

ANNUAL REPORT 2015



Nolato in 15 seconds

Nolato is a Swedish publicly listed group with 7,800 employees in Europe, Asia and North America. Nolato develops and manufactures products in polymer materials such as plastic, silicone and TPE for leading customers within medical technology, pharmaceuticals, telecom, automotive and other selected industrial sectors.

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



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

Financial information 2016

▶ Three-month interim report 2016:	28 April 2016
▶ 2016 Annual General Meeting:	28 April 2016
▶ Six-month interim report 2016:	19 July 2016
▶ Nine-month interim report 2016:	25 October 2016

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

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

The annual report is also available in Swedish.

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2015 in brief

Nolato's sales for 2015 amounted to SEK 4,726 million (4,234). For the fourth consecutive year, operating profit (EBITA) was the best in the company's almost 80-year history, amounting to SEK 570 million (470) and corresponding to an operating margin (EBITA) of 12.1% (11.1). The good performance came from across the Group, with sales and profit increasing in all business areas. The greatest increase was from Nolato Telecom, whose operating margin rose to 13.5% compared with 11.1% in 2014 owing to a favourable product mix and high efficiency. Earnings per share were SEK 15.97 (13.84) and the equity/assets ratio was 54% (54).

First quarter

Consolidated sales rose to SEK 1,073 million (932). Consolidated operating profit (EBITA) rose to SEK 123 million (94), of which SEK 8 million net was attributable to currency effects. Nolato Telecom achieved an operating margin of 11.2% (7.2). The higher margin was due to a good product mix, high efficiency and positive performance in electromagnetic compatibility (EMC).

Second quarter

Consolidated sales rose to SEK 1,280 million (965). The strong improvement was largely due to Nolato Telecom and Nolato Industrial as a result of currency-adjusted sales increases of 33% and 17%, respectively. Consolidated operating profit (EBITA) rose to SEK 167 million (100), of which SEK 18 million net was attributable to currency effects. The increase in sales, combined with the stronger margin, had a positive impact and profit was the highest ever for an individual quarter.

Third quarter

Consolidated sales totalled SEK 1,084 million (1,095). The decrease was fully attributable to Nolato Telecom. Nolato Medical and

Nolato Industrial both increased their sales. Consolidated operating profit (EBITA) rose to SEK 142 million (112), of which SEK 18 million net was attributable to positive currency effects, particularly in Nolato Telecom. In addition, continued positive development of margins contributed to the improvement in earnings.

Nolato Medical received the Swedish Lean Award 2015 from the Swedish Lean Forum.

Fourth quarter

Consolidated sales totalled SEK 1,289 million (1,242). Adjusted for currency, sales decreased by 3%, which was fully attributable to Nolato Telecom. Nolato Medical's sales rose by 10% and Nolato Industrial's by a strong 17%, both adjusted for currency. The Group's operating profit (EBITA) was SEK 138 million (164). The decrease in operating profit was due to lower operating profit for Nolato Telecom compared with the exceptional fourth quarter of 2014.

Christer Wahlquist was appointed as the new President and CEO of Nolato and took up his post on 5 February 2016. He succeeds Hans Porat, who stepped down from his position after eight years.

Financial highlights

SEKm (unless otherwise specified)	2015	2014	2013
Net sales	4,726	4,234	4,522
Operating profit (EBITDA) ¹⁾	737	619	568
Operating profit (EBITA) ²⁾	570	470	427
EBITA margin, %	12.1	11.1	9.4
Profit after financial income and expense	555	462	403
Profit after tax	420	364	314
Earnings per share ³⁾ , SEK	15.97	13.84	11.94
Adjusted earnings per share ^{3,4)} , SEK	16.35	14.29	12.39
Cash flow after investments, excl. acquisitions and disposals	288	127	362
Return on capital employed, %	29.6	28.4	26.7
Return on shareholders' equity, %	25.3	25.0	24.9
Cash conversion, %	52	28	82
Equity/assets ratio, %	54	54	52
Net financial assets (+)/net financial liabilities (-)	122	59	122
Dividend per share (2015 proposal), SEK	10.00	8.50	8.00
Average number of employees	7,759	8,020	9,357

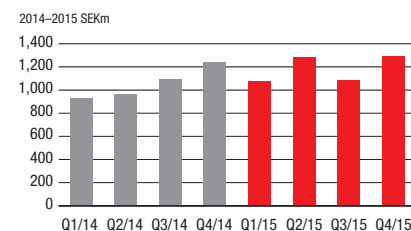
¹⁾ EBITDA – Earnings before interest, taxes, depreciation and amortisation.

²⁾ EBITA – Earnings before interest, taxes and amortisation of intangible assets arising from acquisitions.

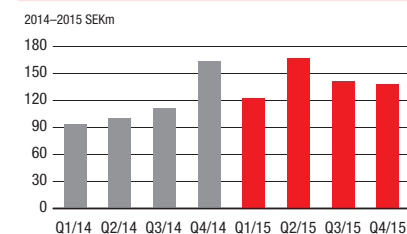
³⁾ Nolato does not have any financial instrument programmes which involve any dilution in the number of shares.

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

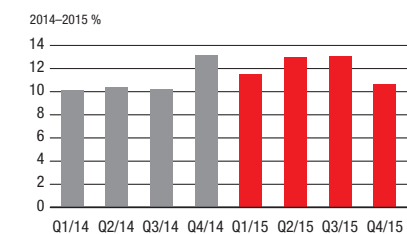
Sales per quarter



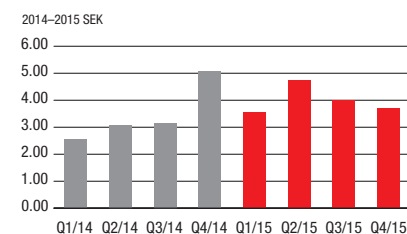
Operating profit (EBITA) per quarter



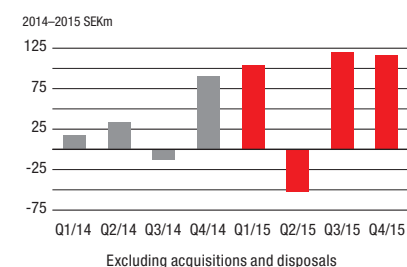
EBITA margin per quarter



Earnings per share per quarter



Cash flow after investments per quarter

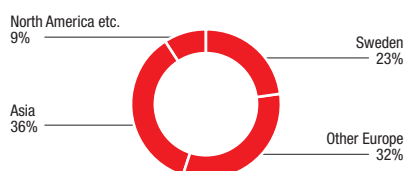


The Nolato Group in brief

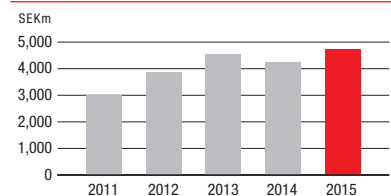
- Development, production & sales
- Sales & technology



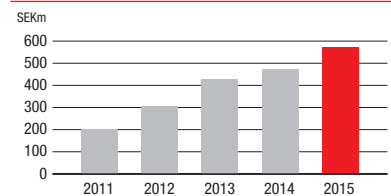
Sales by market



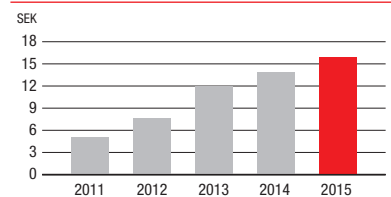
Sales



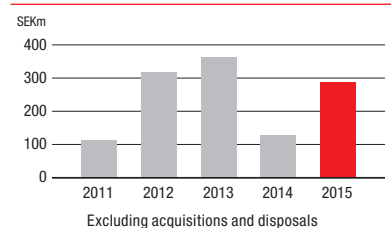
Operating profit (EBITA)



Earnings per share



Cash flow after investments



Our operations

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

- ▶ medical devices (such as autoinjectors, insulin pens and catheter balloons).
- ▶ telecommunications components (such as subsystems for mobile phones, often with significant cosmetic content, as well as methods and materials for shielding electronics).
- ▶ products for industrial companies (such as vehicle components, hygiene products and specialist packaging).

Our offering

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

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

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

Our values

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

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

Our employees

The average number of employees in 2015 was 7,759. Of these, 90% were outside Sweden.

Our shares

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

Our history

Nolato was founded in 1938 as Nordiska Latexfabriken i Torekov AB, with the trademark Nolato, which has been the company name since 1982.

Today's global Group is the result of organic growth and acquisitions. The head office is still in Torekov, Sweden, but the majority of operations are now based abroad.



Nolato Medical

Financial highlights:	2015	2014
Sales, SEKm	1,464	1,333
Operating profit (EBITA), SEKm	191	176
EBITA margin, %	13.0	13.2
Average number of employees	1,053	1,031

Customer offering:

Development and manufacture of complex product systems and components within medical technology and advanced packaging solutions for pharmaceuticals and dietary supplements.

Geographic information:

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

Success factors:

Medical understanding, broad technological offering, expertise in developing robust product solutions, global production and robust quality.

Customers include:

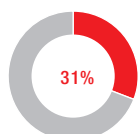
Abbot, Becton Dickinson, Boston Scientific, Coloplast, Medtronic, Novo Nordisk, Pfizer, Roche, Sanofi and Takeda.

Volatility:

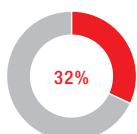
Low. Steady market growth.
Long-term growth potential.

Product life cycle:

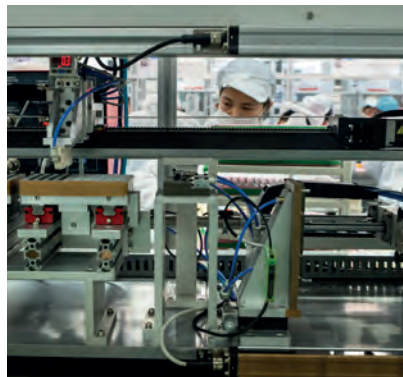
Long.



Share of the Group's net sales



Share of the Group's operating profit (EBITA)



Nolato Telecom

Financial highlights:	2015	2014
Sales, SEKm	2,017	1,799
Operating profit (EBITA), SEKm	272	199
EBITA margin, %	13.5	11.1
Average number of employees	6,002	6,297

Customer offering:

Design, development and manufacture of advanced components and subsystems for mobile phones, and products and systems for shielding electronics to achieve electromagnetic compatibility (EMC).

Geographic information:

Development, production and sales in Sweden, China and Malaysia. Sales and technology offices in the US, India, Korea, Japan and Hungary.

Success factors:

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

Customers include:

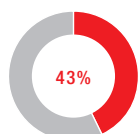
Ericsson, Huawei, Microsoft, Motorola Solutions, Nokia, Sonos, Sony Mobile, Xioami and ZTE.

Volatility:

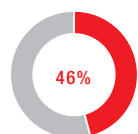
High. Project-based operations.

Product life cycle:

Short.



Share of the Group's net sales



Share of the Group's operating profit (EBITA)



Nolato Industrial

Financial highlights:	2015	2014
Sales, SEKm	1,251	1,106
Operating profit (EBITA), SEKm	132	118
EBITA margin, %	10.6	10.7
Average number of employees	698	687

Customer offering:

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

Geographic information:

Development, production and sales in Sweden, Hungary, Romania and China.

Success factors:

Technology, project management and productivity.

Customers include:

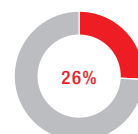
Atlas Copco, Brose, Geberit, Husqvarna, Jaguar/Land Rover, MCT Brattberg, Scania, SKF, Volvo and Volvo Cars.

Volatility:

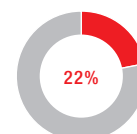
Medium. Follows the Northern European industrial business cycle.

Product life cycle:

Medium/Long.



Share of the Group's net sales



Share of the Group's operating profit (EBITA)

2015 – another record year and continued optimism for the future



Hans Porat
Outgoing President and CEO

“2015 was Nolato’s best ever year for the fourth consecutive year, with both record sales and profit. Our sales totalled SEK 4,726 million (4,234) and operating profit (EBITA) was a record SEK 570 million (470).”



Christer Wahlquist
Incoming President and CEO

2015 was Nolato’s best ever year for the fourth consecutive year, with both record sales and profit. Our sales totalled SEK 4,726 million (4,234) and operating profit (EBITA) was a record SEK 570 million (470). The figure corresponds to a margin of 12.1%, compared with 11.1% the previous year. This success is based on two key elements of our strategy. First, for a number of years now we have been working specifically to reposition Nolato from being a contract manufacturer to being a high-tech partner for our customers. Second, we have made continual and ongoing improvements based on lean manufacturing to offer our customers efficient world-class production systems. It is therefore especially pleasing that one of our companies received the Swedish Lean Award for 2015. Being a Swedish champion lean manufacturer is a great honour and shows that our efforts to create efficient production systems and administrative processes are generating results.

There was also an improvement in cash flow, which rose from SEK 127 million to SEK 288 million. Despite this increase, we did not achieve one of our financial targets for the year, which was to generate cash conversion of over 75% of EBIT. The main reason for this was that we continued to invest in extensive capacity increases in 2015 and these investments exceeded depreciation. However, this need for investment is positive for Nolato as it shows we are competitive and are taking market share. Moreover, we are creating the conditions and resources to meet current and future customer requirements.

We have a very strong financial position, with an equity/assets ratio of 54%. Together with credit facilities in place from our banks of around SEK 900 million, this provides us with significant freedom to continue developing Nolato, both through organic growth and through acquisitions.

Positive performance by all business areas
All three of our business areas are performing very well.

Nolato Medical further strengthened its development capacity, in part through an extensive initiative focussing on robust design, a method of development that

allows us at an early stage of the product development phase to virtually optimise both the design and the large-scale production of new products. This initiative has generated a lot of interest in the market and in 2015 Nolato Medical received a raft of large new development projects.

Nolato Telecom showed strong performance in mobile phones, and is continuing its focus on electromagnetic compatibility –EMC– which includes the supply of products for 3G and 4G networks. This is a rapidly growing market for us. As EMC product life cycles are much longer than the rest of Nolato Telecom’s operations, the growing share of EMC is also contributing to reducing the overall volatility of this business area.

Nolato Industrial showed good growth and profitability. This business area had a number of large customer projects that entered production over the year, including for Volvo Cars. It also received several development projects for Scania’s new generation of truck cabs.

Extensive investments for greater capacity

Over the past two years Nolato has made significant investments in expanding its project and production resources. We have extended our factories in Hungary and China, built a new production facility in Malaysia and increased capacity at some of our Swedish units. Investments will remain high for most of 2016 but will then return to a more normal level that is roughly in line with our rate of depreciation.

Corporate responsibility – integral to our business

A key area for Nolato is our commitment to corporate responsibility. Corporate responsibility issues and our UN Global Compact-based guidelines are a fully integrated part of our business operations. We are implementing energy efficiency measures throughout the Group and as part of this our UK company introduced the ISO 50001 energy management standard. Our carbon emissions measures involve improving energy efficiency and phasing-out of fossil fuels for heating. The purchase of ‘green electricity’ in Hungary is the latest step in reducing

our carbon footprint. Another example of environmental sustainability measures was our investment in advanced purification equipment to help reduce air pollution in Beijing. Work on introducing the OHSAS 18001 health and safety standard continued during the year and the aim is for all units to be certified to this standard. Nolato also participated in the updating of the ISO 14001 environmental management standard and will be adapting to this new standard over the next few years.

From contract manufacturer to high-tech partner

During my eight years as CEO of Nolato I have had the privilege of leading a company of the highest quality. During this time we have put a great deal of effort into repositioning ourselves from historically having been a contract manufacturer to becoming an advanced high-tech partner for our customers. By offering customers innovative technical solutions together with world-class productivity and quality, we are able to support them from initial concept to finished product. We have come a long way but there is, of course, plenty still to do. We want to offer customers even greater value creation, more integrated solutions and greater geographic presence to become a truly global partner.

A strong corporate culture provides a solid basis

Another important issue has been continuing to develop Nolato's strong corporate culture. We have continually developed our values, which together with our Code of Conduct are set out in The Nolato Spirit booklet. I believe it is a sign of Nolato's strength that my successor has been recruited from within the company. Christer Wahlquist, who for many years has been President of the Nolato Medical business area and a member of Group management, is now taking over the helm. Christer has a thorough knowledge of Nolato's business, corporate culture and customers, which bodes well for continuity and stability in the further development of the Group.

Strong positions provide continued opportunities

Our market positions and the investments we have made in each of our business areas will enable us to continue developing Nolato, irrespective of economic conditions. In the long term we are targeting further growth by working even closer with our customers to ensure we meet their needs. In 2016, this will specifically mean aiming to strengthen our position in China in both Nolato Medical and Nolato Industrial. We want to develop production at our new telecom factory in Malaysia. We also have a number of project start-ups beginning soon, in addition to which we intend to carry on taking market share and ideally complement this with a suitable acquisition.

With our highly capable employees, a solid organisation and a strong balance sheet, and under the leadership of Christer as the new CEO Nolato will continue its journey towards achieving the company's vision of being 'the customer's first choice of partner'.

Torekov, Sweden, February 2016

Hans Porat
President and CEO

“Being a Swedish champion lean manufacturer is a great honour and shows that our efforts to create efficient production systems and administrative processes are generating results.”

“With our highly capable employees, a solid organisation and a strong balance sheet, and under the leadership of Christer as the new CEO Nolato will continue its journey towards achieving the company's vision of being 'the customer's first choice of partner'.”

Our business and business model



Nolato ensures quality in all aspects of its business, which is essential in being the customer's first choice.

Agile and flexible development resources

Broad technology platform

Lean manufacturing

Global presence

Our business

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

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

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

Our business model

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

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

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

Our revenue model

One aspect of Nolato's business is its development work in collaboration with customers. This utilises our expertise to

help our customers achieve as competitive a product as possible. Revenue from the development phase comes from both the time our engineers spend working on development and from the creation, for example, of moulds for future production. A development assignment does not necessarily mean that Nolato will win the contract to then manufacture the product. But it does position us well for winning the production contract and, if so, carrying it out highly efficiently. This combination of advanced development work and highly efficient production is an important element of the value with which we provide customers.

Alongside development assignments, most of our business consists of the actual manufacture of products to order by customers. We supply products according to customers' specifications and requirements. Nolato invoices customers following delivery. We do not build up inventory. Instead, our operations are based on short production times and turnaround times. This enables Nolato to avoid any significant risks for warehousing and obsolescence.

Our vision

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

Being the customer's first choice means customers thinking of Nolato first as the natural choice of partner and supplier. Being the customer's first choice means that customers value what we provide – quality in all aspects of our business. We

deliver what we promise, products reach the market on time and customers can rely on us. We maintain a long-term approach and honest relationships with customers. We always go the extra mile and constantly ask ourselves how we can be even better.

The factors in achieving our vision

The key factors in achieving our vision are:

◆ Ethical & sustainable approach

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

◆ Long-term customer relationships

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

◆ Broad customer offering

The general trend is for customers to reduce their number of suppliers and prioritise those providers with the resources and capabilities to support them from concept to delivery. We therefore have a broad customer offering within the development and production of polymer-based products. Our customer offering comprises everything from concept development, product design and process



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

◆ Expertise

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

◆ High productivity

We concentrate on activities that create value for our customers and their long-term priorities. High productivity and a continual focus on costs are consequently vital aspects of our day-to-day operations. Continual improvements and lean manufacturing lead to better business for both us and our customers through efficient processes, reduced scrap, shorter lead times and new solutions.

◆ Local yet global presence

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

◆ Stable finances

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

Our business mission

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

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

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

Being a **high-tech developer** is key for Nolato. Customers approach us with a concept and possibly an initial drawing. This often involves advanced products that the customer plans to launch on its markets. We are involved at this early development stage and help develop a functional and cost-effective product that is ready to manufacture.

Polymer products and systems are the basis of our business. Our company has had in-depth expertise in materials such as plastics, silicone and TPE since it was founded in 1938. This advanced knowledge of materials and processes makes us a unique player in the market.

Experience, expertise, early involvement in customer projects, advanced project management and good knowledge of customers and their markets – these factors bring together Nolato's three business areas and provide customers with reassurance of delivery security. Our success is based on close and long-term customer relationships. We support customers and endeavour to constantly make improvements. Furthermore, Nolato adopts responsible business practices, which we consider self-evident in a world facing environmental problems and dwindling resources.

Constantly pushing the boundaries

Nolato endeavours to constantly improve by working closely and long-term with our customers – from the development of customers' products, ensuring quality at every stage, to sustainability and cost-effective production, all with the least possible environmental impact.



Our Basic Principles

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

We are professional

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

We are well organised

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

We are responsible

- We take responsibility for all aspects of our business
- We work actively towards sustainable development
- We operate with integrity and openness

From concept to fully developed product



1.

Concept development

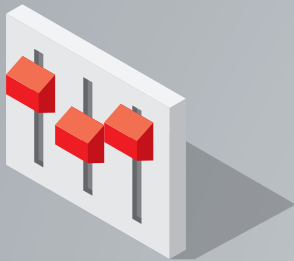
We support customers from the concept stage and are involved in discussions about production possibilities.



2.

Customer-oriented solutions

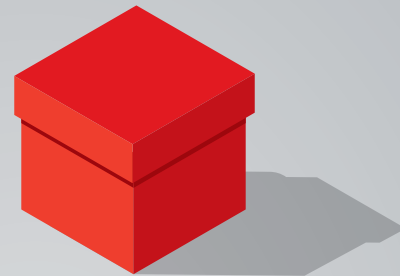
We create technical solutions that give products unique haptic and cosmetic features, make them water-resistant, reduce the weight of products and/or minimise their environmental impact.



3.

Design

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



4.

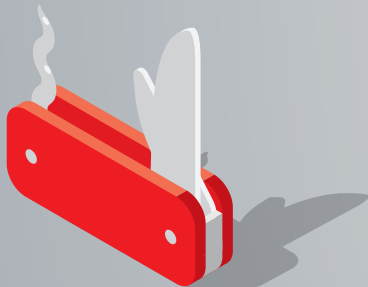
Prototypes (3D)

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

5.

Production tools

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



6.

Quality assurance

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



Our production technologies



Injection moulding

Technology for manufacturing components from plastic, silicone and TPE to highly precise dimensions and stringent quality requirements.

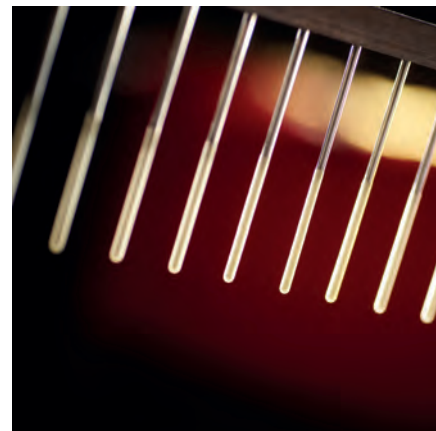
Our most common production technology.



Injection blow moulding

Technology for manufacturing plastic containers and bottles.

We use this method for the manufacture of pharmaceutical packaging.



Dip moulding

Technology for the production of flexible, airtight latex rubber products.

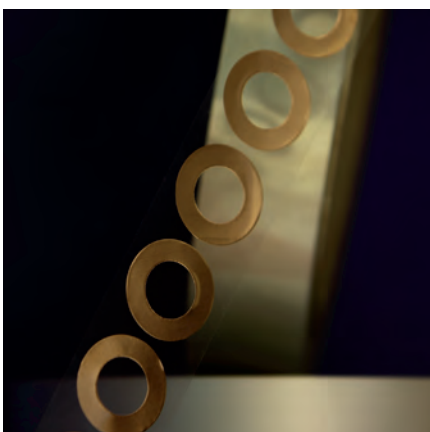
This is used to manufacture items such as catheter balloons and breathing bags.



Extrusion

Technology for the production of tubing and other tubular products.

This technique is used to manufacture heart and urine catheters and EMC shielding gaskets.



Die-cutting

Technology for producing flat products from one or more materials.

We use die-cutting for manufacturing gaskets, seals and cosmetic details such as loudspeaker protection and logos.



Post-processing & assembly

We give components the desired finish through painting, decoration or metallisation. We then assemble them to create a complete product or subsystem.

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

Our growth strategy

Strategic focus

Nolato's customers face four fundamental challenges: Managing continued globalisation, meeting customer requirements for constant innovation and ever lower prices and meeting growing demands for corporate responsibility.

To address these challenges, customers are focussing on their core capabilities and outsourcing other parts of their business to subcontractors and partner companies. The aim of outsourcing is to increase the level of innovation, faster product launches, manufacture closer to end markets and reduce the cost of products.

