annual Meeting

### Reporting and control

The Board analyses and assesses risks and control environments, and oversees the quality of financial reporting and Nolato's internal control systems.

This takes place through, for example, issuing instructions to the President and CEO, agreeing on requirements for the content of the reports on financial conditions given to the Board on an ongoing basis, and holding reviews together with the management and the auditors.

The Board is informed of – and ensures the quality of – financial reports such as monthly reports, forecasts, interim reports and the annual report, but has delegated the Company management with the task of ensuring the quality of presentation materials in connection with meetings held with the media, shareholders and financial institutions.





Tommy Nilsson, Nolato Gota, Götene, Sweden

## Company management

### Group management

The Group Management consists of Hans Porat (CEO of the Nolato Group and head of Nolato Industrial), Per-Ola Holmström (Executive Vice President and CFO), Christer Wahlquist (head of Nolato Medical), Jörgen Karlsson (head of Nolato Telecom), and Magnus Emeus (Managing Director of Nolato Medevo and Nolato Medical Rubber).

The President and CEO manages operations in accordance with the Swedish Companies Act and within the framework established by the Board of Directors. Working together with the Chairman of the Board, he draws up the necessary information and decision-making documentation for Board meetings, submits details of tasks and justifies proposals for decisions. He is also responsible for Nolato's corporate, strategic and financial development, and manages and coordinates day-to-day activities in accordance with the guidelines and decisions of the Board.

The President and CEO also appoints members of the Group management, in consultation with the Chairman of the Board. Nolato's Group management holds monthly

operational reviews, under the leadership of the President and CEO.

### Business operations

All business operations within the Group are conducted by subsidiaries, in keeping with the decentralised culture that has always characterised Nolato.

### Business areas

Each subsidiary belongs to one of the Group's three business areas. The head of each business area manages operational issues, and is in constant contact and discussion with the managing directors and other management of the subsidiaries within the business area in question.

### Subsidiaries

The Group's success is due to the close business relationships which each Group company enjoys with its customers. Their understanding of – and sensitivity towards – customers' needs, business practices and distribution requirements are, and remain, crucial to Nolato's success.

Each subsidiary is managed by a Board of

Directors, which approves and makes decisions on long-term strategies and overall structural and organisational changes. Each subsidiary has a managing director who is responsible for operations, as specified in the managing director's instructions issued by the Board of Directors. The managing director is assisted by a management team, with members from the various company functions.

### Auditors

At the 2008 Annual 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 KPMG AB.

Nolato's auditor is tasked with auditing the annual report and the accounts, as well as the administration of the Board of Directors and the President and CEO. The auditor works according to an audit plan. Reports have been submitted to the Board, both during the course of the audit and when adopt-





Inger Nordström, Nolato Alpha, Kristianstad, Sweden

ing the year-end report for 2008 on January 29, 2009.

The auditor also participates in the Annual Meeting, describing the audit work and observations made in an auditors' report.

Over the course of the year, the auditor has carried out a number of consultancy commissions over and above the audit, relating primarily to auditing issues.

The external audit is conducted in accordance with generally-accepted auditing practices in Sweden. Annual reports for legal entities outside Sweden must be audited in accordance with statutory requirements and other applicable rules in the country in question, and in accordance with generally-accepted auditing practices. Nolato's auditors regularly study the approved minutes from Nolato's Board meetings, and also have ongoing access to the monthly reports which the Board receives.

During 2008, Nolato's Board has elected to allow the entire Board to constitute the Audit Committee and carry out these duties.

Nolato's auditors are presented in this Annual Report on page 79.

### Board remuneration

For the period starting with the 2008 Annual Meeting and ending with the 2009 Annual Meeting, Board remuneration totalled SEK 900,000 excluding travel allowances (SEK 820,000), divided up as follows:

Chairman:	SEK 250,000
Board members:	SEK 130,000

Director's fees are paid only to external members. Company employees and employee representatives receive no director's fee.