This trend presents Nolato with significant opportunities. By becoming involved at an earlier stage in the customer's development process, working on design and proposing innovative solutions, improving productivity by focussing on lean manufacturing and increasing quality at all stages, Nolato is becoming a more advanced partner for its customers. This development is enabling Nolato to move up the value chain and strengthen its market position. This focus on becoming a partner for our customers is a key reason for the Group's increased profitability in recent years.

Overall, Nolato has progressed from being a component manufacturer on a local market, to today being a supplier and partner of subsystems and composite products on a regional and sometimes also a global market.

Previously, Nolato would receive technical drawings from customers in order to

manufacture a plastic component, for example. Today, Nolato offers innovation and design, ultimately providing customers with more cost-effective products. Nolato simplifies and shortens customers' logistics chains by supplying integrated solutions either in the form of subsystems or finished products. This may involve the development and production of an insulin pen which the customer then fills with the relevant drug, or the supply of a complete inlet manifold for Volvo's new engine on which Nolato has already performed function tests. This trend is expected to continue into the future, with Nolato providing innovative design and integrated solutions

for its customers on a global market, generating increased added value for Nolato.

Growth strategy

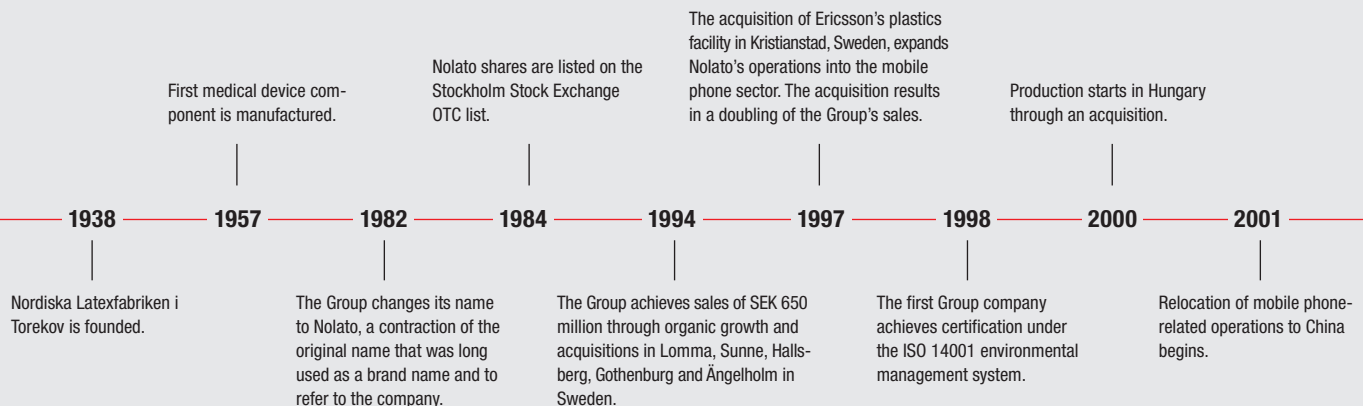
Nolato is made up of our three business areas that benefit from one another and provide a natural balance for the Group in terms of opportunities, risk and fluctuations in business cycles. The Group's objective is to grow while maintaining healthy profitability.

Nolato's growth strategy is based on generating organic growth within all business areas and further strengthening Nolato Medical's global presence by taking on customers' outsourced production operations, as well as through acquisitions. Selective

Our operating environment – global trends benefitting Nolato

Macro	Our customers	Nolato
<ul style="list-style-type: none"> Globalisation 	<ul style="list-style-type: none"> Focussing on core business: Outsourcing 	<ul style="list-style-type: none"> Early involvement/partnership
<ul style="list-style-type: none"> Shorter product life cycle 	<ul style="list-style-type: none"> Time to market 	<ul style="list-style-type: none"> Multi-site offering
<ul style="list-style-type: none"> More for less 	<ul style="list-style-type: none"> Differentiation 	<ul style="list-style-type: none"> Project management
<ul style="list-style-type: none"> Responsible business practice 	<ul style="list-style-type: none"> Competitiveness 	<ul style="list-style-type: none"> Pre-engineering/simulations
	<ul style="list-style-type: none"> CR 	<ul style="list-style-type: none"> Shorter lead times
		<ul style="list-style-type: none"> Innovation
		<ul style="list-style-type: none"> Design
		<ul style="list-style-type: none"> Productivity
		<ul style="list-style-type: none"> Quality
		<ul style="list-style-type: none"> CR

Nolato has repositioned itself from being a contract manufacturer to being an advanced high-tech partner for our customers.



acquisitions within Nolato Telecom and Nolato Industrial may also be of interest.

Nolato Medical has a global growth strategy, with the aim of growing in America, Europe and Asia. This business area sees growth opportunities on a market with increased healthcare needs, with customers increasingly outsourcing production to skilled suppliers.

Nolato Telecom focuses on the Asian market where many of the large telecom companies are based. In Mobile Phones, the company mainly sees growth opportunities within existing production capacity, which reduces financial risk. In EMC – electromagnetic compatibility – Nolato Telecom sees opportunities for continued growth in the telecom segment through new applications for the ‘internet of things’, as well as in other segments such as automotive and medical technology. Acquisitions may also be a possibility.

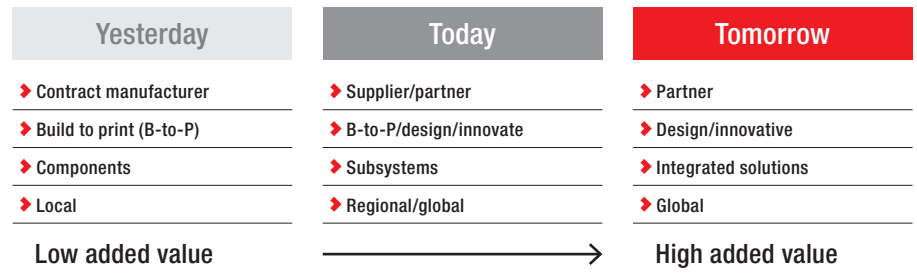
Nolato Industrial is mainly a Nordic business but it also has operations in selected markets in Central Europe. The objective is for growth to mainly take place on existing markets with the possibility of bolt-on acquisitions.

Growth targets

Nolato aims to achieve growth that exceeds the level of growth within each market segment.

Nolato Medical’s sales in 2015 were 10% higher than the previous year. The assessment is that long-term volume growth for Nolato Medical’s market segments and applications

Strategy and future focus



is 3%–5%. Growth in this market is considered to have been lower in 2015.

Nolato Telecom’s sales increased by 12%. In 2015, the number of smartphones manufactured globally increased by 14%, according to research firm Gartner.

Nolato Industrial’s sales rose by 13%, which is considerably better than the performance of Swedish industrial production, which increased by approximately 3% according to Statistics Sweden.

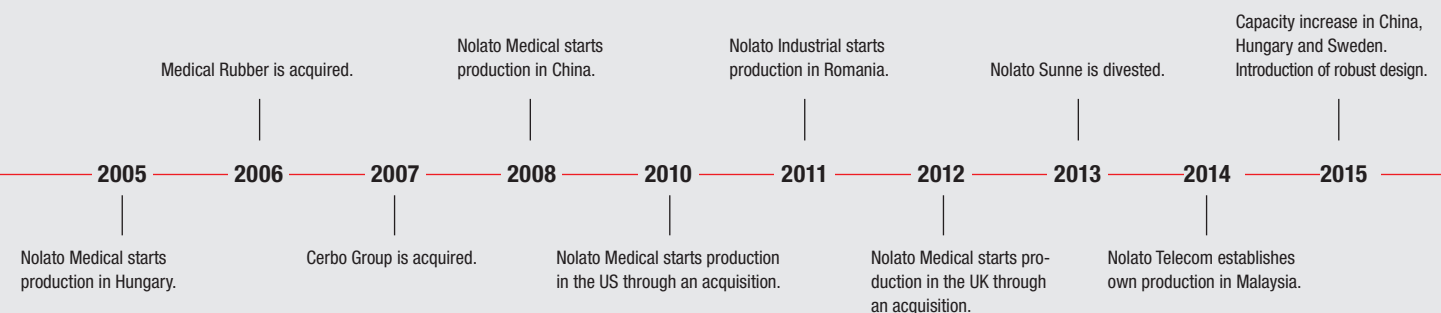
Acquisitions

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

1997 was a milestone for Nolato, with its acquisition of Ericsson’s plastics manufacturing unit for mobile phones in Kristianstad, Sweden. This resulted in a doubling of sales and Nolato’s entry into the mobile phone sector.

Over the past 10 years the acquisition strategy has focused on broadening operations in the Nolato Medical business area. Acquisitions made in recent years account for around half of Nolato Medical’s growth. These acquisitions have performed extremely well and acquisitions remain of interest. Those companies that we may be interested in should essentially have the same corporate culture and approach as Nolato and provide relevant customers and an opportunity to expand either geographically or in terms of capabilities. It is important that acquired companies are not turnaround businesses, but operationally and financially stable companies.

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



Potential risks in the Group's operations

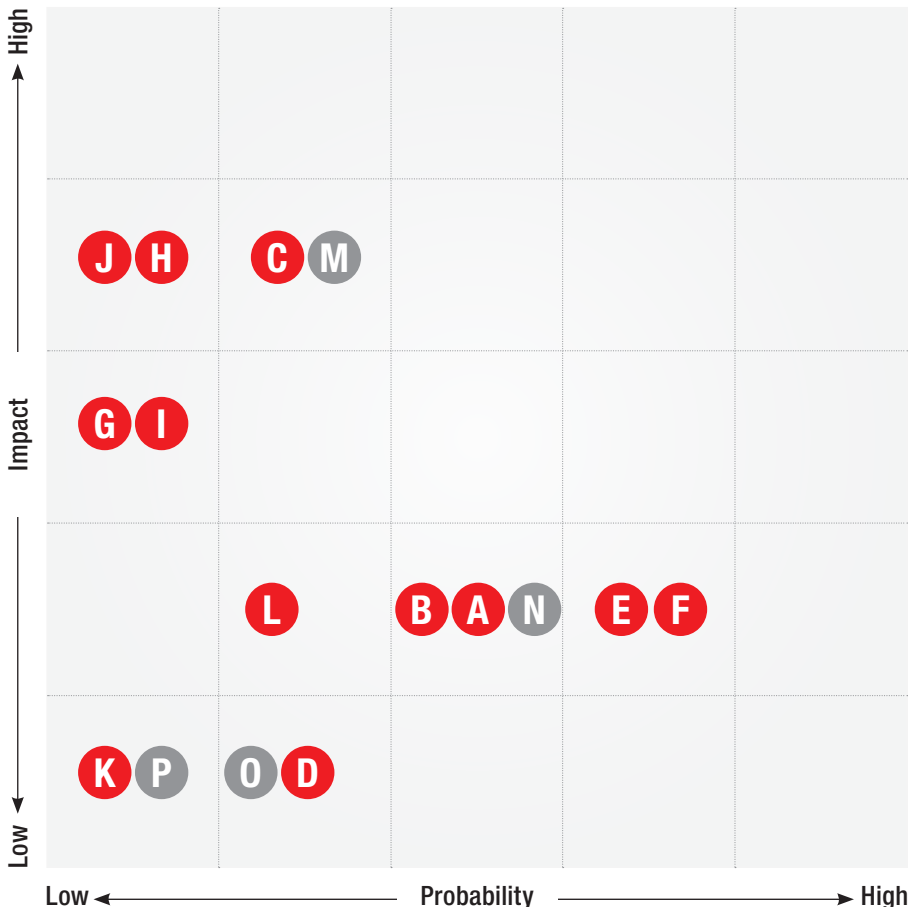
An important aspect of Nolato's strategic planning is identifying potential risks in the organisation, assessing their likelihood and any consequences and minimising the negative impact that such risks could have on the Group. Financial risks are managed in accordance with a financial policy established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

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

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

The aim of Nolato's risk management

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



Operational risks

- A Business cycle risk
- B Subcontractor risk
- C Customer dependence
- D Supplier dependence
- E Raw material price risk
- F Energy cost risk
- G Production risks
- H Property damage/disruption
- I Legal risks
- J Product liability risk
- K Environmental risk
- L CR risks

Financial risks

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

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

Our financial targets and outcomes

In 2015, Nolato's Board carried out a review of financial targets but no changes were made following the adjustments that were implemented in 2014. Using these targets, the Group is managed with the aim of achieving healthy earnings, generating adequate cash flow and maintaining a healthy level of financial risk. These financial targets reflect Nolato's strategic focus on a well-balanced Group structure with three business areas and advanced market positions, which provides financial flexibility to make new acquisitions and/or provide good potential dividends for shareholders.

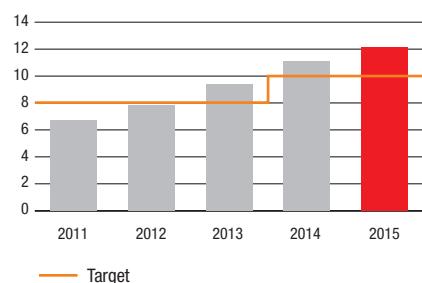
Dividend policy

The Board's intention is to annually propose a dividend that exceeds 50% of profit after tax, taking accounting of Nolato's long-term development opportunities, financial position and investment needs.

The 2015 Annual General Meeting (AGM) voted for a dividend corresponding to 61% of profit after tax.

EBITA margin

Target >10%
Outcome 12.1%



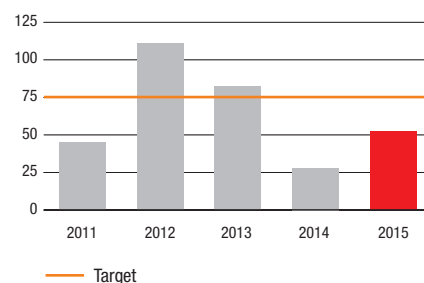
The target for the EBITA margin is for it to exceed 10% over a business cycle.

The outcome for 2015 was 12.1% (11.1). All three of our business areas showed strong earnings performance, particularly Nolato Telecom, where a number of customer handsets were successful on the consumer market. Nolato Medical and Nolato Industrial's earnings rose partly as a result of increased sales and improved productivity.

Over the last five years, the EBITA margin has averaged 9.7%.

Cash conversion

Target >75%
Outcome 52%



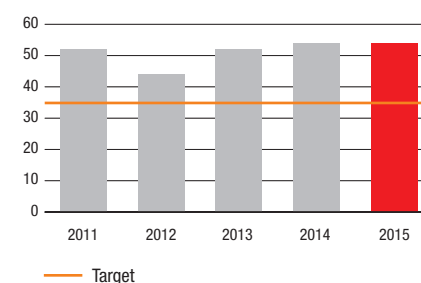
The target is to achieve cash conversion of more than 75% of EBIT over a business cycle, measured as the ratio of cash flow after investments and EBIT. Cash flow after investments is charged with financial expenses and tax as well as investments, but not with acquisitions or disposals. Cash conversion is a target that, among other things, indicates opportunities to provide own funding of acquisitions and/or dividends to shareholders with internally generated funds.

The outcome for 2015 was 52% (28). Cash conversion was negatively affected by higher investments in both 2014 and 2015 and exceeds depreciation and amortisation. It involves payments in arrears for the expansion of the factories in Hungary, China and Malaysia, as well as investments in additional machine capacity. Cash conversion was also positively affected by Nolato's strong earnings performance.

Over the last five years, cash conversion has averaged 64%.

Equity/assets ratio

Target >35%
Outcome 54%



The target for the equity/assets ratio is for it to exceed 35% over a business cycle. The outcome at year-end 2015 was 54% (54). The continued strong financial performance over the year with high earnings led to an increase in shareholders' equity. However, total assets grew by a relatively limited extent.

Over the last five years, the equity/assets ratio has averaged 51%.

Three business areas in balance



Nolato Medical



Nolato Telecom



Nolato Industrial

Nolato's three business areas are based on shared values and similar technologies, while each has its own specific circumstances and characteristics.

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

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

Our three business areas often collaborate with each other to create additional customer value. This allows both Nolato Medical and Nolato Industrial to offer their customers

integration of electronics and advanced decoration solutions, based on the capabilities of Nolato Telecom, through its long-standing work with mobile phone producers.

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

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

Balance through differences

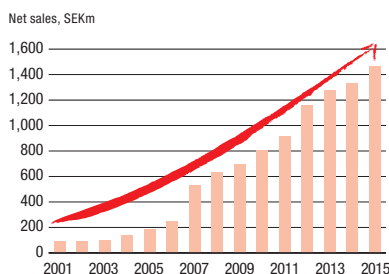
The fact that all three business areas are affected differently by business cycle fluctuations, events and market patterns means the Group benefits from a healthy balance and stability in its operations.

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

The charts below clearly show the different fundamentals in the form of sales trends for each business area.

Nolato Medical 2001–2015

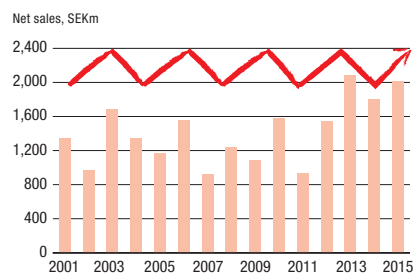
From local to global



Growth-related

Nolato Telecom 2001–2015

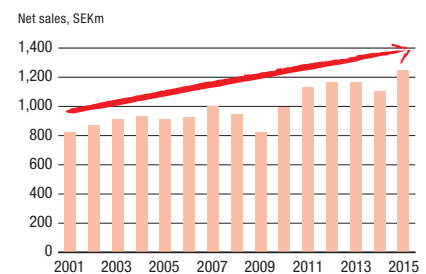
Adaptation and flexibility



Project-related

Nolato Industrial 2001–2015

Innovative technology and productivity



Business cycle-related

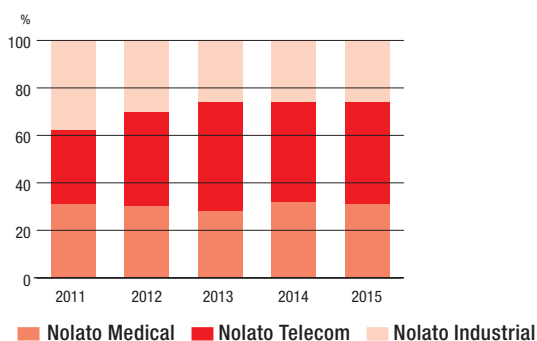
Similar yet different

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

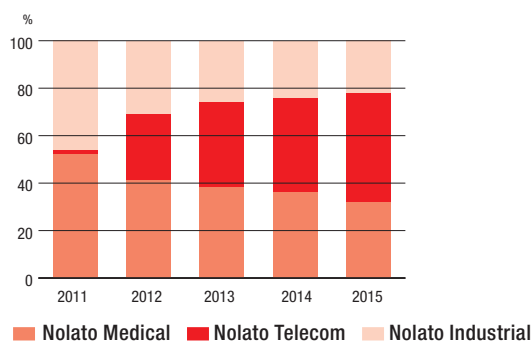
Strategic focus of the business areas

Nolato Medical – Growth market – Structural changes – Further internationalisation	→	♦ Organic growth ♦ Partnerships – Increased proportion of system projects ♦ Global expansion and acquisitions
Nolato Telecom – Rapidly changing growth market – Project-related/volatile – Strong price pressure	→	♦ Organic growth ♦ Expanded customer offering ♦ Technology and project management ♦ Focus on EMC
Nolato Industrial – Tracks the industrial business cycle – Fragmented market – Polymer materials gaining ground	→	♦ Market share ♦ Productivity ♦ Cash flow ♦ Selective geographic expansion

The business areas' share of net sales



The business areas' share of operating profit (EBITA)



Nolato Medical

Numerous new development projects for future growth



Business Area President:
Christer Wahlquist
Employed 1996
President since 2005
Group President and CEO
from February 2016

Financial highlights:	2015	2014
Sales, SEKm	1,464	1,333
Operating profit (EBITA), SEKm	191	176
EBITA margin, %	13.0	13.2
Average number of employees	1,053	1,031

Market characteristics:

Large, global medical technology and pharmaceutical companies. Long-term development work, strict regulatory requirements, stringent requirements on quality, safety and traceability.

Market trends:

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

Customer offering:

Development and manufacture of complex product systems and components within medical technology and advanced packaging solutions for pharmaceuticals and dietary supplements.

Geographic information:

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



Success factors:

Medical understanding, broad technological offering, expertise in developing robust product solutions, global production and robust quality.

Customers include:

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

Competitors include:

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

Volatility:

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

Product life cycle:

Long.



Nolato Medical is a fast-growing business area that develops and manufactures medical device products for customers in the medical technology and pharmaceuticals sectors. In 2015, Nolato Medical strengthened its position in the market by winning a number of new advanced development project contracts from large medical technology and pharmaceutical companies. A high level of activity and healthy project activity over the year are enabling future growth thanks to long-term investments in developing technology and the organisation, with a focus on robust product design and industrialisation.

Operational focus

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

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

Performance in 2015

The business area's sales rose by 10% to SEK 1,464 million (1,333). Adjusted for currency, the increase was 2%. Packaging volumes remained low in Eastern Europe. Most of the business area's other customer segments saw volumes grow.

Operating profit (EBITA) rose to SEK 191 million (176) and the EBITA margin was 13.0% (13.2).

Events during the year

During the year, Nolato Medical strengthened its Technical Design Centre (TDC) by recruiting additional highly qualified engineers and investing in software and hardware for advanced technical simulations and analytics. The business area also oversaw a general strengthening of technology capabilities in subsidiaries.

During the year, Nolato Medical made excellent progress in robust design, which uses digital modelling to simulate production flow and functionality of a product before production begins. This method saves time, cuts development costs and improves product quality. It enables Nolato Medical to help

customers choose the right product concept and industrialisation strategy at the design stage. In addition, it allows Nolato to provide cost-effective large-scale production of a new product. Its investment in robust design helped Nolato Medical win a number of strategically important development projects from customers. These include the development of a customer-specific drug delivery system to administer high-viscosity drugs in the body.

During the year, Nolato Medical received the Swedish Lean Award 2015 at the Swedish Lean Forum. The prize was awarded for, among things, Nolato's long tradition of responsible business that combines efficient business operations with ethics, responsibility and environmental awareness. Nolato Medical's Medical Excellence production system is a key factor in the effective implementation of its lean manufacturing. Nolato Medical also received Boston Scientific's Supplier of the Year as a result of the business area's continual and methodical investment in efficient and high-quality production processes.

Nolato Medical's market

The medical devices market is estimated to be worth SEK 100 billion and to have long-term global volume growth of around 3%–5%. There are a number of drivers behind developments in the medical devices market. Global population growth and rising average age is leading to a greater need for health care. There is also a trend of increasing self-care at home to reduce overall healthcare costs for society. Hospitals are therefore increasingly taking on the role of diagnostic centres, while self-care is generating a greater need for medical technology equipment. For Nolato Medical this presents an opportunity to supply medical technology equipment both for diagnostics at hospitals and for home care. In the latter case, the trend is being driven by medical devices being made more user-friendly for patients.

Case study

Effective support for over-the-counter allergy spray in the US

When international pharmaceutical company Sanofi gained approval from the FDA in the US to sell its allergy spray Nasacort prescription-free, Nolato was asked to help adapt the existing packaging for the consumer market.

The project, which lasted for 14 months, was carried out on schedule, enabling Sanofi to achieve a highly successful launch of its over-the-counter allergy medication.

Nolato Jaycare has produced a 20 ml plastic spray packaging solution for Sanofi's Nasacort prescription nasal allergy spray since 2010. A few years later, Sanofi had the opportunity to market its spray as an over-the-counter drug to consumers, which required the packaging to be altered in line with particular requirements.

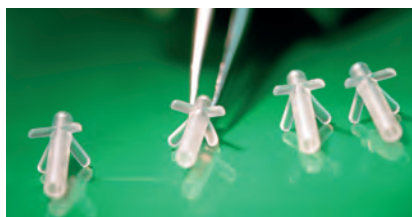
These involved both regulatory requirements and the specific needs of the customer. Sanofi wanted the packaging to have the same dimensions as the old packaging in order to avoid having to refit filling lines.

In the initial development stage, Nolato produced CAD designs and photorealistic simulations before the final design was agreed. Another important stage involved the creation of production-quality pilot moulds. Towards the end of the project, work on developing and validating various details intensified to ensure that no time was lost once FDA approval was received.