During 2008, the current members of the Board received the following remuneration, which was paid in December 2008:

Carl-Gustaf Sondén	SEK 250,000
Henrik Jorlén	SEK 130,000
Gun Boström	SEK 130,000
Roger Johanson	SEK 130,000
Erik Paulsson	SEK 130,000
Lars-Åke Rydh	SEK 130,000
<b>Total</b>	<b>SEK 900,000</b>

### Remuneration information

Information on fees, salaries, pensions and other benefits for the Board of Directors, the President and CEO and other senior executives can be found in Note 10 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](http://www.nolato.com), under Investor Relations. The website also includes additional information on corporate governance in terms of Board membership, procedures, work, committees and auditors. The current Articles of Association, information about annual 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 following description has been drawn up in accordance with sections 10.5 and 10.6 of the Code, and is therefore restricted to internal auditing in relation to financial reporting. The description does not constitute part of the formal Annual Report documents. In the description, the Board does not issue any statement on the effectiveness of the internal audit, 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 began an overview and analysis during the latter part of 2008 of the existing instruments for internal auditing, and this will continue during 2009. The Board will continue to evaluate additional supervision of the internal audit and how the internal audit function will be organised in future.

Nolato's internal audit in relation to financial reporting includes five main activities: creating a control environment, risk assessment, control activities, information and communication, and monitoring.

## Control environment

Effective Board work forms the foundation for good internal auditing. The Board has established clear processes and rules of procedure for its work. One key element of the Board's work is deciding on and approving a number of fundamental policies, guidelines and frameworks for financial reporting. These include the Group's Code of Conduct, the information policy and the financial policy.

The Board evaluates operational performance and results on an ongoing basis, via a reporting package which includes operating income, rolling forecasts, the analysis of key figures and other significant operating and financial information.

Nolato has a simple legal and operational structure, with established management and internal audit systems. This enables the business to react swiftly in the event of changed conditions in the Group's market or in other areas. Operational decisions are taken at company or business area level, while deci-

sions on overall strategy, focus, acquisitions, major investments and overall financial issues are taken by Nolato's Board and Group management.

Internal auditing in relation to Nolato's financial reporting is tailored to work within this organisation. Within the Group, there is a clear regulatory framework for delegating responsibility and authorisation, and this follows the Group structure. The basis for internal auditing in relation to financial reporting is a control environment consisting of the organisation, decision-making paths, authorisation and responsibilities communicated, as well as the culture which the Board and the Company management communicates and works within. This culture is formulated in the documents Nolato's Basic Principles, Nolato's Code of Conduct, Nolato's Environmental Policy, Nolato's Quality Policy and Nolato's Information Policy, and is described on pages 24-31 of this Annual Report. These cultural declarations are an important element when it comes to creating an effective control environment within Nolato. They are communicated to all employees, including in the form of a publication entitled "The Nolato Spirit", and are based on a set of values which Nolato has upheld for many years.

In addition to this, rules of procedure for the Board and President and CEO instructions have also been drawn up. These describe matters such as the distribution of work within the Board and the duties of the Chairman of the Board and the President and CEO. Rules of procedure have also been drawn up for the managing director of each subsidiary. Managers at various levels within the Company are responsible for dealing with internal auditing on an ongoing basis within their own particular areas.

## Risk assessment

A risk analysis for the Group's financial reporting was carried out towards the end of 2008. This process will be repeated on an annual basis, and will be evaluated and ratified by the board. In connection with this risk analysis, income statement and balance sheet items were identified where there is a heightened inherent risk of serious errors.

Within the company's operations, these risks are mainly present in fixed assets, financial instruments, inventories, customer

receivables, accrued expenses, taxes and revenue recognition. These risk assessments are based on a number of points, such as effects on financial reporting, the outcome of the income statement, business processes, external factors and the risk of fraud.

## Control activities

Those risks which have been identified in relation to financial reporting are dealt with via the Company's control activities, e.g. authentication checks for IT systems and authorisation controls. These operational-specific controls are supplemented by detailed financial analyses of earnings, followed-up with business plans and forecasts, which provide an overall assessment of the quality of the reporting.

## Information and communication

The Company's steering documents for financial reporting consist mainly of policies and guidelines, which are kept up-to-date and communicated via the relevant channels. There is a clear information policy for communications with external parties, which provide guidelines for the forms which this communication should take. The aim of the policy is to ensure that all information obligations are complied with in a correct and complete manner.

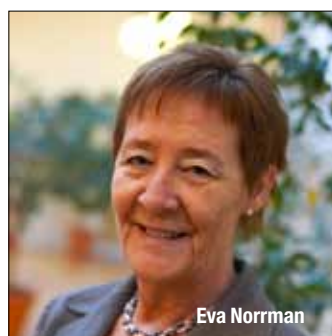
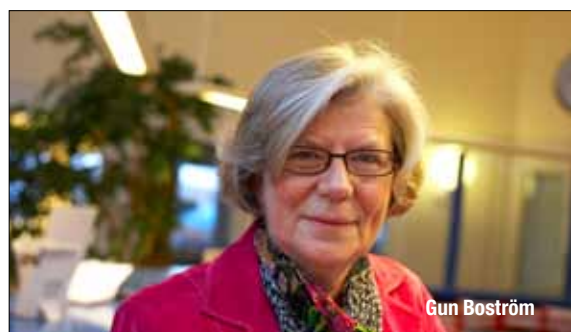
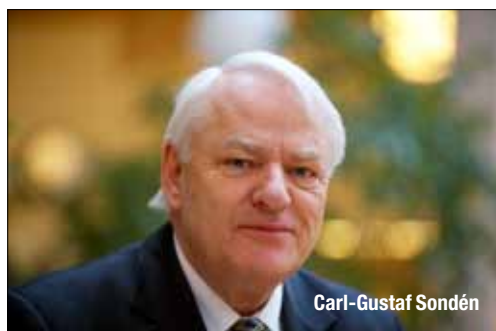
## Monitoring

The President and CEO is responsible for internal auditing being organised and monitored in accordance with the guidelines established by the Board. Financial control is carried out by the Group financial function. Financial reporting is analysed in detail each month.

The Board has monitored the financial reporting at its meetings, and the Company's auditors have reported back their observations to the Board. 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 monitors 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.





# Nolato's Board

Nolato's Board of Directors consists of seven members elected by the Annual Meeting, and three members and three deputies elected by the trade unions. At the Annual Meeting on April 28, 2008, the Board members Carl-Gustaf Sondén, Gun Boström, Roger Johanson, Henrik Jorlén, Erik Paulsson and Lars-Åke Rydh were re-elected. Hans Porat was elected as a new Board member. Carl-Gustaf Sondén was elected as Chairman of the Board.

## Board members elected by the Annual Meeting

**Carl-Gustaf Sondén**, Chairman of the Board.  
Member since 2003.  
Shareholding in Nolato: 20,000 B.  
Other directorships: Chairman of the Board of Skåne Marin AB. Board member of NP Nilssons Trävaru AB.  
Born in 1945. Education: upper secondary school engineering.

**Gun Boström**  
Member since 1971.  
Shareholding in Nolato: 417,750 A and 445,800 B.  
Born in 1942. Education: engineering.

**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.  
Board member of Investment AB Öresund.  
Born in 1942. Education: elementary school.

Shareholding in Nolato at December 31, 2008  
incl. family and companies, according to Euroclear Sweden.

Nolato's Corporate Governance Report can be found on pages 72 – 77.