The constructive collaboration between Nolato and Sanofi's project teams was instrumental in the packaging being developed and going into production on schedule. This was critical for Sanofi, as it had invested significant resources in the launch of Nasacort on the US market.



Examples of products



Medical devices

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



Pharmaceutical packaging

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

Strategic focus

- ▶ Organic growth
- ▶ Partnerships
 - increased proportion of system projects
- ▶ Global expansion and acquisitions

The business area's units

Medical Devices:

Nolato Beijing Medical
Beijing, China
MD Jörgen Karlsson

Nolato Contour
Baldwin, Wisconsin, US
MD Russell Steele

Nolato Hungary
Mosonmagyaróvár, Hungary
MD Johan Arvidsson

Nolato MediTech
Hörby and Lomma, Sweden
MD Johan Iveberg

Nolato MediTor
Torekov, Sweden
MD Michael Holmström

Pharma Packaging:

Nolato Cerbo
Trollhättan, Sweden
MD Glenn Svedberg

Nolato Jaycare
Portsmouth & Newcastle, UK
MD Joe Barry



A fully automated clean room assembly line used for a global medical technology customer.

Nolato Medical's market is characterised by three changes in trend:

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

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

Nolato Medical's market position

Over the past seven to eight years the Medical Devices business has adopted a strategy of moving from being a local manufacturer of components to being an end-to-end supplier with global resources to support customers from concept development to supply of the final product. Nolato Medical offers customers a broad technological

base, advanced support in the development process and nine production units in Europe, Asia and North America. Nolato has a leading position in Pharma Packaging on the Scandinavian and UK markets and also has significant exports outside these regions. Nolato Medical is one of only a few suppliers focussing on packaging systems solely for the pharmaceutical and dietary supplements market. This focus provides a better customer offering as a result of a deeper understanding of regulation and quality requirements that apply in these markets, not only for individual components but also for packaging in general.

In recent years, Nolato Medical has taken market share both in customer-specific solutions and platform solutions (standard solutions). For customer-specific solutions, Nolato Medical develops specific new products that are tailored to customers' exact needs. Nolato Medical supports customers through the entire process, from idea, concept and design to validation, quality control and full-scale production. Within platform solutions, Nolato Medical has in-house product development, design and creation of production moulds. Products include pharmaceutical packaging, catheter balloons, breathing bags and hazardous waste containers from which customers choose based on Nolato's existing range.

There has been a clear trend in recent years of Nolato Medical receiving contracts

that combine activities within both Medical Devices and Pharma Packaging. This may, for example, involve a medical device that also contains a drug, which means it is a strength for us to be active in both these sectors.

Nolato Medical's strategic focus

Nolato Medical's strategy is to be the acknowledged best polymer materials development and production partner for medical device and pharmaceutical companies. Nolato Medical aims to be particularly strong in product development and production and to offer global customer support. This means being able to offer customer production on the major international markets in Europe, America and Asia. Nolato Medical operates both using in-house sales and distributors to bolster its market position.

Nolato Medical key features

Like the rest of the Group, Nolato Medical's operations are based on: Corporate responsibility, high quality management and technical expertise, advanced production methods and an extensive customer network.

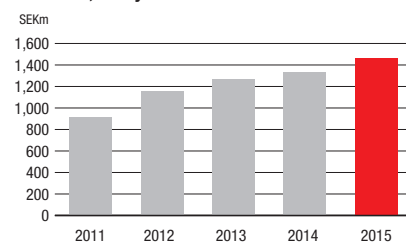
What distinguishes Nolato Medical is its in-depth knowledge of the specific conditions governing customer needs in the medical technology sector. A good understanding of complex medical technology applications, extensive quality and documentation requirements and risk analysis are key factors for succeeding in this market. Production is principally carried out in clean rooms, with extremely strict requirements in terms of quality, safety and traceability.

Nolato Medical's continued development

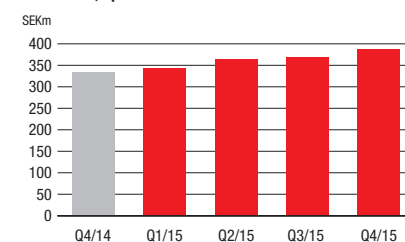
In 2016, this business area will be focussing on delivering the development projects that it won in 2014 and 2015. The business area's various units will consequently be strengthened in a range of areas including personnel and new technical equipment. Nolato Medical will continue to evaluate potential acquisitions as an important element in boosting growth. This business area also intends to strengthen its presence in China and the US.

Nolato Medical: five-year review

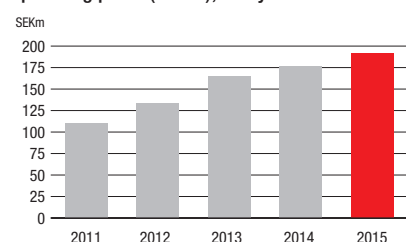
Net sales, full-year



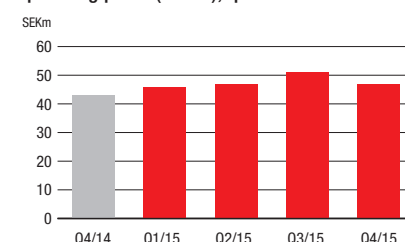
Net sales, quarter



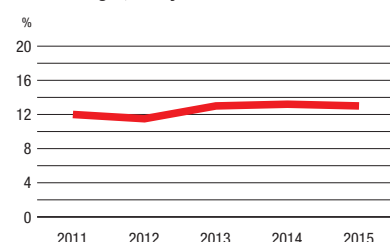
Operating profit (EBITA), full-year



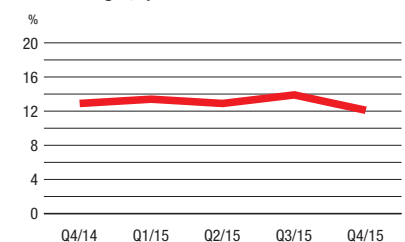
Operating profit (EBITA), quarter



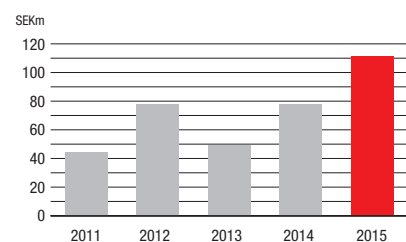
EBITA margin, full-year



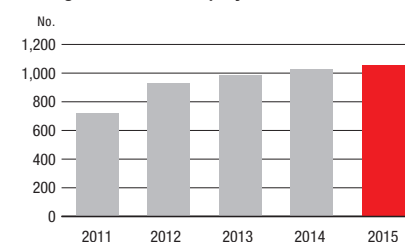
EBITA margin, quarter



Investments

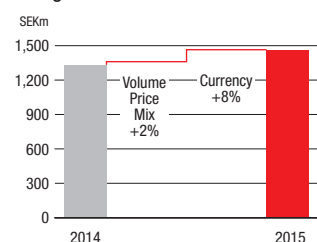


Average number of employees

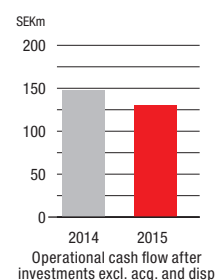


Affecting cash flow, excluding acquisitions and disposals

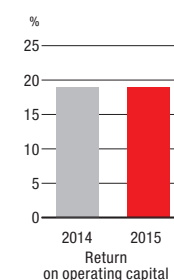
Change in sales



Cash flow



Return



Nolato Telecom

Strong earnings and launch of new product areas



Business Area President:
Jörgen Karlsson
Employed 1995
President since 2009

Financial highlights:	2015	2014
Sales, SEKm	2,017	1,799
Operating profit (EBITA), SEKm	272	199
EBITA margin, %	13.5	11.1
Average number of employees	6,002	6,297

Market characteristics:

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

Market trends:

Constant new demands for cost-effective solutions. Continued high importance of cosmetic effects and unique design solutions, as well as speciality functions such as water resistance. Greater need for shielding of electronics (EMC).

Customer offering:

Design, development and manufacture of advanced components and subsystems for mobile phones, and products and systems for shielding electronics to achieve electromagnetic compatibility (EMC).

Geographic information:

Development, production and sales in Sweden, China and Malaysia. Sales and technology offices in the US, India, Korea, Japan and Hungary.



Success factors:

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

Customers include:

Ericsson, Huawei, Microsoft, Motorola Solutions, Nokia, Sonos, Sony Mobile, Xioami and ZTE.

Competitors include:

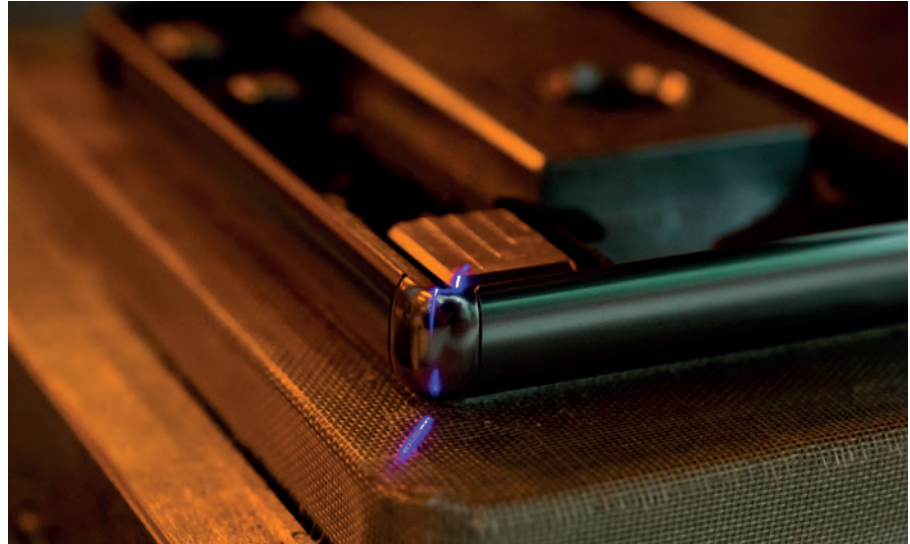
Chiyoda, Chomerics, Jabil Green Point, Laird and Worldmark.

Volatility:

High. Project-based operations.

Product life cycle:

Short.



Nolato Telecom is a supplier of technically advanced solutions and products in the telecom sector. In 2015, the business area achieved excellent sales and profitability. There was strong demand for Nolato's mobile phone and EMC products during the year.

Operational focus

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

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

Performance in 2015

Sales for the business area totalled SEK 2,017 million (1,799). Adjusted for currency, sales decreased by 8%. Nolato Telecom experienced high volumes and strong demand for a number of mobile phone models on customers' consumer markets. Volumes decreased towards the end of the year as product changeovers occurred.

Activity in the EMC area continued to show positive development over the year. Demand was mainly driven by the build-out of 4G network base stations.

Operating profit (EBITA) rose to SEK 272 million (199). The EBITA margin was a very strong 13.5% (11.1). The positive margin performance was supported by a favourable product mix and a low proportion of materials, high efficiency and a continued focus on EMC.

Events during the year

Nolato Telecom had an eventful year, with the launch of a number of new product areas. The new Laser Applications product area was launched within Lövepac Converting, which comprises both manufacturing and product development for mobile phones. Laser Applications is a technology for assembling components in mobile phones and other electronic products. For example, it may involve display glass that is installed in a mobile phone using laser-activated self-adhesives. Nolato Telecom also generated strong interest in its new Ceramics product area at trade shows in Las Vegas and Barcelona. Details for mobile phones and other electronics are increasingly being made from ceramics, a tough and decorative material. The business area also launched the new Compatherm product within Thermal Interface Materials, which is a thermal interface material used in applications

such as radio base stations to dissipate heat.

In addition to these product launches, Nolato Telecom undertook major initiatives, including a significant strengthening of the organisation within EMC. These measures to strengthen the organisation are aimed at enabling future expansion. In addition, the new factory was completed in Penang, Malaysia for mobile phone-related production.

Nolato Telecom's market

The smartphone market continued to grow in 2015. According to Gartner, the number of handsets supplied increased by around 14% during the year compared with 2014. Samsung is by far the biggest player, followed by Apple and Huawei.

Within Mobile Phones, Nolato Telecom operates in the upper segment of the market. Traditional, established mobile phone companies still retain their positions in this segment, but they are being threatened by the expansion of local Chinese companies. A driver that is affecting Nolato Telecom's market directly is the design of mobile phones. The more similar mobile phones are in terms of function and performance, the more important it is to find distinctive features. Other drivers include the use of different materials, with ceramics starting to be introduced as a tough, decorative material that offers exclusivity. New and additional functions such as water resistance and thermal management in products are also important driving forces for Nolato Telecom's market.

EMC is operating in a steadily growing market, with additional need for applications and productions as 4G networks are rolled out, particularly in China. Nolato's EMC area supplies the telecom market with products and systems for the shielding of electronics to achieve electromagnetic compatibility.

The main driver in EMC is mobile phone use by consumers, particularly for sending data and the use of streaming/social media (known as rich media), which requires much more network capacity than normal phone calls. As network loads increase there is a growing need for EMC's process and materials solutions for shielding applications.

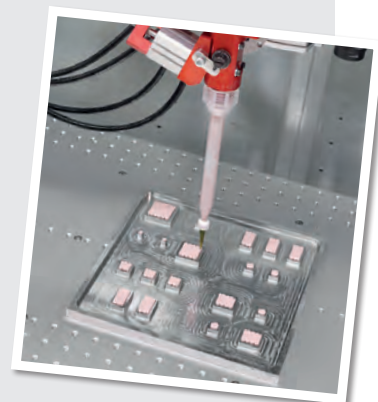
Case study

Thermal interface materials

Each new generation of electronic equipment gets smaller, while also offering greater capabilities and speed. But the combination of increasingly powerful and, consequently, hotter components packed tightly onto a small surface means the heat needs to be efficiently diverted away to avoid damage to electronics. This has resulted in thermal management becoming an increasingly important area for electronics engineers. Heat sinks positioned above hot components have traditionally been used. But their efficiency is impaired by the fact that they are not in direct contact with the surface of the components. Filling this space with a thermal interface material, TIM, dramatically increases the cooling effect.

Compatherm®, Nolato's portfolio of thermal interface material, has been developed in close collaboration with some of the largest companies in the telecom industry, ensuring that the products have good functionality and performance, as well as high quality at a low price.

Compatherm® is sold globally to customers in Europe, North America, South America and Asia. Thermal interface material needs span most high-tech industries, and we currently supply customers in the telecom, automotive, medical technology and electronics industries.



Examples of products



Mobile phone components and subsystems

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

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



EMC

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

Strategic objectives

- ▶ Organic growth
- ▶ Extended customer offering
- ▶ Technology and project management
 - own niche technologies
 - project management and project start-ups
- ▶ Further development of the shielding business (EMC)
 - new markets
 - acquisitions

The business area's units

Mobile Phones:

Nolato Beijing

Beijing, China
MD Jörgen Karlsson

Lövepac Converting

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

EMC:

Nolato Silikonteknik

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



Nolato Telecom's market position

Compared with the large EMS (Electronics Manufacturing Services) companies, Nolato Telecom is a niche player in Mobile Phones, offering strong expertise in development, design and production. The overall mobile phone market was estimated to have totalled around 2 billion units in 2015.

Nolato Telecom's market is in the upper segment of the market and relates to projects, which means that Nolato Telecom's volumes and results are not especially dependent on overall market development, but more on the consumer sales performance of individual mobile phone suppliers' handsets. Nolato Telecom's market share is estimated to be a few percent.

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

Within EMC, Nolato Telecom has a strong position as a supplier of shielding solutions for mobile network base stations. Customers include major international telecom companies such as Ericsson, Huawei, Motorola Solutions and ZTE. Nolato Telecom believes its EMC business has good potential for growth, particularly as other applications in sectors such as automotive and medical technology are increasing. For example, electric cars require shielding for battery charging, while in health care there

Automation of mobile phone production is increasing in importance as technologies and requirements grow in complexity.

are a growing number of devices that need shielding solutions.

The main international competitors in Mobile Phones are Jabil Green Point, Chiyoda and Worldmark. In EMC, the principal competitors include Chomerics and Laird.

Nolato Telecom's strategic focus

Nolato Telecom's strategy is to be a supplier and partner of technically advanced products mainly to the upper segment of the telecom industry, but also to other sectors such as consumer electronics. Within EMC, Nolato Telecom's strategy is to be a supplier to customers mainly in the radio base stations, automotive and healthcare segments. Sales of EMC material take place both directly and via Nolato's licensed partners. As well as developing various electrically conductive materials solutions and electronics shielding components, development work also focuses on TIM (thermal interface materials) products.

Nolato Telecom key features

Like the rest of the Group, Nolato Telecom's operations are based on: Corporate responsibility, wide-ranging technical capabilities and advanced production technology. The main distinguishing factor is the technological content. Nolato Telecom has developed its own portfolio of unique technical products in order to offer unique solutions. These include ACM, acoustic cosmetic modules, which are the 'protection' in front of speakers and microphones on

mobile phones, Waterproof Technologies for water-resistant products, Laser Applications for joining components, Ceramics for their tough properties and Thermal Interface Materials, which are products that dissipate heat from hot components on a circuit board.

This business area also offers particular expertise in handling rapid start-ups of new products and production with major fluctuations in volume. In addition, unlike the rest of the Nolato Group, the bulk of Nolato Telecom's revenues come from technologies other than injection moulding, such as tool manufacturing, assembly and various methods of painting and decoration.

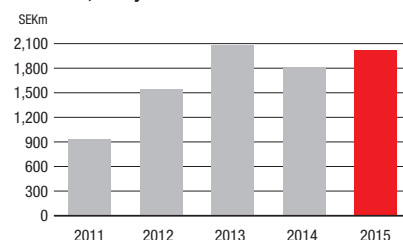
Nolato Telecom's continued development

Nolato Telecom believes the mobile phone market will continue to grow in 2016. However, what is more important for this business area is how individual customers' handsets are received on the consumer market. The Mobile Phones business area will continue to invest in and develop its technologies in Acoustics, Laser Applications and Ceramics and to market these areas to both the telecom industry and other selected sectors such as medical technology, automotive and cosmetic components. Continued lean manufacturing work will also remain key for this business area in 2016.

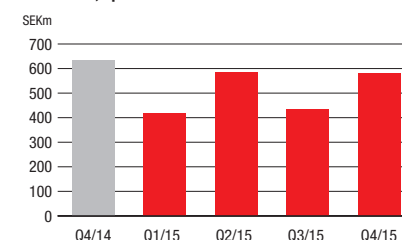
The EMC market remains of great interest to Nolato Telecom. However, an increased need for shielding is being partly offset by a decrease in the size of equipment. A key objective for Nolato Telecom in 2016 is therefore to take market share in both telecom and in other market segments such as automotive, medical technology and electronics. In order to achieve this goal, Nolato's EMC unit is recruiting additional engineers and sales representatives to focus on developing both existing and new technologies.

Nolato Telecom: five-year review

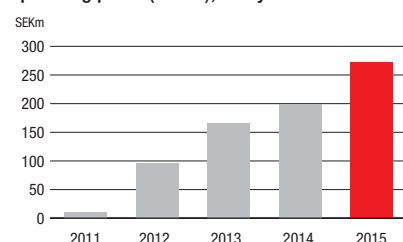
Net sales, full-year



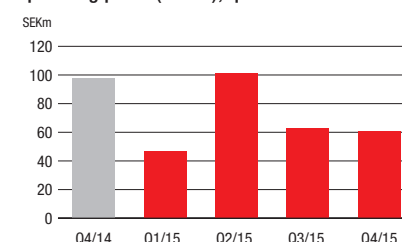
Net sales, quarter



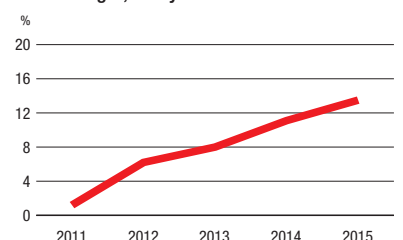
Operating profit (EBITA), full-year



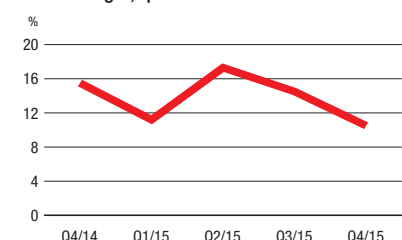
Operating profit (EBITA), quarter



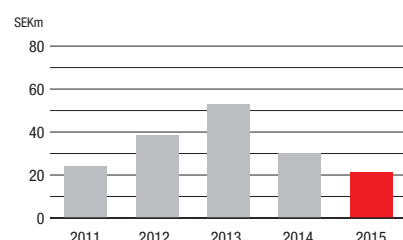
EBITA margin, full-year



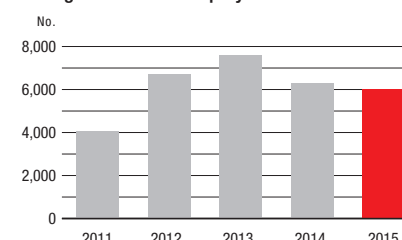
EBITA margin, quarter



Investments

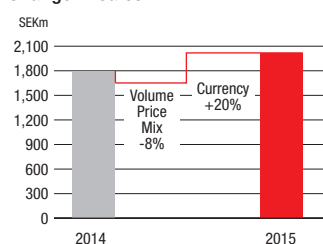


Average number of employees

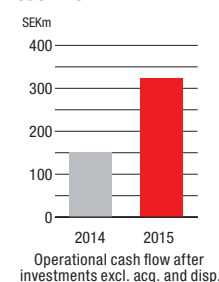


Affecting cash flow, excluding acquisitions and disposals

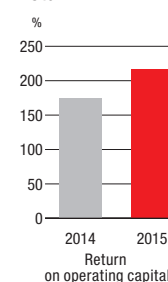
Change in sales



Cash flow



Return



Nolato Industrial

Strong growth and advanced market positions



Business Area President:
Johan Arvidsson
Employed 1994
President since 2012

Financial highlights:

	2015	2014
Sales, SEKm	1,251	1,106
Operating profit (EBITA), SEKm	132	118
EBITA margin, %	10.6	10.7
Average number of employees	698	687

Market characteristics:

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

Market trends:

Plastic is replacing heavier metal components. Customers want more extensive support earlier in the development phase. Smaller suppliers with a limited customer offering are being forced out of the market.

Customer offering:

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

Geographic information:

Development, production and sales in Sweden, Hungary, Romania and China.



Success factors:

Technology, project management and productivity.

Customers include:

Atlas Copco, Brose, Geberit, Husqvarna, Jaguar/Land Rover, MCT Brattberg, Scania, SKF, Volvo and Volvo Cars.

Competitors include:

AQ Group, Euroform, KB Components, Mann+Hummel, Promens and Rosti (Nordstierman).

Volatility:

Medium. Follows the Northern European industrial business cycle.

Product life cycle:

Medium/Long.



Northern Europe's most modern materials handling system ensure quality and productivity.

Nolato Industrial consists of eight strong specialist companies that develop and manufacture products and product systems in mainly polymer materials for a range of customer segments. These companies create business opportunities both individually and in cooperation with one another. During the year, Nolato Industrial exhibited strong growth, in particular by taking market share and through healthy demand from customers in the automotive sector.

Operational focus

Nolato Industrial's operations mainly focus on two customer sectors:

- ▶ For the automotive sector, Nolato Industrial supplies advanced technical products for applications such as the engine and engine bay.
- ▶ For general industry, including segments such as hygiene, packaging, gardening/forestry and furniture, Nolato Industrial provides products such as components for chain-saws and a range of packaging solutions.

Customers in both of these sectors have continual and extensive purchasing operations, high volumes and long product runs.

Performance in 2015

Sales for the business area totalled SEK 1,251 million (1,106). Adjusted for currency, sales increased by 11%. Volumes in the automotive segment increased significantly and volumes in the hygiene segment were also higher than the previous year. Operating profit (EBITA) rose to SEK 132 million (118) and the EBITA margin was 10.6% (10.7).

Events during the year

Volvo Cars' launch of the new XC90 model and continued implementation of its Drive-E engines have contributed to Nolato Industrial's healthy volumes. This involves the supply of components for engines, cooling fans and the plenum cover that covers the space between the bonnet and the wind-screen. Nolato Industrial supplies both direct to Volvo Cars and to systems suppliers such as Brose.

Nolato Industrial also won extended orders from Scania. Revenues in 2015 mainly came from project work, while production revenues will be generated as the next stage from 2016 onward.

Nolato Industrial continued to win market share within the General Industry sector. Nolato has key competitive advantages such as a high level of technical capa-

bilities and good project management, providing customers with effective support in the development and production process.

Nolato Industrial continued to invest in technology, such as integrated production solutions and advanced two- and three-component products for improved functionality and increased design possibilities. The business area has also expanded its production facility at Götene, Sweden with four-component machines, allowing it to offer customers even more integrated production.

Nolato Industrial's market

The European market for the manufacture of polymer products is fragmented, consisting of almost 50,000 companies with combined sales of over SEK 500 billion. The typical company is family-owned, turns over SEK 20–35 million annually and operates in its local market. Business is done locally as the products in this market are usually bulky, making them costly to transport.

The Nordic region is just as fragmented as elsewhere in Europe. There are over 700 manufacturers of polymer products in Sweden, two-thirds of which have fewer than five employees. Only around 30 companies have sales exceeding SEK 50 million. There are currently three to four companies that can be considered Nolato Industrial's competitors on the Nordic market.

There are a number of driving forces behind developments in Nolato Industrial's market.

The main driver for customers is being able to offer better and more cost-effective products on its markets. This means that customers want more comprehensive suppliers that work closely with them and are able to offer smart and cost-effective solutions. Nolato is a good example of a supplier that provides more integrated production processes with higher added value for customers.

There is a clear trend of customers wanting more extensive support earlier on in the development phase, which is resulting in those companies with only a production-oriented customer offering losing out.

Another driving force is metal being replaced by polymer materials, particularly in the automotive industry. Weight is an increasingly important factor in the

Case study

Plenum cover for XC90 meets exacting customer requirements

Nolato has a long-term business relationship with Volvo Cars and supplies components for Volvo Cars' new models. In addition to components for the new four-cylinder Drive-E engines, Nolato is supplying a number of items, including a large plenum cover. This is a part that spans the width of the car and covers the space between the bonnet and the windscreen. It helps divert rain water from the windscreen to the drainage system. It also covers the cabin air intakes, the brake and screen wash fluid containers and the windscreen wiper motors.

The plenum cover is a complex component with high specifications on performance and tolerances, particularly as it is visible on the car and needs a high-quality appearance. As well as injection moulding, Nolato Gota also incorporates metal bushes to mount the fan in the car and fits gaskets.

Nolato Gota became involved early on in Volvo Cars' XC90 project and has supported the customer in developing this part, for example by analysing what is possible to manufacture and how the injection mould could be formed. Early involvement has meant that the plenum cover is better adapted to smoother and more efficient production.



Examples of products



Automotive

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



General Industry

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

Strategic objectives

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

The business area's units

Nolato Gota

Götene, Sweden
MD Peter Holterberg

Nolato Hertila

Åstorp, Sweden
MD Stefan Persson

Nolato Hungary

Mosonmagyaróvár, Hungary
MD Johan Arvidsson

Nolato Lövepac

Skånes Fagerhult, Sweden
Beijing, China
MD Henrik Enoksson

Nolato Plastteknik

Gothenburg, Sweden
MD Magnus Hettne

Nolato Polymer

Torekov & Ängelholm, Sweden
MD Anders Willman

Nolato Romania

Negoiesti, Romania
MD Johan Arvidsson

Nolato Automotive Components

(Beijing)
Beijing, China
MD Jörgen Karlsson



Two-component injection moulding incorporating metal bushes, automated application of seals and quality control with inspection cameras ensures quality and productivity.

development of new models of vehicles to reduce fuel consumption and emissions.

Nolato Industrial's market position

The Nordic market largely follows the industrial business cycle, but Nolato Industrial is growing faster than the market and is taking market share. Nolato Industrial is a market leader in the Nordic region, with around one-fifth of the business done by suppliers with sales of over SEK 50 million. The companies in Nolato Industrial are all among the largest operators in the market and Nolato Industrial is the largest overall player in its sector.

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

It is believed the extensive fragmentation in the sector will lead to continued consolidation in the Nordic region and the rest of Europe. Nolato Industrial's main competitors are AQ Group, Euroform, KB Components, Mann+Hummel, Promens and Rosti (Nordstierman).

Nolato Industrial's strategic focus

Nolato Industrial's strategy is to be a leading supplier, providing development and pro-

duction of products and polymer material product systems for customers in the automotive and general industry sectors (including hygiene products, packaging, gardening/forestry and furniture). With the Nordic market as its base, Nolato Industrial aims to grow by developing existing customers and taking market share in these segments.

A key objective for Nolato's business area is to be customers' high-tech partner. For Nolato Industrial, this means investing in more advanced technology for increased productivity to ensure a more integrated production process with a high level of added value. In the past, traditional injection moulding and various separate stages of production were used, with intermediate stocks and quality control after each stage. Nolato Industrial now uses two-, three- and four-component injection moulding, the combination of different materials such as metal and plastic, and advanced seals. Quality controls are integrated into the production process, in part through the use of inspection cameras. This removes the need to hold intermediate stocks.

These advanced technologies and Nolato Industrial's ability to combine them provides

added value for customers. The number of parts in a product can be cut through multi-component injection moulding, weight can be reduced and sustainability improved. For example, by replacing metal with plastics and complex structures such as piping with a single component.

Nolato Industrial key features

Like the rest of the Group, Nolato Industrial's operations are based on: Corporate responsibility, wide-ranging technical capabilities and advanced production technology. The main distinguishing factor is the importance of high productivity. Continuous improvement and lean manufacturing are key elements for the entire Nolato Group, but are even more important for Nolato Industrial's competitiveness.

Lean manufacturing measures are being undertaken throughout Nolato Industrial's factories and involve integrated processes, a high level of automation, good organisation, little or no inventory, efficient flows and targeting of zero faults in production.

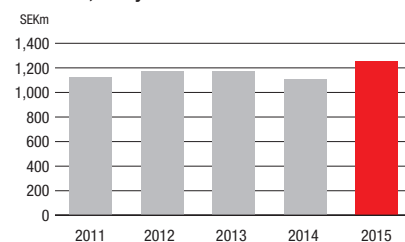
Nolato Industrial's continued development

A key objective for 2016 is to take market share in both the Automotive and General Industry sectors. This involves both developing business with existing customers and gaining new customers through active sales efforts. Another prioritised objective is improving the productivity of both customers and Nolato Industrial through continued investments in technology.

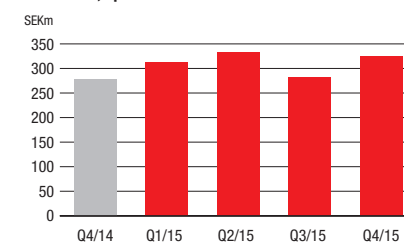
Nolato Industrial believes that in 2016 the market will carry on following the North European business cycle.

Nolato Industrial: five-year review

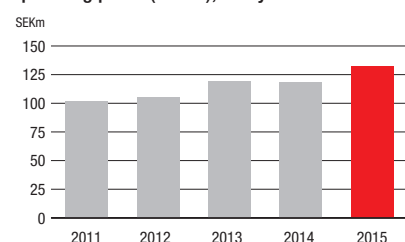
Net sales, full-year



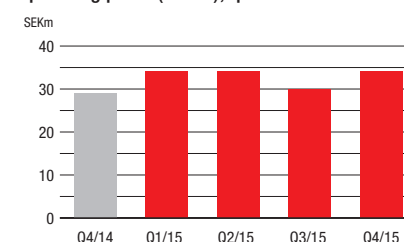
Net sales, quarter



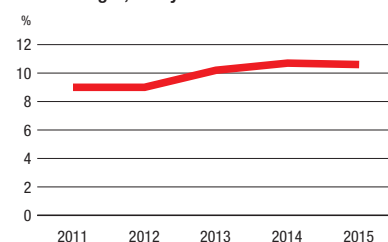
Operating profit (EBITA), full-year



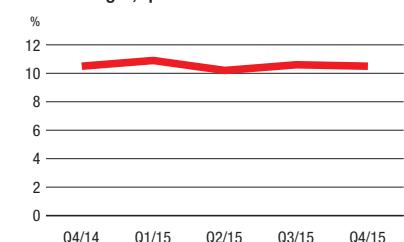
Operating profit (EBITA), quarter



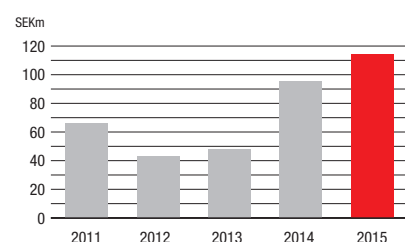
EBITA margin, full-year



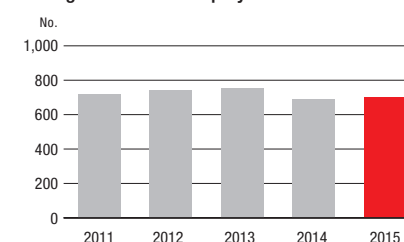
EBITA margin, quarter



Investments

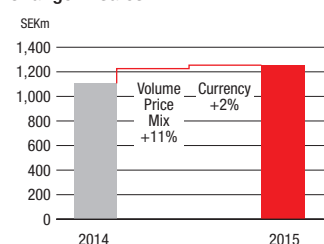


Average number of employees

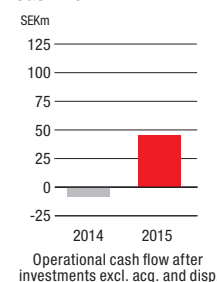


Affecting cash flow, excluding acquisitions and disposals

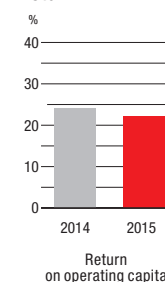
Change in sales



Cash flow



Return



Sustainability work for long-term growth

2015 highlights

- ▶ Work based on the UN Global Compact was further developed and Nolato's objectives are contributing to the UN's global sustainable development goals and Sweden's environmental quality targets.
 - ▶ The Nolato Spirit booklet was updated, with a clearer link between business operations and sustainable development.
 - ▶ Continued focus on energy efficiency. Energy audits and energy efficiency measures were widely implemented and ISO 50001 was introduced at several plants.
 - ▶ Reduced carbon emissions through energy efficiency measures, phasing-out of fossil fuels and the purchase of green electricity. Reporting of carbon emissions under the Carbon Disclosure Project, which Nolato is doing along with around 5,500 other global companies.
 - ▶ Involvement in a school outside Beijing, known as Building Hope Together, is highly valued by teachers, students and Nolato employees.
 - ▶ Work on introducing the OHSAS 18001 health and safety standard continued with the aim for all units to be certified under this standard.
 - ▶ Nolato's sustainability work was analysed by Swedbank Robur and the Group was once again approved under the bank's responsible investment criteria.
-
- ▶ **Find out more about our sustainability work in Nolato's Sustainability Report at www.nolato.com/sustainability**



Sustainability work is an integral part of Nolato's strategy for growth and value creation and is a natural part of our day-to-day work. The aim is to create business opportunities, reduce costs, minimise risks and meet the requirements and expectations of external and internal stakeholders.

Nolato and international goals

2015 will be seen as one of the Group's most important years yet for its work on sustainable development. During the year, the UN presented new global development goals and expectations for efforts by businesses are high, both in terms of responsible business practice and in terms of developing products and services that contribute to sustainable development. Working towards these new goals is a natural extension of Nolato's commitment to the UN Global Compact. At present, the Group's sustainability targets are in line with a number of these global goals and the long-term aim is to refine our sustainable development efforts. In so doing, Nolato also contributes to Swedish environmental quality targets.

Nolato has also opted to sign up to the global initiative regarding the reporting of sustainability measures. Nolato's separate sustainability reporting is prepared in accordance with Global Reporting Initiative (GRI G4) guidelines and the Group's carbon emissions performance is reported in accordance with the Carbon Disclosure Project (CDP).

Strategy and governance

Sustainable development strategy

The Group has long had preventive measures in place relating to health and safety and environmental issues and these are important elements of The Nolato Spirit. Views on corporate social responsibility have changed over time and issues relating to social responsibility and good business ethics have become increasingly important. There are also significant expectations that Nolato and other companies must apply a clear life cycle approach to raw materials, product development, processes and products.

Sustainable development measures continue to be refined, from overall policies and strategies to day-to-day efforts. During the year, The Nolato Spirit booklet was updated and an important change was made to clarify the link between values and business principles. The long-term strategy is being developed gradually and we are currently focussing principally on:



- ▶ Reducing risks and costs through preventive measures, risk analysis and investments in modern technology. Energy and emissions issues are a particular priority.
- ▶ Creating business opportunities through responsible operations and development of resource-efficient production methods and products.
- ▶ Working systematically based on ISO standards and concepts like lean manufacturing and 5S. ISO 14001 has been in place for a long time and the Group is now introducing the OHSAS 18001 health and safety standard at its units.
- ▶ Being a good corporate citizen and helping incentivise employees and encouraging their involvement.
- ▶ Applying sound business principles and communicating in a transparent way on sustainable development, both with regard to achievements and deficiencies.
- ▶ Continuing to integrate sustainability issues into Nolato's business model.

Governance of sustainability work

The overall focus of and responsibility for our sustainability work is set out in Nolato's Basic Principles, Code of Conduct and policies. The Code of Conduct is complemented by Group-wide goals on the environment, social responsibility and business ethics. Each unit works towards these overall goals, as well as their own detailed targets.

Operational responsibility for sustainability issues is delegated to the Managing Director of each company. Group management regularly follows up on the development of this work and how sustainability measures are being integrated into strategic planning. One representative on Nolato's Board has special responsibility for these issues. These activities are followed up through dialogue with the companies' management and through internal and external audits. Along with the annual sustainability report, we also carry out an in-depth analysis of compliance with legislation, target outcomes and the development of performance and key indicators during the year.

Key guidelines



The Nolato Spirit

The Nolato Spirit booklet summarises the Group's core values and policies and explains how they relate to the business model.



UN Global Compact

Since 2010 Nolato has been a signatory to the UN Global Compact, a framework document that comprises 10 principles on the environment, human rights, labour conditions and the combatting of corruption.



Sustainability reporting

Nolato's sustainability work is reported in accordance with Global Reporting Initiative (GRI) guidelines, the Carbon Disclosure Project (CDP) and the UN Global Compact (Communication on Progress; COP).

Certified management systems

Nolato's units are certified to the international standards ISO 9001 (quality management) and ISO 14001 (environment). The OHSAS 18001 health and safety standard is being gradually introduced throughout the Group and some units operate in accordance with ISO 50001 (energy). The ISO 26000 social responsibility standard provides us with guidance for our overarching sustainable development efforts.

Value for stakeholders

Nolato interacts with a number of stakeholder groups, which brings a range of requirements and expectations in relation to sustainable development. Our understanding of which stakeholders are significant – and what they consider to be important – is based on experience, commercial relationships and dialogue over a long period, as well as events over the past financial year.

STAKEHOLDER	AIMS, REQUIREMENTS AND EXPECTATIONS	VALUE CREATED
 <p>Customers</p>	<p>Nolato believes that sustainability measures strengthen customer relationships. Many customers demand that Nolato have a code of conduct, certified management systems, the phasing-out of hazardous chemicals and active sustainability measures in collaboration with Nolato's supplier.</p>	<p>Nolato's sustainability work was reviewed by around 50 customers during the year. The overall results were excellent and Nolato's sustainable development aims are valued by customers. The operations in China and Malaysia are certified as Sony Green Partners.</p>
 <p>Employees</p>	<p>Health, safety, pay, benefits, social conditions, well-being, development opportunities.</p>	<p>In 2015, Nolato paid its employees a total of SEK 1,250 million. The frequency of accidents remained low and OHSAS 18001 is currently being introduced throughout the Group. Almost 300,000 hours of training were undertaken during the year, which equates to around 39 hours per employee. Positive employee survey results. The Employee Care Programme is being further developed in China.</p>
 <p>Suppliers</p>	<p>Nolato endeavours to have long-term and transparent relationships with suppliers. The aim is to ensure the right quality, financial stability and sustainable development for both parties.</p>	<p>In 2015, Nolato paid its suppliers a total of SEK 2,996 million. Suppliers were provided with the new version of The Nolato Spirit booklet and over the year the Group conducted more than 130 assessments, which also addressed sustainability issues.</p>
 <p>Shareholders</p>	<p>The aim is for this sustainability work to create value for shareholders. Nolato ensures this, for example, through efficient resource usage and investments in new environmentally sustainable technology. The integration of sustainability issues in business operations, such as more environmentally sustainable products, reduces risks and creates business opportunities.</p>	<p>Nolato's share price rose by 45% in 2015. The Group gained renewed approval from Swedbank Robur for ethical investments. Reporting of carbon emissions to global investors in accordance with the Carbon Disclosure Project was undertaken with good results.</p>
 <p>Society</p>	<p>Social engagement is an important aspect and something that is expected by local communities where the Group operates. As a global company, the Group is expected to undertake measures that contribute to national and global sustainable development goals.</p>	<p>In 2015, Nolato paid SEK 159 million in tax. The Group's companies contributed in numerous ways to local communities. The Building Hope Together school project in China was further developed. By signing up to the UN Global Compact, Nolato is making a long-term contribution to these global development goals. Nolato participated in work to update ISO 14001.</p>

Social responsibility case study

Sustainable development at Nolato in China

At Nolato's facility in Beijing, sustainable development issues are a high priority, and this has been recognised in the form of awards for a safe work environment. A wide range of activities were undertaken in 2015 to develop employees' skills. Over 500 employees participated for a total of 28,000 hours in an online training system focussed on lean manufacturing, quality management, safety, financial management and other subjects. Around 30 people took courses in English and a new book club generated lots of interest among employees. Various departments participated enthusiastically in competitions to produce the best video on the subjects of health and safety and correct behaviour in the workplace.

The Employee Care Programme was further developed, with greater communication between company management and employees, improvements to the canteen and meals, access to sports facilities and a number of social activities. Over 1,000 people participated in excursions to central Beijing. Exercise breaks have been an important feature of work for some time.

For a number of years now, Nolato has been involved in helping students and teachers at a school in a poor area around four hours' drive from Beijing. The school has around 100 pupils between the ages of 7 and 12. Through the Building Hope Together project, Nolato has donated computers and other equipment to improve lessons and student welfare. In 2015, Nolato donated new mattresses, pillows, blankets and bed-sheets for the children. It is reported that they are now sleeping so well that it's difficult to wake them up in the morning!



Energy efficiency case study



First to achieve ISO 50001

The new energy efficiency directive is raising the importance of energy issues within the EU. In accordance with the requirements of the directive, a number of Nolato's plants have carried out, or plan to carry out, energy audits. Investments in more efficient injection moulding machines, compressors, pumps, ventilation and other technical equipment are an important element of this work.

The first company to be certified under the ISO 50001 energy management system was Nolato Jaycare in the UK. The work to audit the company's energy use and develop the management system was overseen by Darren Whitworth. The Newcastle-based plant also established an innovative energy and process monitoring system. This computer-based system allows the energy consumption of infrastructure and production equipment to be continually monitored. During the year, investments were also made in energy-efficient injection moulding machines and cooling systems. Training of staff in energy efficiency was another key aspect of the work.

As well as encouraging more efficient use of energy, ISO 50001 reduce carbon emissions. The management system also enables Nolato Jaycare to show how it is meeting UK ESOS (Energy Savings Opportunity Scheme) legislation.

Sustainable development key figures

Nolato undertakes extensive work relating to responsibility for the environment, people and society. Moreover, we believe that sustainability measures create business benefits. The work is undertaken systematically according to goals and results are reported in detail in the Group’s annual sustainability report. This page provides key performance indicators (KPIs) on developments in some important areas.



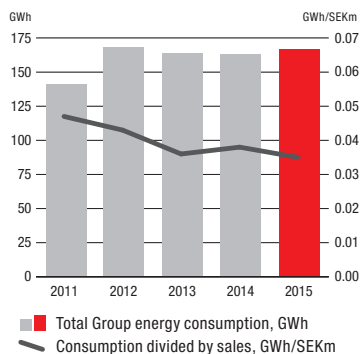
Environmental responsibility

In 2015, Nolato addressed numerous environmental issues with the objective of meeting the requirements and expectations of society, customers and other stakeholders. Efficient use of energy, water and raw materials are key areas, and it is also important to minimise scrap levels and waste. Emissions to air are limited and more efficient purification equipment was recently installed at the unit in Beijing to significantly reduce solvent emissions. Carbon dioxide emissions from Nolato’s energy consumption is an important environmental aspect that is being addressed at all levels of the Group. Nolato has a number of long-term targets relating to the environment.

Energy

Target: The objective is more efficient energy use and for 2014–2016 Nolato is targeting a 10% reduction compared with the average for 2011–2012. The group-wide KPI is GWh/net sales and many of the production units use locally adapted targets, such as energy use in relation to the amount of plastic raw material used.

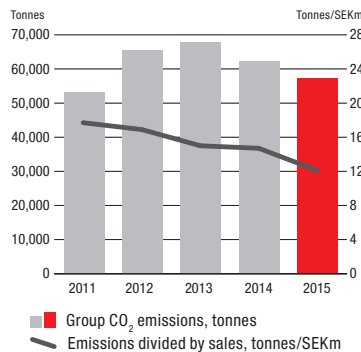
Outcome: Energy audits and efficiency measures were carried out during the year at Nolato’s facilities. The measures included installation of energy-efficient electric injection moulding machines and LED lighting, as well as the introduction of energy management systems. It is believed there is good potential for achieving the energy target.



Carbon emissions

Target: Carbon emissions are a global challenge and Nolato’s objective is to reduce its emissions of greenhouse gasses. The target is the reduction of carbon dioxide (CO₂) from energy consumption by 10% during 2014–2016 compared with the average for 2011–2012. The Group-wide KPI is tonnes of CO₂/net sales and there are also different types of local targets.

Outcome: Energy efficiency, a move to renewable energy, more environmentally sustainable shipping and the purchase of electricity from renewable sources is helping to reduce carbon emissions. The situation in China presents a significant challenge, as the Group is currently only able to use electricity generated by coal-fired power plants. Despite this, the trend is positive and it is believed that the target will be met.

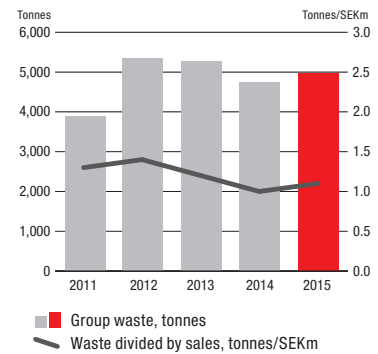


“Innovative packaging solutions are cutting waste for customers and reducing carbon emissions from transportation.”

Waste

Target: The Group-wide objective is for the volume of waste to be reduced in relation to net sales. In this regard, the Group’s units are using various types of local targets relating to scrap levels and the volume of waste. These targets are part of our lean manufacturing work or other initiatives, and as part of ISO 14001.

Outcome: Over a 10-year period the percentage of waste disposed of in landfill has decreased and the percentage that is recycled has increased. Many of the Group’s companies have succeeded in their efforts to reduce scrapping to very low levels. Positive initiatives have also been undertaken and innovative packaging solutions are cutting waste for customers and reducing carbon emissions from transportation.



Environmental management systems

Target: The objective is for all units to be certified in accordance with the international ISO 14001 environmental management system. Acquired companies should be certified within two years.

Outcome: All units, except for a newly established unit in Malaysia, have been certified to ISO 14001:2004 standard. We now need to adapt these systems to the updated ISO 14001:2015 version, which will be completed within three years.

Social responsibility

Nolato's Code of Conduct applies in the same way all over the world. The company aims to be a good neighbour to communities and a good corporate citizen. The Group has a number of long-term objectives relating to social responsibility and The Nolato Spirit booklet provides clear guidelines in this area. We believe these aims help attract, develop and retain committed and skilled staff. Nolato provides professional development for managers and training for employees, and addresses health and safety issues. The Group continues to engage with communities wherever it is based around the world.



A safe work environment

Target: Continually reducing the number of accidents and illnesses in the workplace is an essential objective. An intermediate goal towards this is for all units to have a functioning system for registering and addressing near misses, i.e. events that could have caused an accident. In conjunction with the updating of The Nolato Spirit, the Group introduced the requirement that companies need to be certified in accordance with the OHSAS 18001 health and safety standard.

Outcome: In 2015, there were 36 (43) workplace accidents, which resulted in a total of 405 (929) days of absence. The number of accidents varies over the years, and over a five-year period the average number per employee was 0.005.