**Lars-Åke Rydh**  
Member since 2005.  
Shareholding in Nolato: 2,000 B.  
Other directorships: Chairman of the Board of Nefab AB, San Sac AB, Plastprint AB and Schuchardt Maskin AB. Board member of OEM International AB, HL Display AB and Handelsbanken Region East Sweden.  
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: mining engineering.

## 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 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.

**Fredrik Welander**  
Council for Negotiation and Co-operation employee representative since 2007.  
Shareholding in Nolato: 4,000 B.  
Born in 1969. Education: electrical engineer.

## Nomination Committee

The Nomination Committee prior to the 2009 Annual Meeting: Henrik Jorlén, Gun Boström, Erik Paulsson, Erik Sjöström (Skandia) 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.

# 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.

Shareholding incl. family: 33,898 B.



Hans Porat

## 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.



Per-Ola Holmström

## 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.



Christer Wahlquist

## Magnus Emeus

MD of Nolato Medical Rubber and Nolato Medevo since 2008.

Employed at Nolato since 1998.

Born in 1966.

Education: Bachelor of Science in Business Administration and Economics.

Shareholding incl. family: 14,742 B.



Magnus Emeus

## 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.



Jörgen Karlsson



# Annual meeting and 2009 financial calendar

## Annual Meeting

Shareholders are welcome to attend Nolato's Annual Meeting at 5:00 p.m. on Monday April 27, 2009 at Idrottsparken in Grevie.

Light refreshments will be served after the Annual Meeting.

## Registration

Shareholders who wish to participate in the Annual Meeting should be listed on the register of shareholders maintained by Euroclear Sweden on Tuesday April 21, 2009, and should register their intention to attend the Annual Meeting with the Company no later than 4:00 p.m. on Tuesday April 21, 2009.

Attendees may register in the following ways:

- using the response card enclosed with the Annual Report sent to shareholders
- by e-mailing nolatoab@nolato.se
- by fax to +46 431 442291
- by writing to Nolato AB, 260 93 Torekov, Sweden.

When registering, shareholders should state their name, address, telephone number, civic registration number or corporate identity number, number of shares and the names of any assistants. These details will be used

only for the purposes of registration attendance and drawing up a register of voters. For shareholders who will be represented by a representative, an original power of attorney should be sent when registering or, where the party holding power of attorney is a legal entity, proof of registration or other documentation demonstrating the authorisation of the company signatory. Shareholders wishing to bring one or two assistants should register their intention to do so before the cut-off date for shareholder registration.

Shareholders who, through the trust department of a bank or some other administrator, have registered their shares in the name of a nominee, must temporarily register the shares in their own name in order to have the right to participate in the Annual Meeting following registration. In order for this registration to be entered in the register of shareholders no later than Tuesday April 21, 2009, shareholders must request re-registration by the administrator in plenty of time.

## Other

The reporting documents and the auditors' report will be available at the company's headquarters at Nolatovägen, 260 93 Tore-

kov, Sweden by Tuesday April 14, 2009. The documents will be sent to those shareholders requesting these.

Documents are also available from Nolato's website, [www.nolato.com](http://www.nolato.com), under Investor Relations.

## Financial calendar

All financial information will be posted on Nolato's web site, [www.nolato.com](http://www.nolato.com), as soon as it is published. During 2009, financial information will be released as follows:

- Three-month interim report 2009:  
April 27, 2009
- Annual Meeting:  
April 27, 2009
- Six-month interim report 2009:  
July 21, 2009
- Nine-month interim report 2009:  
October 27, 2009