Human rights and gender equality

Target: There should be no cases of infringements of human rights, discrimination or forced labour. Active information shall continue to be provided to employees and new staff.

Outcome: An updated version of The Nolato Spirit has been produced and training has been provided at the Group's units. No cases of infringements of human rights were recorded during the year. Of the Group's approximately 7,800 employees, 50% are women. 11% of Nolato's Board are women, while the corresponding figure for Group management is 0%. The percentage of women in Group companies' management teams is 17% and the recruitment of female managers is a priority. The units in China and Hungary have continued to have a positive experience of employing of people with disabilities.

“There should be no cases of infringements of human rights, discrimination or forced labour.”

Business benefits

In accordance with the principles of Nolato's Code of Conduct and the tenth principle of the Global Compact, our business principles should be characterised by integrity and responsibility. Many of Nolato's customers operate in industries in which issues regarding the environment, social responsibility and business ethics have a high priority. There is strong interest in more environmentally sustainable products and the link between environmental and business benefits. There are a number of good examples of this within Nolato. You can find out more about this in Nolato's sustainability report.

Anti-corruption measures

Target: There should be no cases of bribery, corruption or cartel formation. Continued active information for employees.

Outcome: The Group has a zero tolerance approach to all forms of bribery, corruption, cartel formation or other inadequate business ethics, and this is clearly set out in The Nolato Spirit. The Group has introduced a whistleblowing system and no events relating to corruption or inadequate business ethics were recorded in 2015.



“Many of Nolato's customers operate in industries in which issues regarding the environment, social responsibility and business ethics have a high priority.”

Customers

Target: Customer requirements regarding the environment and social responsibility shall be met by a comfortable margin.

Outcome: The results of evaluations and audits were good during the year. Three plants in China and one in Malaysia have been approved as Sony Green Partners.

Suppliers

Target: Improved evaluation of suppliers' sustainability work. In 2015, each company should have evaluated at least five suppliers.

Outcome: In 2015, Group companies conducted 134 (161) evaluations of suppliers' sustainability work. A strong emphasis was placed on environmental and social responsibility in the purchase of transportation services. Several training courses were arranged during the year for accountants, with a focus on suppliers and CR.

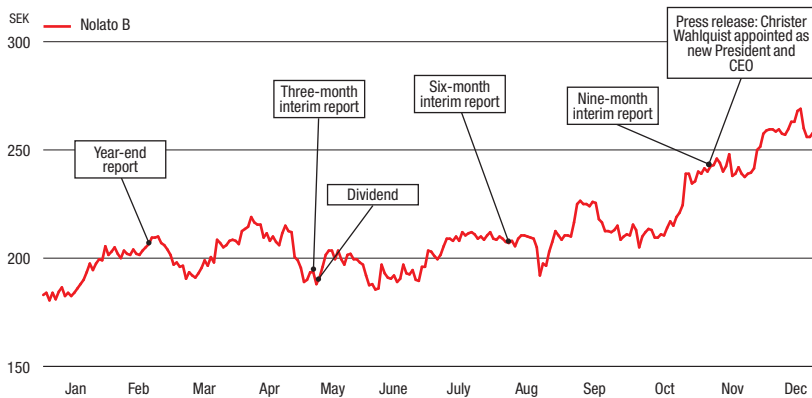
Continued work

In 2016, Nolato will begin work on measures including the following:

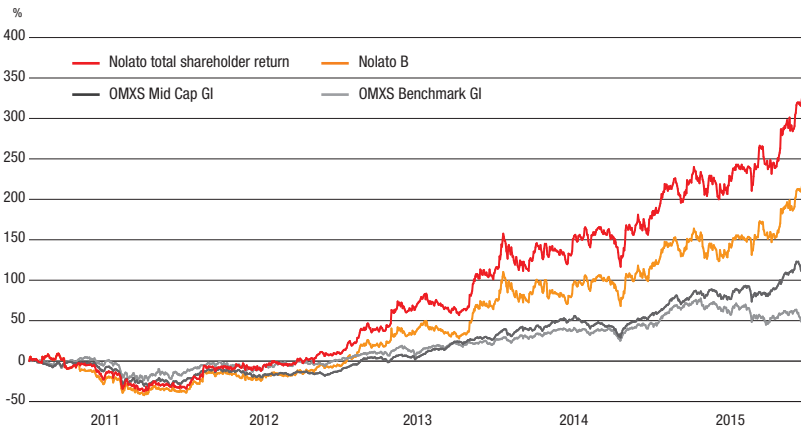
- ▶ Activities to help improve energy efficiency, cut carbon emissions and reduce waste.
- ▶ Health and safety through the continued introduction of the OHSAS 18001, health and safety standard.
- ▶ Adaptation of the environmental management system to the new version of ISO 14001.
- ▶ A persistent focus on suppliers' sustainability measures, including through new procurement of transportation services.
- ▶ Further development of social engagement and social responsibility, including projects such as the Employee Care Programme and Building Hope Together.
- ▶ Updating sustainable development targets.

Shareholder information

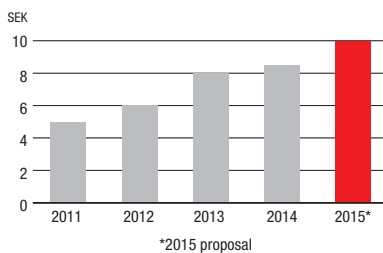
Share price performance 2015



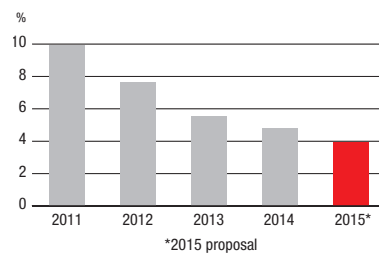
Total shareholder return and share price performance 2011–2015



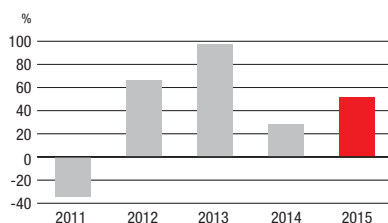
Dividend 2011–2015



Dividend yield, 2011–2015



Annual total shareholder return 2011–2015



Total shareholder return:

5 years 316.5% (yearly average 33.0%)
 3 years 278.9% (yearly average 56.0%)
 2 years 92.6% (yearly average 38.9%)

Listing

Nolato AB was listed on the Stockholm Stock Exchange in 1984, and its B shares are now listed on NASDAQ Stockholm. Nolato is a Mid Cap company in the Industrials sector. Nolato's B shares were also traded on the Burgundy (until 30 April), BATS Chi-X Europe (from 26 February) and Turquoise exchanges in 2015. The share symbol is STO:NOLA B and the ISIN code is SE0000109811.

Share price performance

Nolato's B shares rose over the course of the year by 45% (22), outperforming the Stockholm Stock Exchange (OMXS) average by 39 percentage points. The share price at the end of 2015 was SEK 257.50 (178.00). The highest closing price on NASDAQ Stockholm in 2015 was SEK 269.00 (18 December) and the lowest closing price was SEK 180.50 (7 January). The highest price paid during the year was SEK 269.50 (18 December) and the lowest was SEK 178.00 (2 January). The market value of the shares at 31 December 2015 was SEK 6,774 million (4,683). In 2015, 17.7 million (20.2) Nolato shares were traded, of which 9.9 million (11.0) on NASDAQ Stockholm, 0.0 million (0.1) on Burgundy, 0.4 million (0.0) on BATS Chi-X Europe, 0.3 million on Turquoise and 7.1 million (9.1) Off-Exchange.

The turnover rate, i.e. the degree of liquidity, was 75% (86). The number of shareholders increased by 11% during the year, totalling 10,487 (9,409) at 31 December.

Share capital

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

Incentive programmes

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

Dividend policy and dividend

The Board's dividend proposal shall take into consideration Nolato's long-term development potential, financial position and investment needs. The intention is to propose a dividend each year that exceeds 50% of profit after tax. The Board of Directors proposes a dividend for 2015 of SEK 10.00 (8.50), corresponding to SEK 263 million (224). The pay-out ratio, i.e. the dividend in relation to profit after tax, is 63% (61). The dividend yield is 3.9% in relation to the share price on 31 December 2015. Over the last five years, the average dividend yield from Nolato's shares was 6.3%.

Transferability

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

Analysts

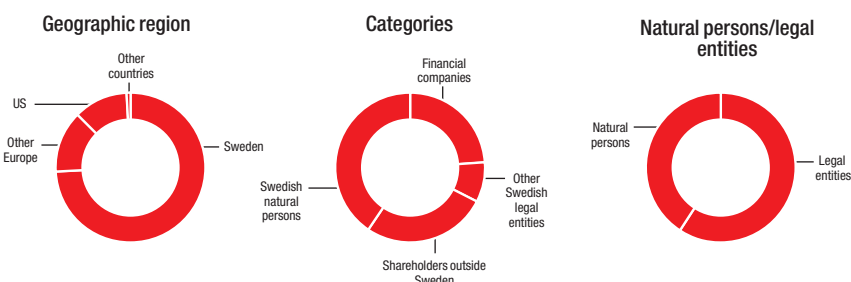
Over the course of the year, Nolato's shares were monitored and analysed by analysts including the following:

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

Financial information

Nolato's management works continuously to develop and improve financial information, in order to provide the market with good conditions for determining the value of the company as fairly as possible. This includes participating actively when dealing with analysts, shareholders and the media. Information about the current and historical price of Nolato's B shares and monthly updates on Nolato's largest shareholders can be found on our website, www.nolato.com. On the website you will also find all interim reports, annual reports and press releases since 1998.

Breakdown of shareholders at 31 December 2015



The 15 largest shareholders at 31 December 2015

Shareholders	31 Dec. 2015		31 Dec. 2015	
	% of capital	% of votes	% of capital	% of votes
Jorlén family	9.8	0.0	24.5	0.0
Boström family	9.4	0.0	19.6	0.0
Swedbank Robur funds	6.7	4.6	3.4	2.4
Didner & Gerge funds	3.4	3.4	1.8	1.8
Paulsson family	3.1	0.0	16.0	0.0
DnB - Carlson funds	3.0	0.3	1.6	0.2
Goldman Sachs International	2.2	2.2	1.2	1.2
SEB Investment Management	2.2	0.5	1.1	0.3
Verdipapirfond Odin Sweden	2.0	2.0	1.0	1.0
Skandia funds	1.5	-1.7	0.8	-0.9
Svolder	1.4	-1.7	0.8	-0.8
Mellon Omnibus	1.3	0.1	0.7	0.1
Nordea investment funds	1.2	1.2	0.6	0.6
Försäkringsaktiebolaget, Avanza Pension	1.1	-0.4	0.6	-0.2
SSB Client Omnibus	1.1	0.1	0.6	0.1
Total for 15 largest shareholders	49.4		74.3	
Other shareholders	50.6		25.7	

*Change (percentage points) in shareholdings compared with 31 December 2014.

Data per share

	2015	2014	2013	2012	2011
Earnings per share after tax, SEK ¹⁾	15.97	13.84	11.94	7.68	5.02
Shareholders' equity per share, SEK ²⁾	67	60	51	44	44
Cash flow per share, SEK, excl. acquisitions and disposals	10.95	4.83	13.76	12.05	4.26
Share price at 31 December, SEK	257.50	178.00	146.50	78.50	50.75
Price/earnings ratio, times ³⁾	16	13	12	10	10
Turnover rate, %	75	86	62	19	34
Dividend (2015 proposal), SEK	10.00	8.50	8.00	6.00	5.00
Yield (2015 proposal), % ⁴⁾	3.9	4.8	5.5	7.6	9.9
Dividend as a percentage of earnings per share (2015 prop.)	63	61	67	78	100
Average number of shares, thousand	26,307	26,307	26,307	26,307	26,307
Price/equity ratio per share, times	3.8	3.0	2.9	1.7	1.2
Market capitalisation at 31 December, SEK million	6,774	4,683	3,854	2,065	1,335

Definitions

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

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

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

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

Corporate governance

Policy documents

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

- ▶ **Nolato's Basic Principles**
These define the common values platform for all Group operations.
- ▶ **Code of Conduct**
This sets out the ethical and compassionate principles that Nolato employees are obliged to follow.
- ▶ **Quality Policy**
This outlines the underlying focus of the Group's quality management work.
- ▶ **Environmental Policy**
This governs the Group's environment-related activities.
- ▶ **Financial Policy**
This governs how financial risk should be managed within the Group.
- ▶ **IT Policy**
This governs the Group's IT security structure.
- ▶ **Information Policy**
This governs the dissemination of information by the Group, including in relation to listing requirements.
- ▶ **Insider Policy**
Supplements insider trading legislation rules with directives on notification obligations and trading in Nolato's shares.
- ▶ **Whistleblowing Policy**
This governs the Group's systems and procedures for receiving and handling reports of possible irregularities.

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

Corporate governance report

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

Shareholder governance

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

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

The meeting of the company at which the Board presents the annual accounts and the audit report is called the Annual General Meeting (AGM) and is normally held by Nolato at the end of April. The AGM also deals with matters relating to subjects such as dividends, discharging the members of the Board and the President and CEO from liability, and electing the Board members, the Chairman of the Board and auditors. The AGM also determines the fees payable to the Board and the auditors, guidelines for the remuneration of senior executives and the principles for appointing the Nomination Committee for the next AGM.

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

The company's application of the Code

The Swedish Code of Corporate Governance is based on the principle of comply or

explain. This means that companies which apply the Code may deviate from specific rules, but must then provide explanations and reasons for each individual deviation.

Nolato deviates from two points of the Code:

Point 2.4 states that the Chairman of the Nomination Committee should not be the Chairman of the Board or another Board member. Nolato's largest shareholders are of the opinion that the company's ownership structure, with three families which hold around 60% of the votes, is best represented within the Nomination Committee by these shareholders together with other major shareholders. Since the representatives of these families have such a large shareholding, they have deemed it to be both natural and necessary that they should also be involved and exercise their shareholders' interests through representation on both the company's Nomination Committee and the Board.

Point 7.2 states that the Audit Committee should consist of at least three Board members. Nolato's Board has decided that, in view of the composition and size of the Board, the Audit Committee would be best represented by two members.

Auditor elected by the shareholders

The 2015 AGM elected Ernst & Young AB as auditor of Nolato with authorised public accountant Stefan Engdahl as principal auditor.

Auditor

Stefan Engdahl, born in 1967. Authorised public accountant, Ernst & Young AB. Auditor of Nolato since 2015. Other clients include: ITAB Shop Concept AB, Doro AB and AGES Industri AB.

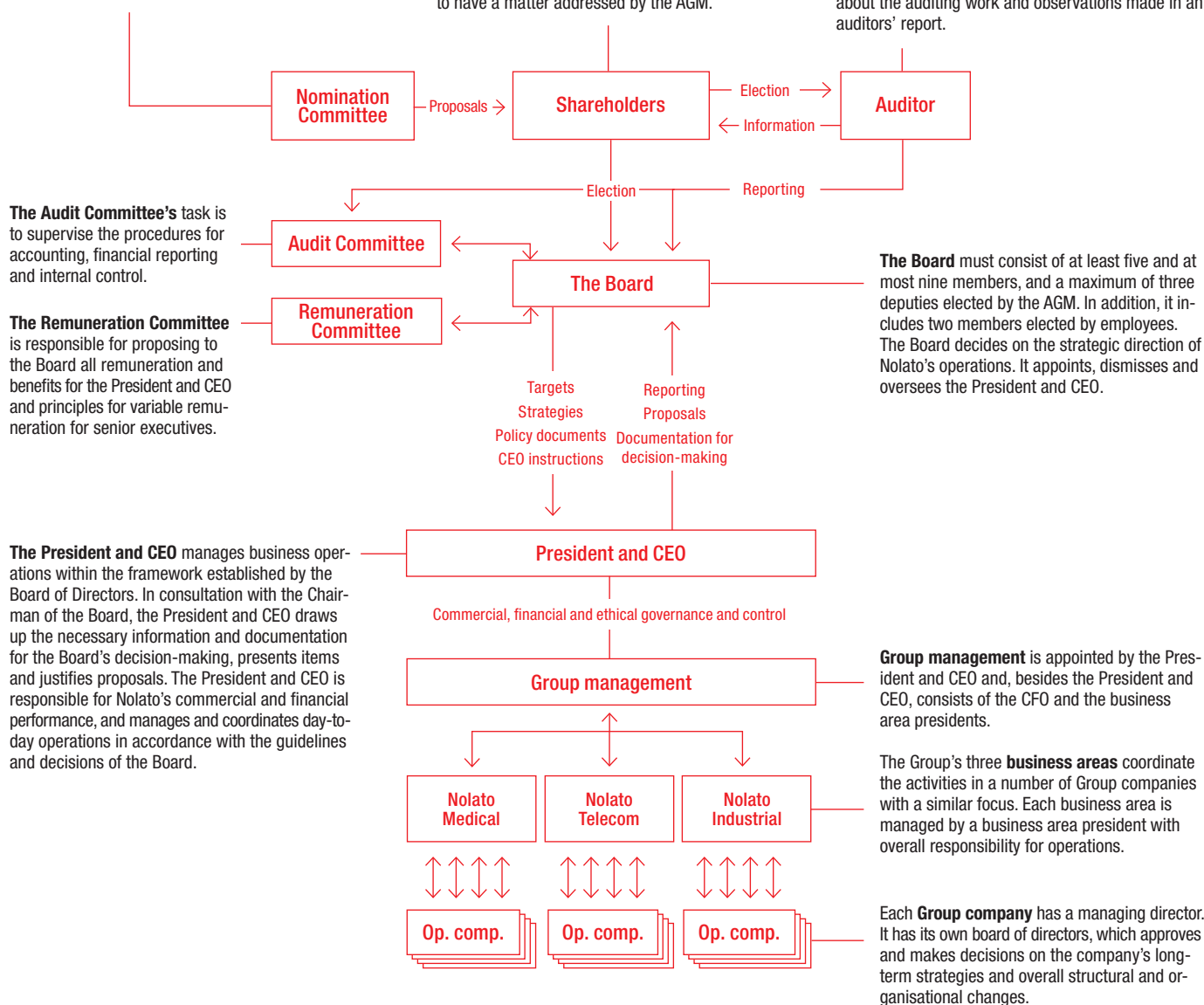
Schematic description of the Nolato Group's corporate governance

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

The shareholders' right to make decisions on matters relating to Nolato is exercised at the AGM, which is normally held at the end of April. The AGM elects the Board, makes decisions about dividends and fees and adopts the annual report. By registering a matter in writing with the Board within certain timeframes, shareholders have the right to have a matter addressed by the AGM.






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

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



Reporting and control occurs by means of the Board and the Audit Committee analysing and assessing risks and control environments, and overseeing the quality of financial reporting and Nolato's internal control systems. This takes place through, for example, issuing instructions to the President and CEO and establishing requirements for the content of the financial performance reports provided to the Board on an ongoing basis. The Board reads and checks financial reporting such as monthly reports, forecasts, interim reports and the Annual Report.

Nolato's Board of Directors

					
Name	Fredrik Arp	Dag Andersson	Sven Boström-Svensson	Åsa Hedin	Henrik Jorlén
Elected	2009 (also member 1998–1999)	2014	2013	2014	1974
Position	Chairman of the Board and Chairman of the Remuneration Committee.	Board member	Board member	Board member	Board member and member of the Audit and Remuneration Committees.
Born	1953	1961	1983	1962	1948
Education	Bachelor of Science (econ.) and Ec. Doctor h.c.	Bachelor of Science (econ.) Stockholm School of Economics. MBA Insead.	Bachelor of Science in Chemistry. Master of Science in Analytical Chemistry and Bachelor of Science in Economics.	Master of Science in Biophysics, Bachelor of Arts in Physics	Commercial school
Other assignments	Chairman of Parques Reunidas. Board member of Technogym and Vattenfall.	Member of the board of Diaverum AB and various boards within Diaverum, including joint venture companies.	—	Swedish Space Corporation AB	—
Background	CEO of Volvo Cars, Trelleborg, PLM.	President and CEO of Diaverum AB. Vice President of Mölnlycke Health Care, various positions at SKF.	—	Vice President of Elekta AB. Senior management positions at Siemens Healthcare and Gambro AB.	Senior management positions within the Nolato Group.
Attendance	5 out of 5 meetings	5 out of 5 meetings	5 out of 5 meetings	5 out of 5 meetings	5 out of 5 meetings
Remuneration¹⁾	480,000	185,000	185,000	185,000	225,000
Shareholding²⁾	3,000 B (3,000 B)	1,000 B	255,870 B (255,870 B)	0	294,000 A + 37,950 B (294,000 A + 47,950 B)
Dependence	Independent of the company and major shareholders.	Independent of the company and major shareholders.	Independent of the company but not independent of major shareholders.	Independent of the company and major shareholders.	Independent of the company but not independent of major shareholders.

¹⁾ For further information about remuneration, see Note 10 on page 64.

²⁾ Shareholding in Nolato at 31 December 2015 (31 December 2014) incl. family and companies, according to Euroclear Sweden. For current information see www.nolato.com



Name	Hans Porat	Lars-Åke Rydh	Björn Jacobsson	Håkan Svensson
Elected	2008	2005	2015 (also member 2000–2013) Deputy 2014	2014 Deputy 2009–2014
Position	Board member President and CEO of Nolato AB until February 2016.	Board member and Chairman of the Audit Committee.	Employee representative, LO.	Employee representative, PTK.
Born	1955	1953	1971	1960
Education	Master of Science (metallurgy)	Master of Science (eng.)	Upper secondary school	Upper secondary school. Certified Member of the Board PTK.
Other assignments	Board member of Lindab International and Autoropa.	Chairman of OEM Interna- tional, Plastprint and Schuchardt Maskin. Board member of Nefab, Söderbergsföretagen, Östrand o Hansen, HL Display, Olja ek.för. and Investment AB Vitriren.	—	—
Background	Senior management positions at ABB, Vice President of Trelleborg, President of Gadelius Japan.	President and CEO of Nefab.	Employed at Nolato Gota.	Employed at Nolato Cerbo.
Attendance	5 out of 5 meetings	5 out of 5 meetings	5 out of 5 meetings	5 out of 5 meetings
Remunera- tion¹⁾	0	245,000	0	0
Sharehold- ing²⁾	20,000 B (20,000 B)	2,000 B (2,000 B)	0 (0)	0 (0)
Dependence	Not independent of the company but independent of major shareholders.	Independent of the com- pany and major share- holders.	—	—

Deputy employee representatives are Ingegerd Andersson (LO), Arif Mislimi (LO) and Jonny Petersson (PTK).

¹⁾ For further information about remuneration, see Note 10 on page 64.

²⁾ Shareholding in Nolato at 31 December 2015 (31 December 2014) incl. family and companies, according to Euroclear Sweden. For current information see www.nolato.com

Group management

				
Name	Christer Wahlquist	Per-Ola Holmström	Jörgen Karlsson	Johan Arvidsson
Employed	1996	1995	1995	1994
Position	President and CEO since February 2016*. President of Nolato Medical since 2005.	Executive Vice President and CFO since 1995.	President of Nolato Telecom since 2009 and MD of Nolato Beijing since 2007.	President of Nolato Industrial since 2012 and MD of Nolato Hungary since 2008.
Born	1971	1964	1965	1969
Education	Master of Science (eng.) MBA	Bachelor of Science (econ.)	Polymer engineering	Master of Science (eng.)
Background	Marketing manager MD in Group companies	Authorised public accountant	Marketing manager MD in Group companies	MD in Group companies
Shareholding¹⁾	15,712 B (15,712 B)	14,084 B (14,084 B)	0 (0)	5,000 B (5,000 B)

*Hans Porat, President and CEO until 5 February 2016.

¹⁾ Shareholding in Nolato at 31 December 2015 (31 December 2014) incl. family and companies, according to Euroclear Sweden. For current information see www.nolato.com

Directors' report and financial statements

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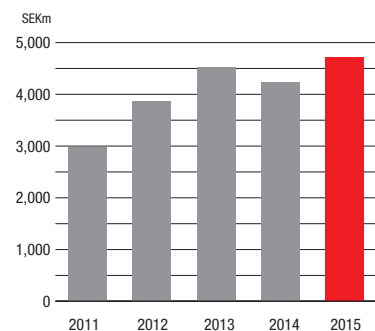
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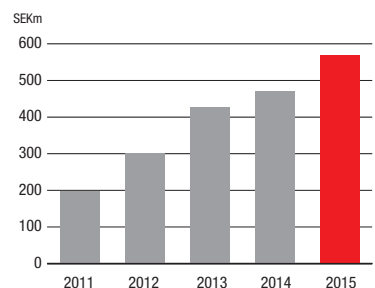
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Directors' report

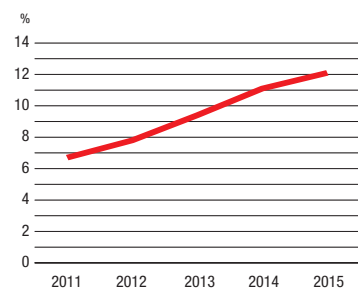
Sales



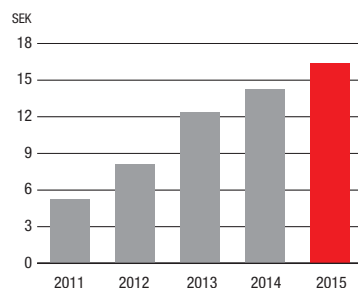
Operating profit (EBITA)



EBITA margin



Adjusted earnings per share



Operations in 2015

The Board of Directors and President and CEO hereby publish the Annual Report and consolidated accounts for Nolato AB (publ), company registration number 556080-4592, for the 2015 financial year.

Nolato is a Swedish publicly listed group with 7,759 employees in wholly owned subsidiaries in Europe, Asia and North America. The companies in the Group develop and manufacture products in polymer materials such as plastic, silicone and TPE for leading customers within medical technology, pharmaceuticals, telecom, automotive and other selected industrial sectors.

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

Nolato's shares are listed on NASDAQ Stockholm in the Mid Cap segment, where they are included in the Industrials sector.

Three business areas

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

Nolato Medical Development and manufacture of complex product systems and components within medical technology, as well as advanced packaging solutions for pharmaceuticals and dietary supplements.

Nolato Telecom Design, development and manufacture of advanced components and

subsystems for mobile phones, and products and systems for shielding of electronics (EMC).

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

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

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

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

Financial summary

The 2015 financial year resulted in the best operating profit since Nolato was founded in 1938. For more detailed comments on financial performance, see page 51 of the directors' report.

Sales, operating profit (EBITA) and EBITA margin by business area, 2013–2015

SEKm	Sales			Operating profit (EBITA)			EBITA margin (%)		
	2015	2014	2013	2015	2014	2013	2015	2014	2013
Nolato Medical	1,464	1,333	1,274	191	176	165	13.0	13.2	13.0
Nolato Telecom	2,017	1,799	2,079	272	199	166	13.5	11.1	8.0
Nolato Industrial	1,251	1,106	1,170	132	118	119	10.6	10.7	10.2
Intra-Group adj., Parent Co.	-6	-4	-1	-25	-23	-23	—	—	—
Group total	4,726	4,234	4,522	570	470	427	12.1	11.1	9.4

◆ Group sales amounted to SEK 4,726 million (4,234), an increase of 12%. Adjusted for currency, sales were unchanged. Consolidated operating profit (EBITA) rose by 21% and totalled SEK 570 million (470), giving an EBITA margin of 12.1% (11.1). Consolidated profit after tax rose to SEK 420 million (364). Earnings per share, basic and diluted, rose to SEK 15.97 (13.84).

◆ Nolato Medical saw sales rise by 10% to SEK 1,464 million (1,333). Adjusted for currency, sales increased by 2%. Operating profit (EBITA) rose to SEK 191 million (176) and the EBITA margin was 13.0% (13.2). Nolato's focus on expanding partnerships with customers was well received in the market and is resulting in high activity and healthy project activity.

◆ Nolato Telecom's sales increased to SEK 2,017 million (1,799); adjusted for currency, sales decreased by 8%. High volumes in the second quarter resulting from the success of customer handsets on the consumer market contributed to strong sales. In the second half of the year some product changeovers took place, although to a lesser extent than previously expected. Product changeovers will instead take place in the first quarter of 2016, which will result in substantially lower volumes sequentially. Activity in the EMC area is continuing to show positive development. Operating profit (EBITA) increased to SEK 272 million (199) and the EBITA margin rose to a strong 13.5% (11.1). A favourable product mix and high efficiency led to a higher margin.

◆ Nolato Industrial's sales rose to SEK 1,251 million (1,106); adjusted for currency, sales increased by 11%. Volumes in the automotive segment increased significantly and volumes in the hygiene segment were also higher than the previous year. Continued investments in technology and increased market share are having a positive effect. The significant project activity during the year relating to new products has generated increased sales. Operating profit (EBITA) increased to SEK 132 million (118), with a strong EBITA margin of 10.6% (10.7).

Acquisitions

No acquisitions were made by the Group in 2015. The focus on acquisitions remains unchanged, however, and the Group's strategic planning includes acquisitions primarily

within medical technology in Western Europe and North America. Acquisitions may also be made within EMC.

Corporate responsibility – CR

Nolato has a long tradition of responsible business and one of our Basic Principles is that efficient and profitable business operations must be combined with ethics, responsibility and environmental awareness.

It goes without saying that the company should be a good neighbour and a good global citizen, and that we should take responsibility for what we do and always apply sound business ethics.

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

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

◆ We have set Group sustainable development targets, (see pages 34–35).

◆ We have clear guidelines in the form of Nolato's Basic Principles, Code of Conduct and Environmental Policy.

◆ We have been signatories to the UN Global Compact since 2008 and we comply with the ten principles relating to the environment, human rights and anti-corruption measures.

◆ Our sustainability work is reported in accordance with Global Reporting Initiative (GRI) guidelines. The Group is currently adapting to GRI's G4 guidelines.

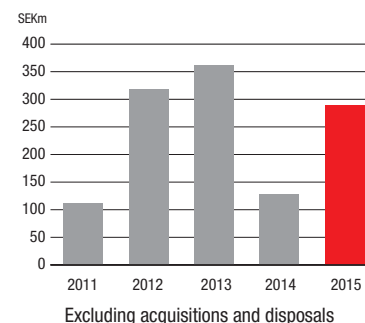
◆ All production units, apart from a newly established unit in Malaysia, are certified in accordance with the environmental management standard ISO 14001.

◆ Energy mapping and energy-efficiency enhancements are being implemented throughout the Group and ISO 50001 has been introduced at several plants.

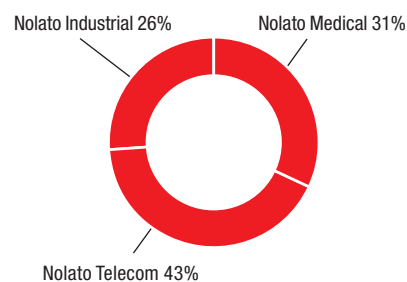
◆ The ISO 26000 standard for social responsibility provides a guideline for sustainability work.

◆ Efforts are continuing on the introduction of the OHSAS 18001 working environment standard and the intention is for all units to achieve certification.

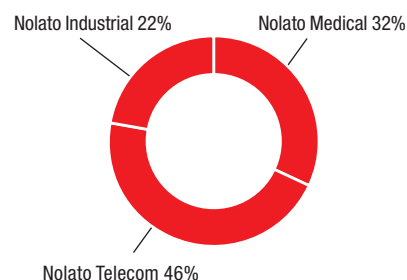
Cash flow after investments



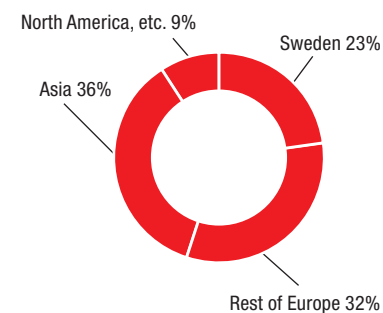
Share of sales



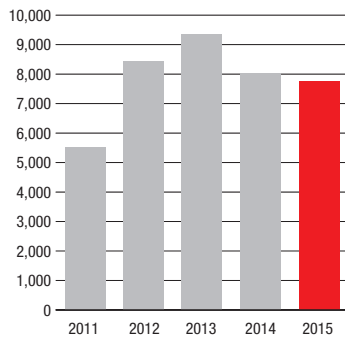
Share of operating profit (EBITA)



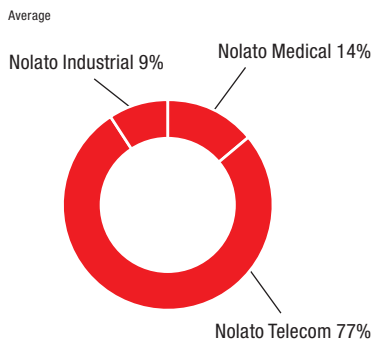
Sales by geographic markets



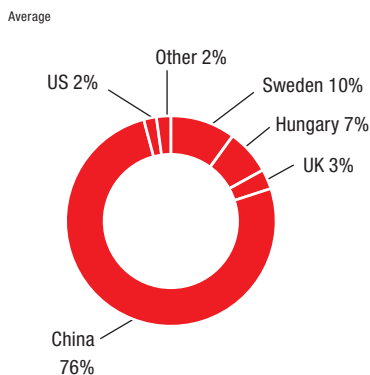
Average no. employees



Employees by business area



Employees by country



Employees

The average number of employees at Nolato in 2015 was 7,759 (8,020).

Of the total number of employees in the Group, 50% (51) were women.

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

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

In Beijing, China, where the Group has its largest concentration of employees with around 76% of the employees, an Employee Care Programme was introduced and developed in 2015. The aim of this is to ensure good conditions for employees both at work and in their free time.

To further strengthen our ability to quickly obtain information about breaches of the Group's Code of Conduct and other serious irregularities, there is a whistleblowing system. This enables members of staff to alert the company to any irregularities without risk of reprisal or pressure. No significant cases were reported in 2015.

The total figure for the average number of employees includes approximately 5,000 staff in China who are employed through staffing agencies. This form of employment has mainly been chosen to make it easier for the business to recruit a work force for mobile phone projects and consequently avoid creating its own large recruitment organisation. In accordance with the Group's policy, these employees are covered according to the same principles as Nolato's other employees in China with regard to the setting of wages, benefits, working hours, work environment, social responsibility etc.

Zero tolerance on ethical issues

Nolato has zero tolerance of bribery, corruption and cartel formation. We therefore work continuously on managing and monitoring the methods used by the units

within the Group to conduct business based on Nolato's Basic Principles and Code of Conduct.

We pay particular attention to ethical issues in our relationships with our partners. Standard business practice and corporate culture must be observed in each individual country but if business practice does not comply with our ethical rules we must refrain from doing business or take alternative actions.

We carry out annual evaluations within this area using UN Global Compact checklists. No breaches of regulations were identified in 2015.

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

Environmental issues

The Group's operations involve the use of energy, raw materials and chemicals, emissions to air and water, and waste. All units apart from a unit in Malaysia are certified in accordance with the ISO 14001:2004 environmental management system. Work over the next three years will be focused on adapting systems to the updated version ISO 14001:2015.

Systematic environmental work is carried out in the Group to reduce environmental impact and improve resource efficiency. This work is described on pages 30–35 and is reported in the separate sustainability report at www.nolato.com/sustainability.

All production units in Sweden are obliged to provide notifications pursuant to the Swedish Environmental Code. The Group's units outside Sweden require permits or are covered by similar requirements in accordance with environmental legislation in the country in question. Sales from operations with permit requirements and notification obligations make up all of the Group sales.

No renewal of environmental permits or update of notification cases are planned for 2016.

In most cases, regular reports are submitted to the environmental authorities, and the supervisory authorities carry out inspections. No breaches of environmental legislation were registered in 2015.

Operational risks

An important aspect of Nolato's strategic planning is identifying potential risks in the organisation, assessing their likelihood and any consequences and minimising the

negative impact that such risks could have on the Group.

Financial risks are managed in accordance with a financial policy established annually by the Board of Directors.

An analysis of potential risks in Nolato's operations and how we manage these risks can be found on pages 48–49. Further information on Nolato's assessment of risks is provided on page 14.

Management systems

Nolato's production units are all certified in accordance with the ISO 9001 quality management system and the ISO 14001 environmental management system, with the exception of one unit in Malaysia.

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

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

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

Social responsibility standard ISO 26000 provides a guideline for Nolato's Corporate Responsibility work.

Nolato shares

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

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

At the end of 2015, Nolato had 10,487 (9,409) shareholders. The largest shareholders are the Jorlén family with 10%, the Boström family with 9%, Swedbank Robur funds with 7%, and the Paulsson family, Didner & Gerge funds and DnB Carlson funds with 3% of the capital each.

Only one individual shareholder, Backahill AB, with 16% of the votes, represents at least one tenth of the number of votes for all shares in the company.

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

of Association that affect the transferability of the shares.

Further information about Nolato's shares can be found on pages 36–37. Up-to-date information about the share price is always available at www.nolato.com.

Corporate governance

Basic information about the company's governance, Board of Directors and management can be found on pages 38–42. Nolato's formal corporate governance report is available at www.nolato.com/corpgov.

Remuneration guidelines

The guidelines for the remuneration of senior executives agreed on at the latest Annual General Meeting are detailed in Note 10 on page 64. This note also explains what happens if these executives resign or are dismissed by the company. These guidelines are also essentially the same as the Board's proposals for guidelines for the remuneration of senior executives proposed to the 2016 Annual General Meeting.

Parent Company

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

Sales totalled SEK 31 million (29). Profit after financial income and expense increased to SEK 101 million (85), owing mainly to improved earnings from investments in Group companies.

Proposed appropriation of profits

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

Retained profit	SEK 449 million
Profit for the year	SEK 310 million
Total	SEK 759 million

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

Div. to shareh. of SEK 10.00 per share	SEK 263 million
To be carried forward	SEK 496 million
Total	SEK 759 million

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

Events after the end of the financial year

Christer Wahlquist succeeded Hans Porat as the new President and CEO of Nolato and took up his post on 5 February 2016.

Future performance

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

Nolato has an excellent platform for its future operations through a high level of technological expertise and professionalism, modern production units, a clear focus on sustainability and a customer-specific geographic presence in Europe, Asia and North America, as well as a strong financial position.

For 2016, in specific terms, this means that we want to strengthen our position in China within Nolato Medical and Nolato Industrial as well, increase production at our new telecom plant in Malaysia and continue to take market share within Nolato Industrial. Moreover we are keen to expand by means of a suitable acquisition.

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

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

Significant risks, risk exposure and risk management

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

Operational risks	Risk exposure	Risk management
<p>A Business cycle risk The risk that an economic downturn could have a significant impact on Nolato's performance and earnings.</p>	Nolato Medical and Nolato Telecom's operations have a fairly low sensitivity to economic and business cycle fluctuations, while Nolato Industrial's business generally follows the Northern European industrial business cycle.	Active monitoring of markets and efficient decision-making hierarchy enable quick decisions to be taken to adapt resources at an early stage ahead of an anticipated economic downturn.
<p>B Subcontractor risk The risk that changes at customers could have a significant impact on Nolato's performance and earnings.</p>	As a subcontractor, Nolato is highly dependent on customers' internal decisions and commercial performance. Factors among customers that we cannot influence include postponed or cancelled projects, higher or lower sales volumes and longer or shorter product life spans.	By means of active and close contact with customers we endeavour to identify changes at an early stage and adapt our resources. Within mobile phone operations, which are characterised by rapid changes in project life cycles and volumes, all production takes place in Asia. This provides significant flexibility and good opportunities to manage this risk in a cost-effective way.
<p>C Customer dependence The risk that changes at individual customers could have a significant impact on Nolato's performance and earnings.</p>	Dependence on individual customers is lowest in Nolato Industrial, whose market is made up of a large number of customers. Nolato Medical has good risk diversification across a large number of customers, while Nolato Telecom has fewer customers.	We endeavour to broaden our customer base and offering within Nolato Telecom.
<p>D Supplier dependence The risk of a supplier being unable to deliver to Nolato on time or at the right quality.</p>	If a significant, strategic supplier does not fulfil its undertakings we could face problems supplying on time and at the right quality to our customers.	For input goods and machinery, this risk is limited by the fact that there are a number of alternative suppliers. In terms of components for system products, the choice of supplier is usually made in consultation with Nolato's customer.
<p>E Raw material price risk The risk of an important raw material increasing in price and having a significant negative effect on various projects. In Nolato, this mainly applies to various plastic raw materials.</p>	Quantities of plastic raw material in our production vary from business area to business area. For Nolato Telecom, with its many thin-walled products, the plastic raw material only accounts for around 10–15% of the selling price on average, while the corresponding figure is around 20–25% for Nolato Medical and 25–30% for Nolato Industrial.	We endeavour to include price adjustment clauses in supply agreements that cover an extended period of time. Product life span within Nolato Telecom is short, usually less than one year, which limits the risk in this business area.
<p>F Energy cost risk The risk of the cost of energy rising and having a significant negative impact on profitability. Within Nolato this mainly applies to the purchase of electricity.</p>	The Group's production operations are relatively electricity-intensive. In 2015, the Group's energy costs totalled SEK 128 million, of which the majority related to electricity.	The risk of negative effects from rising electricity prices is addressed by the Group entering into fixed price agreements for 20–80% of electricity requirements for the next four to 12 quarters.
<p>G Production risks The risk of significant supply delays and/or quality issues.</p>	As a supplier, the products and components that we manufacture are supplied in accordance with customer specifications and quality requirements. Disruptions can mainly occur during the start-up of a project, but also during ongoing production.	In order to counteract disruptions, the Group follows an advanced concept involving competent staff, quality assurance systems, vision monitoring systems and checklists. All production units are certified in accordance with ISO 9001. Most are also certified in accordance with industry-specific standards such as ISO/TS 16949 (automotive) and ISO 13485 (medical technology).
<p>H Property damage and disruptions The risk of a negative impact on earnings and customer confidence as a result of a fire, explosion, natural disaster, damage to machinery, etc.</p>	Major property damage to a building or production equipment can lead to production losses that could impact the Group's profit. Our base technologies are in place at most of the Group's production units, making it possible to relocate production from one affected unit to another unit in the event of disruptions and consequently mitigate the effects of the damage.	All units must follow Nolato's risk management manual to achieve the specified level of risk and thereby reduce the risk of significant damage and create strong security of supply. The risk manual also provides guidelines for the Group's property insurance. External risk engineers inspect the production units based on a rolling schedule to verify that risks are being managed in line with the manual.
<p>I Legal risks The risk of significant disputes with different external stakeholders.</p>	Legal risks can arise in connection with the supply of products. This may concern issues relating to quality or liability and intellectual property rights.	To prevent disputes Nolato works with external lawyers and consultants on legal issues, for example on agreements with customers and suppliers. The Group also has internal policies and regulations relating to which agreements senior executives are authorised to enter into.

<p>J Product liability risk The risk of faults in a product manufactured by Nolato leading to significant financial claims on the Group.</p>	<p>Design liability for products and components usually lies with customers. Nolato's risk is therefore limited solely to manufacturing faults.</p>	<p>The Group follows an advanced concept involving competent staff, quality assurance systems and checklists. In many cases, in-line monitoring takes place using automated vision systems. All production units are certified in accordance with ISO 9001. Most are also certified in accordance with industry-specific standards such as ISO/TS 16949 (automotive) and ISO 13485 (medical technology).</p>
<p>K Environmental risk The risk of significant environmental damage, which could lead to costs or have a negative impact on Nolato's reputation.</p>	<p>Nolato's operations do not involve any significant environmental impact through a risk of emissions to air or water or a risk of ground pollution.</p>	<p>The production units have the necessary regulatory permits and fulfil the requirements of the REACH chemical legislation. All units apart from a newly established unit in Malaysia are certified in accordance with environmental management system ISO 14001. Regular risk assessments are carried out to identify new environmentally related risks and/or costs.</p>
<p>L CR risks The risk of the Group's costs increasing significantly or of negative publicity owing to events relating to employees, business ethics or other areas related to social responsibility.</p>	<p>Nolato has large units active in Sweden, Hungary, the UK, the US and China. The majority of our employees are outside Sweden. This concentration in Asia increases CR risk with regard to working conditions such as minimum age, salaries, overtime and remuneration for overtime.</p>	<p>All major units are wholly owned by Nolato, which makes the Group's management of CR easier. Nolato has a significant focus on all units creating good working conditions for employees. Nolato has a special group in Beijing that works with CR issues relating specifically to China. The Beijing operations are certified according to OHSAS 18001. Nolato has zero tolerance of bribery, corruption and cartel formation. Nolato's core values and Code of Conduct are continually communicated to staff. Regular audits of suppliers are carried out.</p>
Financial risks*	Risk exposure	Risk management
<p>M Customer credit risk The risk of a major customer becoming insolvent and being unable to pay for orders made.</p>	<p>In terms of customers within Nolato Medical and Nolato Industrial, this risk is mitigated by sales taking place in a large number of countries to a large number of customers, which diversifies the risk. Nolato Telecom has fewer customers. If any of the Group's major customers were to suffer financial difficulties, the Group could sustain significant bad debt losses. The Group's maximum exposure of accounts receivable amounted to SEK 874 million at year-end (all receivables from all customers).</p>	<p>The Group's revenues are mostly derived from medium-sized and large global customer groups, which reduces the risk of credit losses but does not eliminate them. Nolato continually monitors the development of overdue receivables and the financial position of large customers.</p>
<p>N Foreign exchange risk The risk of the difference between different currencies having a significant negative impact on Nolato's performance and earnings. This risk consists of transaction exposure, which derives from buying and selling in different currencies, and translation exposure, which derives from the translation of foreign subsidiaries' assets, liabilities and earnings to Swedish kronor.</p>	<p>Estimated net flows in foreign currency amounted to SEK 263 million at year-end, 52% of which was hedged. This means that SEK 126 million of estimated net flows were unhedged and a change in the value of the Swedish krona of +/- 5% would have an impact of SEK 6 million on Group profit. The Group has SEK 867 million in foreign net assets, mainly in China, Hungary and the UK. A 5% appreciation in the Swedish krona would have an impact of SEK 43 million on the net assets in the Group.</p>	<p>Nolato carries out short-term currency hedging for part of the Group's estimated net exposure in foreign currencies in order to even out fluctuations in earnings. See the table in Note 4 on page 59.</p>
<p>O Interest rate risk The risk that the Group's net interest expense will significantly increase in the event of changes to market interest rates.</p>	<p>Interest-bearing liabilities amounted to SEK 281 million at year-end. A 1 percentage point increase in the interest rate would result in an increase of SEK 3 million in annual interest expense. At 31 December the Group's financial net assets were SEK 122 million.</p>	<p>In order to limit interest rate risk, the portion of those interest-bearing liabilities exceeding SEK 400 million must have a fixed interest term maturity structure as follows: Loans with a maturity of up to one year shall account for 35–65%. Loans with a maturity of over one year shall account for 35–65%. The average fixed interest term shall never exceed 3 years.</p>
<p>P Financing and liquidity risk The risk of the Group having problems accessing capital.</p>	<p>Nolato has total loan agreements of SEK 900 million, of which SEK 450 million matures on 21 July 2017 and SEK 450 million matures on 18 December 2018.</p>	<p>In order to maintain financial flexibility and meet the Group's capital requirements, loan facilities are continually agreed.</p>

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

Consolidated income statement

SEKm	Note	2015	2014
Net sales	5	4,726	4,234
Cost of goods sold	6	- 3,904	- 3,520
Gross profit		822	714
Other operating income	7	13	5
Selling expenses		- 109	- 101
Administrative expenses	8	- 170	- 162
Other operating expenses	9	—	- 2
		- 266	- 260
Operating profit	10, 13, 14	556	454
Financial income	11	6	18
Financial expenses	11	- 7	- 10
		- 1	8
Profit after financial income and expenses		555	462
Tax	12	- 135	- 98
Profit for the year attributable to Parent Company shareholders		420	364
Earnings per share, basic and diluted (SEK)		15.97	13.84
Number of shares on 31 December (thousand)		26,307	26,307
Average number of shares (thousand)		26,307	26,307

Consolidated comprehensive income

SEKm	2015	2014
Profit for the year attributable to Parent Company shareholders	420	364
Other comprehensive income		
<i>Items that cannot be transferred to profit for the period</i>		
Revaluations of defined benefit pension schemes	1	- 20
Tax attributable to items that cannot be reversed to profit for the period	—	4
	1	- 16
<i>Items transferred or that could be transferred to profit for the period</i>		
Translation differences for the year on translation of foreign operations	- 7	84
Changes in the fair value of cash flow hedges for the year	3	- 4
Tax attributable to changes in the fair value of cash flow hedges	- 1	1
	- 5	81
Total other comprehensive income, net	- 4	65
Comprehensive income for the year attributable to Parent Company shareholders	416	429

Comments on the consolidated income statement

Net sales

Consolidated net sales for 2015 totalled SEK 4,726 million (4,234), a rise of 12%. Adjusted for currency, sales were unchanged.