## 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](mailto:per-ola.holmstrom@nolato.se)

## ■ Five-year overview

	2008	2007	2006	2005	2004
<b>Sales and earnings</b>					
Net sales (SEK M)	2,824	2,421	2,702	2,256	2,401
Sales growth (%)	17	– 10	20	– 6	– 10
Percentage of sales outside Sweden (%)	68	61	68	61	65
Operating income (EBITA), excluding non-recurring items (SEK M)	240	204	209	221	201
Operating income (EBIT) (SEK M)	232	190	78	221	201
Operating income (EBIT), excluding non-recurring items (SEK M)	232	197	208	221	201
Financial items (SEK M)	– 16	– 19	– 9	– 13	– 16
Income after financial items (SEK M)	216	171	69	208	185
Income after financial items, excluding non-recurring items (SEK M)	216	178	199	208	185
Net income (SEK M)	178	150	48	181	136
Non-recurring items* (SEK M)	—	– 7	– 130	—	—
<b>Financial position</b>					
Total assets (SEK M)	2,126	1,918	1,724	1,688	1,604
Shareholders' equity (SEK M)	1,058	881	789	832	661
Interest-bearing assets (SEK M)	168	62	131	163	214
Interest-bearing liabilities and provisions (SEK M)	263	386	293	233	377
Net debt (SEK M)	95	314	162	70	163
Equity/assets ratio (%)	50	46	46	50	41
Proportion of risk-bearing capital (%)	55	53	52	54	44
Liquidity (%)	111	131	130	158	136
Debt/equity ratio (times)	0.2	0.4	0.4	0.3	0.6
<b>Cash flow</b>					
Cash flow from operations (SEK M)	451	315	280	307	356
Investment activities (SEK M)	– 143	– 158	– 291	– 149	– 125
Cash flow before financing activities (SEK M)	308	157	– 11	158	231
<b>Profitability</b>					
Return on total assets before tax (%)	11.8	10.5	4.7	13.5	12.3
Return on capital employed before tax (%)	18.4	16.3	7.4	21.0	18.9
Return on capital employed before tax, excluding non-recurring items (%)	18.4	16.9	19.4	21.0	18.9
Return on operating capital before tax (%)	19.7	17.6	8.3	25.5	23.7
Return on operating capital before tax, excluding non-recurring items (%)	19.7	18.2	22.3	25.5	23.7
Return on shareholders' equity (%)	18.4	18.0	5.9	24.2	22.1
EBITA margin, excluding non-recurring items (%)	8.5	8.4	7.7	9.8	8.4
Profit margin, excluding non-recurring items (%)	7.6	7.1	7.4	9.2	7.7
Interest coverage ratio (times)	11	8	8	16	8
<b>Personnel</b>					
Number of employees (people)	4,531	3,760	4,144	2,790	2,700
Sales per employee (SEK thousands)	623	643	652	809	889
Income after financial items per employee ** (SEK thousands)	48	47	48	75	69

\* Non-recurring items for 2007 consisted of restructuring costs of SEK 7 M in relation to the aquisition of Cerbo.

Non-recurring items for 2006 consisted of costs relating to the bankruptcy of BenQ of SEK 125 M and cost of SEK 5 M for severance pay for the managing director of a subsidiary.

\*\* Calculated excluding non-recurring items.

## ■ Definitions

### Adjusted earnings per share

Net income, excluding non-recurring items and amortisation on intangible assets arising from acquisitions, divided by the average number of shares.

### Debt/equity ratio

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

### Earnings per share

Net income, divided by average number of shares.

### EBITA margin

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

### Equity/assets ratio

Shareholders' equity as a percentage of total assets 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.

### Profit margin

Income after financial items as a percentage of net sales.

### Proportion of risk-bearing capital

Shareholders' equity, plus deferred tax liabilities, as a percentage of total assets in the balance sheet.

### Operating income (EBITDA)

Earnings before interest, taxes, depreciation/amortisation and non-recurring items.

### Operating income (EBITA)

Earnings before interest, taxes and amortisation of intangible assets from company acquisitions, excluding non-recurring items.

### Operating income (EBIT)

Earnings before taxes and financial income and expense.

### Return on capital employed

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

### Return on shareholders' equity

Net income as a percentage of average shareholders' equity.

### Return on total capital

Income after financial items plus financial expenses as a percentage of average total assets in the balance sheet.

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