Nolato Medical sales rose by 10% to SEK 1,464 million (1,333). Adjusted for currency, sales increased by 2%. Volumes declined within Packaging, which was affected by weaker demand in Eastern Europe. Other segments performed well. High project activity has had a positive impact.

Nolato Telecom's sales rose by 12% to SEK 2,017 million (1,799). Adjusted for currency, sales decreased by 8%. High volumes in the second quarter resulting from the success of customer handsets on the consumer market contributed to strong sales. In the second half of the year some product changeovers took place, although to a lesser extent than previously expected. Product changeovers will instead take place in the first quarter of 2016, which will result in substantially lower volumes sequentially. Activity in the EMC area is continuing to show positive development. The expansion of the 4G network is contributing towards higher sales within EMC.

Nolato Industrial sales amounted to SEK 1,251 million (1,106), an increase of 13%. Adjusted for currency, sales increased by 11%. Volumes in the automotive segment increased significantly and volumes in the hygiene segment were also higher than the previous year. Continued investments in technology and increased market share are having a positive effect. The significant project activity in 2015 relating to new products has generated increased sales.

Gross profit

Gross profit totalled SEK 822 million (714) and improved primarily as a result of increased sales and a better margin within Nolato Telecom, which rose from 11.1% to 13.5%. The margins for other business areas remained largely unchanged. Gross profit is sales minus the cost of goods sold. The cost of goods sold consists of production costs for materials and manufacturing salaries, as well as other production expenses. As a percentage of sales, the gross margin was 0.5 percentage points higher than 2014, chiefly because of improved productivity. This has contributed to increased profitability.

Total depreciation increased and amounted to SEK 181 million (165). This consisted mainly of depreciation of fixed

assets in production, which is included in the cost of goods sold in the income statement at SEK 164 million (145). The increase is due to the investments made by the Group in 2014 and 2015 to expand production capacity, with higher investments than depreciation.

Other operating income

Other operating income has increased due to net positive currency effects.

Selling and administrative expenses

Selling and administrative expenses increased compared to 2014 and amounted to SEK 279 million (263). These expenses consist of personnel costs and other costs associated with the sales organisation, and administrative functions. Selling expenses also include costs for amortisation of intangible assets arising from acquisitions, which amounted to SEK 14 million (16). They comprise amortisation of so-called customer relationships that are assigned value in the acquisition analysis in connection with acquisitions.

Operating profit

Operating profit rose to SEK 556 million (454). The increase has been achieved as a result of a significant improvement in earnings for the Nolato Telecom business area, along with improved earnings for both Nolato Medical and Nolato Industrial.

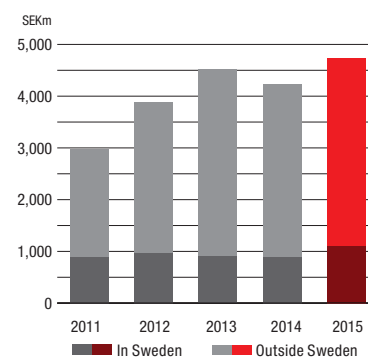
Net financial income/expense

Net financial income/expense in 2015 declined compared with 2014, by a net amount of SEK 9 million. Financial income for the previous year included a non-recurring item of SEK 8 million, which comprised a reversal of a previously recorded liability regarding the 2012 acquisition in the UK. Profit after net financial income/expense was SEK 555 million (462).

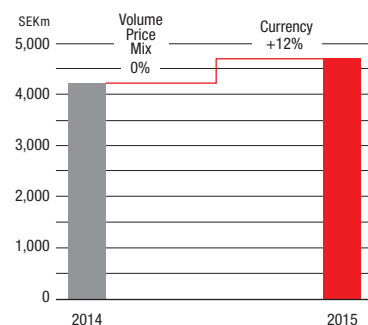
Profit after tax

Profit after tax grew to SEK 420 million (364), with earnings per share of SEK 15.97 (13.84). The effective tax rate was 24% (21). The higher tax rate was mainly due to an increased share of earnings in countries with higher tax rates.

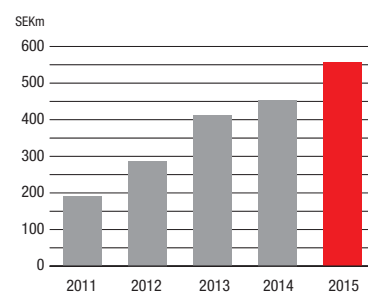
Sales



Changes in sales



Operating profit (EBIT)



Consolidated balance sheet

SEKm	Note	2015	2014
Assets			
Non-current assets			
Intangible non-current assets	15	543	549
Property, plant and equipment	16	952	894
Non-current financial assets	17	2	2
Other non-current receivables		1	1
Deferred tax assets	12	44	45
Total non-current assets		1,542	1,491
Current assets			
Inventories	18	279	264
Accounts receivable	17	874	755
Current tax assets		13	18
Other current assets	19	115	130
Other current financial assets	17	7	—
Cash and bank balances	17	403	256
Total current assets		1,691	1,423
Total assets		3,233	2,914
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	20	132	132
Other capital contributed		228	228
Other reserves	21	95	100
Retained earnings		1,304	1,107
Total shareholders' equity		1,759	1,567
Non-current liabilities			
Provisions for pensions and similar obligations	23	127	128
Deferred tax liabilities	12	69	61
Other provisions	24	32	29
Total non-current liabilities		228	218
Current liabilities			
Accounts payable	22	675	589
Current tax liabilities		10	41
Other current financial liabilities	22	155	79
Other current liabilities	25	406	420
Total current liabilities		1,246	1,129
Total liabilities		1,474	1,347
Total liabilities and shareholders' equity		3,233	2,914
Pledged assets		—	—
Contingent liabilities	26	2	3

Comments on the consolidated balance sheet

Assets

Non-current assets increased, as net investments in non-current assets were higher than depreciation/amortisation of SEK 181 million for the year. Net investments totalled SEK 232 million. During the year, investments have been made primarily for expansion in Sweden, China, Hungary and Malaysia, where production plants have been expanded and machine capacity increased. Other changes in non-current assets consist of translation effects from assets in foreign companies and contributions received of net SEK 1 million.

Current assets increased, mainly due to an increase in accounts receivable of SEK 119 million. The increase was largely an effect of higher sales at the end of 2015 compared with the end of 2014, which led to higher accounts receivable. Cash and bank balances rose to SEK 403 million (256), partly owing to the strong cash flow during the latter half of the year.

Shareholders' equity

Shareholders' equity increased as a result of comprehensive income for 2015 of SEK 416 million, which consists of profit after tax and currency effects from translation differences and the revaluation of defined benefit pension schemes. Dividends in the amount of SEK 224 million were paid,

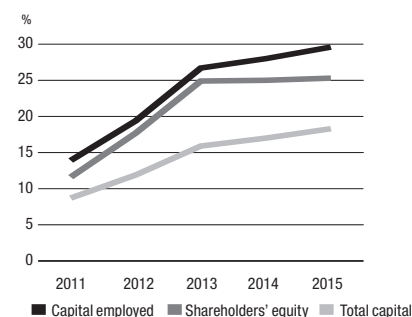
thereby reducing shareholders' equity. The return on shareholders' equity was essentially unchanged and totalled 25.3% (25.0).

Liabilities

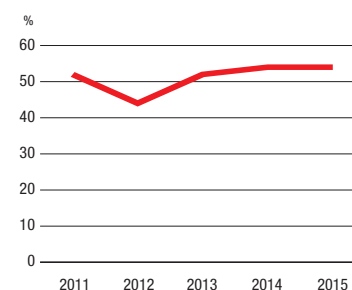
Non-interest-bearing liabilities rose by SEK 43 million to SEK 1,193 million. The main increase compared with 2014 was in accounts payable. The average total working capital requirement in relation to sales was 3.2% (1.6). The improvement in earnings meant that, despite increased average capital employed, the return on capital employed rose to a strong 29.6% (28.4).

Interest-bearing liabilities rose to SEK 281 million (197). Interest-bearing liabilities to credit institutions increased, while interest-bearing pension liabilities were largely unchanged. Interest-bearing assets increased to SEK 403 million (256), and accordingly, net financial assets climbed to SEK 122 million (59). Nolato has loan agreements of SEK 900 million, of which SEK 450 million matures in July 2017 and SEK 450 million in December 2018. Of these amounts, SEK 746 million was unutilised at the close of 2015. The loan agreements' credit frameworks mainly provide capacity for capital requirements in the event of future acquisitions.

Return



Equity/assets ratio



Financial position SEKm	31 Dec. 2015	31 Dec. 2014
Interest-bearing liabilities, credit institutions	-154	-69
Interest-bearing pension liabilities	-127	-128
Total borrowings	-281	-197
Cash and bank balances	403	256
Net financial assets	122	59
Working capital	196	107
As a percentage of sales (avg.) (%)	3.2	1.6
Capital employed	2,039	1,764
Return on capital employed (avg.) (%)	29.6	28.4
Shareholders' equity	1,759	1,567
Return on shareholders' equity (avg.) (%)	25.3	25.0

Changes in consolidated shareholders' equity

SEKm	Attributable to Parent Company shareholders						Total shareh. equity
	Share capital	Other capital contributed	Hedging reserves	Translation reserves	Retained earnings		
Opening balance, 1 January 2014	132	228	1	18	969	1,348	
Profit for the year	—	—	—	—	364	364	
Other comprehensive income for the year	—	—	-3	84	-16	65	
Comprehensive income for the year	—	—	-3	84	348	429	
Dividend for 2013	—	—	—	—	-210	-210	
Closing balance, 31 December 2014	132	228	-2	102	1,107	1,567	
Opening balance, 1 January 2015	132	228	-2	102	1,107	1,567	
Profit for the year	—	—	—	—	420	420	
Other comprehensive income for the year	—	—	2	-7	1	-4	
Comprehensive income for the year	—	—	2	-7	421	416	
Dividend for 2014	—	—	—	—	-224	-224	
Closing balance, 31 December 2015	132	228	—	95	1,304	1,759	

Consolidated cash flow statement

SEKm	Note	2015	2014
	28		
Operating activities			
Operating profit		556	454
<i>Adjustments for items not included in cash flow:</i>			
Depreciation/amortisation and impairment		181	165
Provisions		8	12
Unrealised exchange rate differences		- 1	29
Pension payments		- 5	- 5
Interest received		5	4
Interest paid		- 8	- 8
Realised exchange rate differences		- 25	- 25
Income tax paid		- 159	- 88
Cash flow from operating activities before changes in working capital		552	538
Cash flow from changes in working capital			
Changes in inventories		- 15	13
Changes in accounts receivable		- 115	- 126
Changes in accounts payable		106	- 40
Other changes in working capital		4	- 55
		- 20	- 208
Cash flow from operating activities		532	330
Investing activities			
Acquisition of property, plant and equipment		- 246	- 204
Sale of property, plant and equipment		2	1
Cash flow from investing activities		- 244	- 203
Cash flow before financing activities		288	127
Financing activities			
Borrowings		90	19
Repayment of loans		- 4	- 36
Dividend paid		- 224	- 210
Cash flow from financing activities		- 138	- 227
Cash flow for the year		150	- 100
Cash and cash equivalents, opening balance		256	318
Exchange rate difference in cash and cash equivalents		- 3	38
Cash and cash equivalents, closing balance		403	256

Comments on the consolidated cash flow statement

Cash flow from operating activities

Cash flow before investments rose to SEK 532 million (330). The strong earnings and, in particular, the less negative change in working capital had a positive impact on cash flow, while higher investments than in 2014 had a negative effect. The change in working capital was a negative SEK 20 million (-208).

Cash flow from investing activities

Net investments affecting cash flow totalled SEK 244 million (203), and were exclusively investments in property, plant and equipment. Investments comprised machinery and equipment, as well as construction in progress, but also investments in buildings and land in connection with new construction and extensions to the factories in Sweden, China, Hungary and Malaysia. Net investments affecting cash flow excluding acquisitions and disposals are divided up between the Group's business areas as SEK 110 million (78) for Nolato Medical, SEK 20 million (30) for Nolato Telecom and SEK 114 million (95) for Nolato Industrial. For Nolato Medical, investments have chiefly consisted of further machinery capacity in Sweden, the UK, Hungary and the US, primarily for new customer projects. The extensions to the factories in China relate in their entirety to Nolato Medical and partly in Hungary

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

Investments (net)	2015	2014
Buildings and land	19	39
Machinery and equipment	179	132
Construction in progress	46	32
Total investments	244	203

Affecting cash flow, excluding acquisitions and disposals

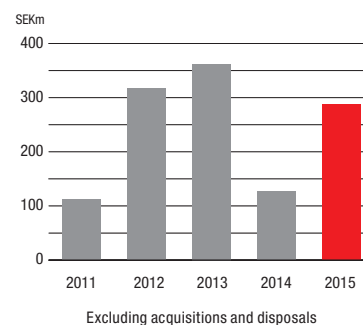
Cash flow after investing activities

Cash flow after investments rose to SEK 288 million (127).

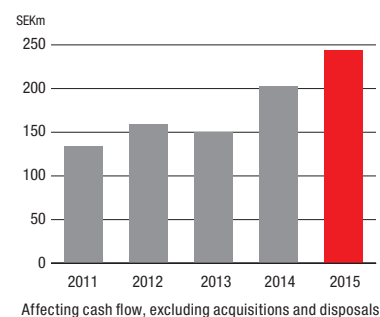
Cash flow from financing activities

Financing activities describe the Group's financing and dividends to shareholders, and totalled a net amount of SEK -138 million (-227). This consists of net borrowings of SEK 86 million (-17) and dividends paid totalling SEK -224 million (-210).

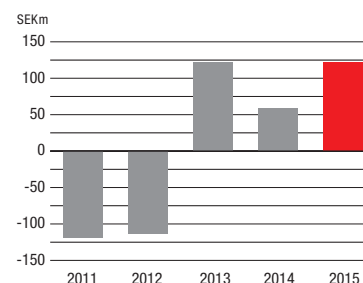
Cash flow after investments



Investments



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



Notes to the consolidated financial statements

Note 1 General information

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

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

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

Note 2 Accounting and valuation policies

Compliance with standards and laws

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

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

Significant accounting policies applied

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

Changes to the Group's accounting policies

None of the changes and interpretations to existing standards that are to be applied for the financial year beginning 1 January 2015 have had any material impact on the Group's financial statements.

New IFRS standards and interpretations which have not yet been applied

IASB and IFRIC have issued new standards and statements which come into force for financial years beginning on 1 January 2016 or later. There are no plans for the early application of new or amended standards for future application. To follow is a description of the IFRS standards that may affect the Group or Parent Company's financial statements. None of the other new standards or interpretations published by IASB are expected to have an impact on the Group or Parent Company's financial statements.

IFRS 15 Revenue from Contracts with Customers enters into force on 1 January, 2018. The EU has yet to adopt the standard and there is no decision as regards when or how the standard will be applied. An investigation will be initiated in the next few years to look at how IFRS 15 will affect the Group's financial statements.

IFRS 16 Leases replaces IAS 17 as of 1 January, 2019. There is no information as yet about when the EU will adopt the standard, which is why there is no

decision as regards when or how the standard will be applied. No evaluation of the effects of the standard has yet been initiated.

Basis for preparing the financial statements

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

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

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

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

Business combinations and consolidation principles

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

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

subsidiaries have been changed, where applicable, to ensure the consistent application of consolidated accounting policies.

Translation of foreign currencies

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

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

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

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

Operating segments

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

Revenue recognition

Nolato's revenue is primarily derived from the sale of products that have been developed as part of development projects together with our customers. Assignments that often lead to the development of production tools for future production do not always mean that Nolato will be commissioned to manufacture the products. When Nolato, either following a development assignment or without an assignment, wins a production order, Nolato delivers the product according to the customer's specification and requirements. Nolato essentially manufactures to order and only has limited storage, and operations are based on short production and turnaround times.

Revenue is recognised when virtually all risks and rights associated with ownership are transferred to the buyer, which normally occurs in connection with delivery having taken place, and when the price has been established. The revenues are recognised at the fair value of what has been received or will be received, minus discounts awarded.

Impairment

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

ment classified as an available-for-sale financial asset.

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

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

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

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

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

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

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

Financial income and expenses

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

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

Recognition of income taxes

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

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

Deferred tax is calculated using the balance sheet method, taking temporary differences between recognised and tax-related values of assets and liabilities as the starting point. Temporary differences are not taken into account in consolidated goodwill, or for any difference that arises on initial recognition of assets and liabilities that are not business combinations which, at the time of the transaction, affect neither recognised nor taxable earnings. Temporary differences attributable

to investments in subsidiaries that are not expected to be reversed within the foreseeable future are not taken into account either. The measurement of deferred tax is based on how underlying assets or liabilities are expected to be realised or settled. Deferred tax is calculated using the application of the tax rates and tax rules that have been decided, or decided in practice, as at the balance sheet date.

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

Deferred tax assets and tax liabilities are offset when there is a legal right to offset current tax assets against current tax liabilities and when taxes are charged by one and the same tax authority and when the Group intends to pay the current tax assets and liabilities at a net amount. For details regarding the Group's taxes, see Note 12.

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

Earnings per share

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

Intangible non-current assets

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

Goodwill

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

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

Customer relations

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

Capitalised development expenditure

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

Development expenditure in which knowledge and other research results are applied in order to achieve new or improved products is recognised as an asset in the balance sheet if the product is technically and commercially feasible and the company has sufficient resources to complete the development and subse-

quently use or sell the product. The carrying amount includes expenditure on materials, directly attributable salary expenditure and indirect expenditure that can be attributed to the asset in a reasonable and consistent manner. Other development expenditure is recognised as an expense in the income statement when it arises.

Property, plant and equipment

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

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

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

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

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

Leasing

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

Inventories

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

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

Financial instruments

Recognition in and removal from the balance sheet

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

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

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

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

Classification and measurement

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

Assets available for sale are measured at fair value.

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

Most of the Group's financial assets and liabilities are attributable to deliveries of goods and services, where receivables have a short maturity. The Nolato Group reports these receivables at amortised cost. Current financial liabilities that are not derivatives are recognised at amortised cost.

Recognition of derivative instruments and hedging measures

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

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

Cash flow hedging of forecast sales in foreign currency

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

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

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

Cash and cash equivalents

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

Employee remuneration

Pension obligations

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

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

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

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

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

Commitments regarding retirement pensions and family pensions for salaried employees in Sweden are secured through a policy with Alecta. According to a statement issued by the Swedish Financial Reporting Board, UFR 10, this is a multiple-employer defined benefit scheme. For the 2015 financial year, the company had no access to any information that would enable it to recognise this scheme as a defined benefit scheme. The ITP pension scheme (supplementary pensions for salaried employees), which is insured by Alecta, is thus recognised as a defined contribution scheme.

Share-based remuneration

The Group has had a share-based remuneration scheme which was settled in cash. The scope and conditions of the programme are detailed in Note 10 under 'Stock options programme'. Remuneration was measured at fair value and reported as a cost with a corresponding increase in liabilities.

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

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

Bonus schemes

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

Severance pay

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

Provisions

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

Restructuring

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

Contingent liabilities

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

Cash flow statement

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

Note 3 Critical accounting estimates and judgements

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

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

Calculations regarding remuneration to employees

The value of pension obligations for defined benefit pension schemes is based on actuarial calculations on the basis of assumptions about discount rates, future salary increases, inflation and demographic circumstances. At the end of the year, the pension liability amounted to SEK 127 million (128).

Impairment testing of goodwill and other assets

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

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

Note 4 Financial risk management

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

As a borrower and through its extensive operations outside Sweden, the Nolato Group is exposed to various financial risks. Nolato's financial policy specifies guidelines for how these risks should be managed within the Group. This policy outlines the aim, organisation and allocation of responsibilities of the Group's financial operations, and is designed to manage the

described risks. The CFO initiates and, if necessary, proposes updates to the financial policy, and issues internal instructions in order to ensure compliance with the policy within operating activities. The Board then evaluates and adopts the proposed changes to the financial policy on an annual basis or as necessary.

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

Market risk

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

Foreign exchange risk

Transaction exposure

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

In 2015, Nolato's sales to countries outside Sweden accounted for 77% (79) of total sales. The largest flow currencies for the Swedish units were EUR and USD, with EUR being a net outward flow and USD being a net inward flow. The Chinese operations had a net exposure largely in CNY/USD.

Nolato carries out short-term currency hedging for part of the Group's net exposure in foreign currencies. The aim of hedging the currency exposure is to even out fluctuations in earnings. According to this policy, Nolato shall hedge the net flow of the forecast inward and outward flow of currencies over a rolling 12-month period. In the event that the net flow in an individual currency is less than SEK 10 million, there is no hedging requirement. The hedging levels for the flows in each currency shall be within the following ranges:

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

Individual investments in machinery are hedged at 100% in the event that the currency flow has a countervalue exceeding SEK 1.5 million. The consolidated income statement includes exchange rate differences of SEK 10 million (-2) in operating profit.

Foreign exchange risks in financial flows relating to loans and investments in foreign currencies can be avoided by the Group's companies borrowing in local currencies or hedging these flows. According to this policy, any such hedging or risk-taking is decided on a case-by-case basis. Any hedging costs and any differences in interest rate levels between countries are taken into consideration in decisions on any possible risk-taking in relation to financial flows. During the year, there were exchange rate differences of SEK 2 million (6) in net financial income/expense.

At the end of 2015, the Group had the following currency hedges in relation to anticipated payment flows in CNY, EUR, GBP and USD for 2016. The derivatives used are futures and currency swaps. The volume and scope of the contracts are stated below in nominal terms.

Currency forward contracts

Currency forward contracts entered into but unutilised are detailed in the table below. The fair value at 31 December 2015 was SEK 6 million (-10). The fair value of contracts identified as cash flow hedges that meet the conditions for hedge accounting was SEK -1 million (-6).

	Nom. value in contract	Average rate (SEK)	Fair value	Reported in profit/loss	Reported in other comprehensive income
CNY (net sales)	- 93	1.31	4	4	1
EUR (net purch.)	36	9.30	—	1	1
GBP (net sales)	- 113	12.60	2	3	—
USD (net sales)	- 260	8.37	—	4	2
Total	- 430		6	12	4

Gains and losses in other comprehensive income in relation to currency forward contracts on 31 December 2015 will be transferred to the income statement at various dates within one year of the balance sheet date.

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

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

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

SEKm	12-month estimated net flows	Total hedging	Percentage	Average rate
CNY	2	1	50%	1.26
EUR	74	41	55%	9.30
USD	187	95	51%	8.47
Total	263	137	52%	

The contracts are included at fair value in the balance sheet, and the change in value is recognised in other comprehensive income. When the contracts are realised, the accumulated change in value is booked to the income statement. In 2015, the effect of the currency derivatives on operating profit was SEK 2 million (-3).

Transaction exposure at 31 December 2015 (cash flow hedging)

SEKm	12-month unhedged estimated net flows	Change in currency	Effect on earnings
CNY	1	+/- 5%	—
EUR	33	+/- 5%	2
USD	92	+/- 5%	4
Total	126		6

At the end of the year, the Group had SEK 126 million in unhedged assessed currency flows, including effects from currency hedges. A change in the value of the Swedish krona of +/-5% would have an impact of SEK 6 million on profit.

Translation exposure

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

Translation exposure of net assets

SEKm	Net Swedish krona assets	5% stronger
Nolato Romania, RON	—	—
Nolato USA, USD	28	-1
Nolato Jaycare, GBP	114	-6
Nolato Beijing Automotive, CNY	-1	—
Nolato Beijing Medical, CNY	-2	—
Nolato Beijing Mobile, CNY	398	-20
Nolato Lövepac Converting, CNY	51	-2
Nolato Lövepac Converting India, INR	-21	1
Nolato EMC Prod. Center, MYR	—	—
Nolato Hungary, EUR	304	-15
Cerbo Norway, NOK	1	—
Cerbo France, EUR	—	—
Total	867	-43

The Group has SEK 867 million in foreign net assets, mainly in China, Hungary and the UK. A five percentage point appreciation of the Swedish krona would have an impact of SEK -43 million on the net assets in the Group.

Interest rate risk

Interest rate risk is the risk that the Group's net interest income/expense will be weakened in the event of changes to market interest rates. At 31 December, interest-bearing liabilities amounted to SEK 281 million (197). In order to limit the Nolato Group's interest rate risk, the portion of those interest-bearing liabilities exceeding SEK 400 million must have a fixed interest maturity structure as follows:

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

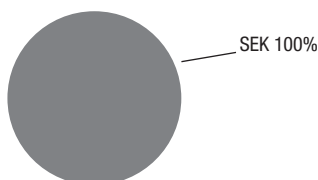
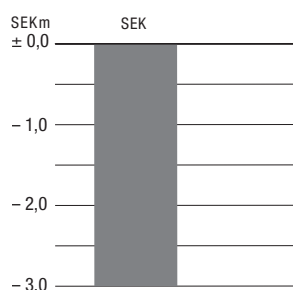
The average fixed interest term, including the effects of financial instruments, shall never exceed 3 years.

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

Liquidity risk

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

Nolato has total loan agreements of SEK 900 million, of which SEK 450 million matures on 21 July 2017 and SEK 450 million matures on 18 December 2018.

Breakdown of interest-bearing liabilities by currency**Interest rate effect on interest-bearing liabilities at 31 December 2015**

An increase in the interest rate of 1 percentage point based on the interest-bearing liabilities at the end of the year would result in additional interest expenses within the Group of SEK 3 million.

Interest-bearing net debt at 31 December

	Outstanding amount (SEKm)	Future interest expense during the term outst.	Term outstanding (mon)	Remaining fixed interest period (mon)	Average interest (%)
Interest-bearing liabilities					
Bank loans, SEK	-154	—	1	1	0.4
Pension liability, SEK	-127	—	—	—	2.8
Total	-281	—			2.3
Interest-bearing assets					
Cash and cash equivalents	403	—	—	—	1.4
Total net financial assets	122				

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

Subsidiaries	Currency forward	Selling price	Maturity date
Nolato Holding USA Inc., USA	USD 20 million	8.3098	30 Dec. 2016
Nolato Holdings UK Ltd, UK	GBP 9 million	12.6039	30 Dec. 2016
Nolato Hungary Kft, Hungary	EUR 0.5 million	9.2600	30 Dec. 2016

As part of the financing of the Group's Romanian subsidiary, the Parent Company has hedged an internal loan between Hungary and Romania using a currency swap of RON 8 million/EUR 2 million at the rate of 4.5739, maturing on 30 December 2016.

As part of the financing of the Group's Malaysian subsidiary, the Parent Company has hedged an internal loan of MYR 3 million using an NDF (non-deliverable forward) for USD 1 million. The contracts hedge Nolato in relation to MYR and USD at a rate of 4.439 MYR/USD (NDF) and there are also currency forwards entitling Nolato to sell a total of USD 1 million for SEK at a rate of 8.4295 SEK/USD. All currency hedge contracts mature on 30 December 2016.

On 31 December the Group's financial liabilities stood at SEK 957 million (796). The maturity structure for borrowings in relation to interest-bearing liabilities is shown in the table above. Non-interest-bearing liabilities are attributable primarily to accounts payable, with the term outstanding shown in the table below.

Maturity	< 1 month	Within 1–3 months	Within 4–12 months	> 1 year	Total
Accounts payable	417	236	20	2	675

Credit risk

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

The Group's maximum credit risk exposure is SEK 881 million (755), consisting essentially of SEK 874 million (755) of accounts receivable.

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

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

Note 5 Operating segments

Information on operating segments

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

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

Nolato Telecom designs, develops and manufactures advanced components and subsystems for mobile phones, and products and systems for shielding of electronics (EMC). The market consists of a few large, global companies with high technological demands, extremely short development times and quick production start-ups. Nolato Telecom enjoys a strong position with selected customers. In 2015, development and production were conducted in China, Malaysia and Sweden. A more detailed presentation of the business area can be found on pages 22–25.

Nolato Industrial develops and manufactures components and product systems in plastic and TPE for customers in the automotive industry, hygiene, packaging, gardening/forestry, domestic appliances and other selected industrial segments. The market is

fragmented and diversified, with a large number of customers and a large number of suppliers. Nolato Industrial has a strong position in the Nordic region and parts of Central Europe. Development and production are carried out in Sweden, Hungary, Romania and China. A more detailed presentation of the business area can be found on pages 26–29.

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

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

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

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

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

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

	Nolato Medical		Nolato Telecom		Nolato Industrial		Elimination		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
External sales										
External sales	1,460	1,333	2,015	1,796	1,251	1,105	—	—	4,726	4,234
Internal sales	4	—	2	3	—	1	–6	–4	—	—
Net sales	1,464	1,333	2,017	1,799	1,251	1,106	–6	–4	4,726	4,234
Profit										
Operating profit (EBITA)	191	176	272	199	132	118	–25	–23	570	470
Amort. of intang. assets arising from acq.	–13	–13	—	—	–1	–3	—	—	–14	–16
Operating profit	178	163	272	199	131	115	–25	–23	556	454
Financial income									6	18
Financial expenses									–7	–10
Tax expenses for the year									–135	–98
Profit for the year									420	364
Receivables and liabilities										
Segments' assets	1,316	1,259	835	763	900	819	–270	–232	2,781	2,609
Unallocated assets									452	305
Total assets	1,316	1,259	835	763	900	819	–270	–232	3,233	2,914
Segments' liabilities	378	382	721	616	261	261	–268	–199	1,092	1,060
Unallocated liabilities									382	287
Total liabilities	378	382	721	616	261	261	–268	–199	1,474	1,347
Other information										
Investments (capitalised)	101	105	23	34	101	123	—	–2	225	260
Depreciation/amortisation	86	76	42	42	53	44	—	—	181	162
Impairment	—	—	—	3	—	—	—	—	—	3
Significant items, other than depr./amort. with no offsetting payments, impairment and provisions	10	–26	–2	–3	13	–27	—	—	21	–56

Cash flow from operations, allocated by segment	2015				2014			
	Nolato Medical	Nolato Telecom	Nolato Industrial	Total	Nolato Medical	Nolato Telecom	Nolato Industrial	Total
Cash flow from operations before changes in working capital	264	314	184	762	239	244	159	642
Changes in working capital	-24	30	-25	-19	-14	-62	-72	-148
Cash flow from operating activities	240	344	159	743	225	182	87	494
Unallocated items ¹⁾				-211				-164
Total cash flow from operations				532				330

Cash flow from investing activities, allocated by segment	2015				2014			
	Nolato Medical	Nolato Telecom	Nolato Industrial	Total	Nolato Medical	Nolato Telecom	Nolato Industrial	Total
Acquisition of non-current assets ²⁾	-111	-21	-114	-246	-79	-30	-95	-204
Sale of non-current assets	1	1	—	2	1	—	—	1
Cash flow from investing activities	-110	-20	-114	-244	-78	-30	-95	-203

¹⁾ For 2015, the Group's change in working capital was SEK -20 million and, allocated by business area, according to the above, was SEK -19 million. The difference of SEK -1 million is included in the amount of SEK -211 million. Other unallocated items consist chiefly of operating loss of SEK -26 million (with the Parent Company accounting for the majority) income tax paid at SEK -159 million and other items such as pension payments, other provisions paid, interest received/paid, including certain parts of the items not affecting cash flow.

²⁾ Paid investments for the year in non-current assets, i.e. after adjustment for outstanding supplier invoices on the balance sheet date of SEK -21 million (56).

Information about geographic markets

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

	Sweden		Other Nordic countr.		Rest of Europe		North America		Asia		Group	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
External sales	1,088	872	187	177	1,305	1,222	422	330	1,724	1,633	4,726	4,234
Assets	1,321	1,198	—	—	641	635	222	200	1,049	881	3,233	2,914
Average number of employees	773	765	—	—	829	804	181	169	5,976	6,282	7,759	8,020
Investments (capitalised)	134	129	—	—	68	83	10	13	13	35	225	260

Note 6 Research and development

	2015	2014
Development expenditure for customer-specific products	347	227
Total	347	227

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

Note 7 Other operating income

	2015	2014
Effect of exchange rate on receivables/liabilities, net	10	—
Other	3	5
Total	13	5

Note 8 Information on remuneration to auditors

The company's auditing firm has received remuneration:

SEK thousands	2015	2014
<i>EY and KPMG:</i>		
Auditing	2,507	2,720
Taxation duties	200	384
Other duties	—	1,957
Total	2,707	5,061

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

In 2015, the company changed its auditor from KPMG to EY.

Note 9 Other operating expenses

	2015	2014
Effect of exchange rate on receivables/liabilities, net	—	-2
Total	—	-2

Note 10 Personnel

Average number of employees

	2015		2014	
	Number	Of which men	Number	Of which men
Parent Company				
Nolato AB, Torekov, Sweden	10	80%	10	80%
Group companies				
Cerbo France Sarl, France	1	0%	1	0%
Lövepac Converting Ltd, China	465	44%	605	40%
Nolato Beijing Ltd, China	5,432	47%	5,593	46%
Nolato Cerbo AB, Trollhättan, Sweden	110	58%	109	59%
Nolato Contour, Inc., US	181	51%	169	55%
Nolato EMC Production Center SDN BHD, Malaysia	51	47%	47	51%
Nolato Gota AB, Götene, Sweden	139	65%	128	71%
Nolato Hertila AB, Åstorp, Sweden	25	60%	24	63%
Nolato Hungary Kft, Hungary	540	41%	516	43%
Nolato Jaycare Ltd, UK	257	80%	259	79%
Nolato Lövepac AB, Skånes Fagerhult, Sweden	38	63%	41	59%
Nolato Medical Device Co. Ltd, China	28	64%	37	49%
Nolato MediTech AB, Hörby, Sweden	183	58%	184	58%
Nolato MediTor AB, Torekov, Sweden	52	54%	53	53%
Nolato Plastteknik AB, Gothenburg, Sweden	109	68%	105	70%
Nolato Polymer AB, Torekov, Sweden	56	88%	63	78%
Nolato Romania Srl, Romania	31	35%	28	39%
Nolato Silikonteknik AB, Hallsberg, Sweden	51	69%	48	73%
Total	7,759	50%	8,020	49%

Costs for remuneration to employees

	2015	2014
Salaries and remuneration, etc.	978	873
Pension expenses, Note 23	90	78
Social security contributions	182	161
Total	1,250	1,112

There are 132 (121) senior executives within the Group. Expensed remuneration and benefits for the senior executives during the year totalled SEK 122 million (111), of which SEK 15 million (15) relates to bonuses.

Gender distribution of senior executives

	2015		2014	
	Men	Women	Men	Women
Board members	44	1	43	2
Managing directors	16	—	15	—
Other senior executives	49	22	43	18
Total	109	23	101	20

Remuneration to the Board and senior executives

Remuneration and other benefits in 2015

SEK thousands	Base salary/Directors' fee ¹⁾	Bonus ²⁾	Stock options programme	Other benefits ³⁾	Pension premiums	Other remuneration ⁴⁾	Total
Chairman of the Board, Fredrik Arp ⁵⁾	480	—	—	—	—	—	480
Board member, Dag Andersson	185	—	—	—	—	—	185
Board member, Sven Boström-Svensson	185	—	—	—	—	—	185
Board member, Åsa Hedin ⁵⁾	185	—	—	—	—	—	185
Board member, Henrik Jorlén	225	—	—	—	—	—	225
Board member, Lars-Åke Rydh ⁵⁾	245	—	—	—	—	—	245
President and CEO, Hans Porat	5,052	2,526	—	144	4,075	448	12,245
Other senior executives (four people)	10,008	3,117	—	407	2,288	869	16,689
Total	16,565	5,643	—	551	6,363	1,317	30,439

Remuneration and other benefits in 2014

SEK thousands	Base salary/Directors' fee ¹⁾	Bonus ²⁾	Stock options programme	Other benefits ³⁾	Pension premiums	Other remuneration ⁴⁾	Total
Chairman of the Board, Fredrik Arp ⁵⁾	455	—	—	—	—	—	455
Board member, Dag Andersson	175	—	—	—	—	—	175
Board member, Sven Boström-Svensson	175	—	—	—	—	—	175
Board member, Åsa Hedin	175	—	—	—	—	—	175
Board member, Henrik Jorlén	210	—	—	—	—	—	210
Board member, Lars-Åke Rydh ⁵⁾	230	—	—	—	—	—	230
President and CEO, Hans Porat	4,836	2,418	1,082	147	3,460	67	12,010
Other senior executives (four people)	9,553	3,019	—	396	2,105	180	15,253
Total	15,809	5,437	1,082	543	5,565	247	28,683

¹⁾ Including remuneration for committee work.

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

³⁾ 'Other benefits' pertains to company cars.

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

⁵⁾ Fredrik Arp, Lars-Åke Rydh and Åsa Hedin have invoiced their directors' fees. Fees received have been compensated for social security contributions.

Principles for remuneration and benefits

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

In 2015, Group management comprised four people in addition to the President and CEO. They are Executive Vice President and CFO Per-Ola Holmström, President of Nolato Medical Christer Wahlquist, President of Nolato Telecom Jörgen Karlsson and President of Nolato Industrial Johan Arvidsson. For further information, see page 42.

Preparatory and decision-making procedure

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

Bonuses

Bonuses paid to the President and CEO and other senior executives are based on the outcome of profit and return on capital employed. The maximum outcome is 50% of base salary for the CEO and 40% for other senior executives. At the same time, the relevant profit centre

must report positive earnings. In 2015, the outcome for the President and CEO was 50% of base salary (50) and for senior executives it was 25–40% of base salary (24–40).

Stock options programme

Previously the company had a cash-based synthetic stock options programme for the President and CEO. The programme covered the period 01/04/2011 to 31/03/2014. The agreement entitled the President and CEO to a stock yield-based bonus, the value of which amounted to the difference between the average closing price of the Nolato share in Q1 2014, and 83.74 multiplied by 150,000, although a maximum of 50% of the accumulated monthly ordinary gross salary expensed during the period 1 April 2011 to 31 March 2014. The President and CEO did not make any cash payment and was allotted the 150,000 options directly when the agreement commenced.

The programme was expensed by means of allocation on ongoing revaluation of the liability to fair value, measured according to the Black & Scholes model and taking into account the terms and conditions of the programme until payment is made. This remuneration could only be awarded to the President and CEO after the programme matures. The cost of the scheme for 2014 has been charged to income in the amount of SEK 1,082,000. The programme expired on 31 March, 2014.

Pensions

The retirement age for the President and CEO and other senior executives is 65. The outgoing President and CEO Hans Porat's pension premium amounted to 40% of pensionable salary, and follows a defined contribution

pension scheme. In addition, a pension premium is paid at a fixed amount of SEK 500,000 per quarter to outgoing President and CEO Hans Porat, in accordance with an agreement that runs during the period 01/04/2014–31/03/2017. The agreement is on condition that the President and CEO remains in service for the period. No similar agreements have been entered into with incoming President and CEO Christer Wahlquist. Variable remuneration does not qualify as pensionable income. For 2015, the pension premium was 81% of pension-qualifying salary (72).

The incoming President and CEO and other senior executives have defined contribution pension schemes. For 2015, the average pension premium was 23% of base salary (22). Variable remuneration does not qualify as pensionable income.

Severance pay

The company and the President and CEO have agreed on a notice period of six months if the President and CEO resigns of his own accord. In the event of termination by the company, a notice period of 24 months applied for the outgoing President and CEO. The incoming President and CEO and other senior executives shall provide a notice period of 6 months. In the event of termination by the company, a notice period of 12–24 months applies. Any other income that is received during the notice period shall be deducted from the salary and other remuneration payable during the notice period. Both the President and CEO and other senior executives collect base salary and other benefits during the notice period. There is no remuneration after the notice period.

Note 11 Financial income and expenses

	2015	2014
Interest income	5	4
Interest expenses	-5	-6
Net gains/losses		
Foreign exchange gains and losses, net	2	6
Other financial income	—	8
Other financial expenses	-3	-4
Net financial income/expense	-1	8
<i>Recognised as:</i>		
Financial income	6	18
Financial expenses	-7	-10
Net financial income/expense	-1	8

	2015				2014			
	Interest income	Interest expenses	Foreign exchange gains/losses, net	Other	Interest income	Interest expenses	Foreign exchange gains/losses, net	Other
<i>Total net financial income/expense per category of financial instruments</i>								
Financial assets/liabilities measured at fair value in income statement								
Derivatives used to hedge intra-Group loans	—	—	10	—	—	—	-6	—
Bank deposits	5	—	—	—	4	—	—	—
PRI pension liability	—	-4	—	—	—	-4	—	—
Borrowings	—	-1	—	—	—	-2	—	—
Liquidation of subsidiaries	—	—	—	—	—	—	—	-2
Reversal of previous provision for liability for additional consideration on acquisition in UK	—	—	—	—	—	—	—	8
Other financial assets/liabilities	—	-3	-8	—	—	-2	12	—
Total	5	-8	2	—	4	-8	6	6

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

Note 12 Tax

Recognised in the income statement

	2015	2014
Current tax expenses		
Tax expenses for the period	-126	-118
Adjustment for tax attributable to previous years	—	-1
	-126	-119
Deferred tax income/expense		
Deferred tax in relation to temporary differences	-9	13
Deferred tax attributable to previous years	—	7
Deferred tax as a result of tax rate changes	—	1
	-9	21
Total recognised tax expense	-135	-98

Reconciliation of effective tax

	2015	2014
Profit before tax	555	462
Tax according to applicable Parent Company tax rate	-122	-102
Effect of other tax rates for foreign Group companies	-10	-3
Non-deductible expenses	-6	-9
Non-taxable income	5	10
Tax attributable to previous years	—	7
Effect of change in tax rates	—	1
Effect of non-capitalised deficits arising during the year	-2	-1
Standard interest on tax allocation reserve	—	-1
Recognised effective tax	-135	-98

Swedish corporation tax amounted to 22.0% (22.0) and the effective tax rate was 24.3% (21.2).

Recognised in the balance sheet

	Deferred tax assets		Deferred tax liabilities		Net 2014
	2015	2014	2015	2014	
Intangible non-current assets	—	—	14	15	–15
Property, plant and equipment	25	27	59	48	–21
Inventories	9	9	—	—	9
Accounts receivable	1	4	—	—	4
Provisions for pensions	13	13	1	1	12
Tax allocation reserves	—	—	29	36	–36
Other	37	35	7	4	31
Tax assets/liabilities	85	88	110	104	–25
Offsetting	–41	–43	–41	–43	—
Tax assets/liabilities, net	44	45	69	61	–16

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in the Group in relation to loss carry-forwards totalling SEK 27 million (26). The loss carry-forward relates to the operation in India, and it is unlikely that it will be possible to use it against future taxable gains. Loss carry-forwards in India can be used on a rolling basis for a maximum of eight years from the year in which the respective loss arose.

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

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

	Balance at 1 Jan. 2015	Recognised in profit for the year	Recognised in other comprehensive income	Acquisitions of business	Disposal of business	Balance at 31 Dec. 2015
Intangible non-current assets	–15	1	—	—	—	–14
Property, plant and equipment	–21	–13	—	—	—	–34
Inventories	9	—	—	—	—	9
Accounts receivable	4	–3	—	—	—	1
Provisions for pensions	12	—	—	—	—	12
Tax allocation reserves	–36	7	—	—	—	–29
Other	31	—	–1	—	—	30
Total	–16	–8	–1	—	—	–25

Tax attributable to other comprehensive income

	2015	2014
Deferred tax attributable to provisions for pensions (PRI)	—	4
Deferred tax on currency forwards	–1	1
Total	–1	5

Note 13 Depreciation, amortisation and impairment

Depreciation/amortisation is included in operating expenses as follows:

	2015	2014
Customer relations	14	16
Buildings and land	20	16
Machinery and other technical facilities	130	116
Equipment, tools, fixtures and fittings	16	15
Other	1	2
Total	181	165

Depreciation/amortisation has been allocated as follows:

	2015	2014
Cost of goods sold	164	145
Selling expenses	16	18
Administrative expenses	1	2
Total	181	165

Note 14 Expenses allocated by type of cost

	2015	2014
Material costs	- 1,762	- 1,674
Costs for remuneration to employees	- 1,250	- 1,112
Energy costs	- 128	- 120
Other costs	- 862	- 714
Depreciation/amortisation and impairment	- 181	- 165
Total	- 4,183	- 3,785

Note 15 Intangible non-current assets

	Software	Tenancy rights	Customer rel. ¹⁾	Cap. dev. exp.	Goodwill ¹⁾	Total
ACQUISITION COST						
At 1 January 2014	12	5	129	3	485	634
Translation differences	—	—	8	—	25	33
At 1 January 2015	12	5	137	3	510	667
Reclassifications	1	—	—	—	—	1
Translation differences	—	—	2	—	7	9
At 31 December 2015	13	5	139	3	517	677
ACCUMULATED DEPRECIATION/AMORTISATION						
At 1 January 2014	- 9	- 4	- 80	- 3	—	- 96
Depreciation/amortisation for the year	- 2	—	- 16	—	—	- 18
Translation differences	—	—	- 4	—	—	- 4
At 1 January 2015	- 11	- 4	- 100	- 3	—	- 118
Depreciation/amortisation for the year	- 1	—	- 14	—	—	- 15
Translation differences	—	—	- 1	—	—	- 1
At 31 December 2015	- 12	- 4	- 115	- 3	—	- 134
Book value at 31 December 2014	1	1	37	—	510	549
Book value at 31 December 2015	1	1	24	—	517	543

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

Goodwill impairment testing

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

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

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

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

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

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

Goodwill is allocated to Group segments as follows:

	2015	2014
Nolato Medical	414	407
Nolato Industrial		
Nolato Gota AB	41	41
Nolato Hertila AB	62	62
Total	517	510

Assumptions for establishing the discount rate

	2015	Nolato Medical		Nolato Industrial		
		2014	2015	2015	2014	
			Nolato Gota AB	Nolato Hertila AB	Nolato Gota AB	Nolato Hertila AB
Risk-free rate, %	1.1	1.3	0.9	0.9	1.1	1.1
Tax rate, %	24.6	24.8	22.0	22.0	22.0	22.0
Forecast period	3 years	3 years	3 years	3 years	3 years	3 years
Growth after forecast period, %	2.0	2.0	2.0	2.0	2.0	2.0
Applied discount rate before tax, %	8.3	8.4	8.8	8.8	9.1	9.1

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

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

Note 16 Property, plant and equipment

	Buildings and land	Machinery and other technical facilities	Equipment, tools, fixtures and fittings	Construction in progress and advance payments	Total
ACQUISITION COST					
At 1 January 2014	427	1,764	205	57	2,453
Investments	39	124	9	88	260
Sales/disposals	—	-38	-7	—	-45
Reclassifications	12	36	3	-51	—
Translation differences	16	137	7	1	161
At 1 January 2015	494	2,023	217	95	2,829
Investments	19	85	13	116	233
Contributions received ¹⁾	—	-3	—	-5	-8
Sales/disposals	—	-65	-4	—	-69
Reclassifications	29	81	7	-118	-1
Translation differences	-4	18	—	-1	13
At 31 December 2015	538	2,139	233	87	2,997
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 January 2014	-218	-1,346	-156	—	-1,720
Depreciation/impairment for the year	-16	-115	-16	—	-147
Sales/disposals	—	38	7	—	45
Translation differences	-3	-106	-4	—	-113
At 1 January 2015	-237	-1,529	-169	—	-1,935
Depreciation for the year	-20	-130	-16	—	-166
Sales/disposals	—	64	4	—	68
Translation differences	3	-15	—	—	-12
At 31 December 2015	-254	-1,610	-181	—	-2,045
Book value at 31 December 2014	257	494	48	95	894
Book value at 31 December 2015	284	529	52	87	952

¹⁾ SEK 5 million has been received by Nolato Cerbo AB from a customer regarding investment in mould development.

SEK 3 million has been received by Nolato Mobile (Beijing) Ltd from the state department of the environment regarding environmental investment.

Note 17 Financial assets

	2015	2014
Accounts receivable	881	777
Deduction: Provision for decline in value of accounts receivable	-7	-22
Carrying amount	874	755

The average period of credit in 2015 was 63 days (58). Accounts receivable as a percentage of sales amounted to 18.5% (17.8%). During the year, the Group reversed SEK 22 million (6) of provisions for decline in value of accounts receivable as at 1 January. Provisions for the year totalled SEK 7 million (22). The credit quality of accounts receivable not due and not impaired, and of other financial receivables is deemed to be good.

Total accounts receivable

	Total	Not due	Due ≤15 days	Due 16–60 days	Due > 60 days
2015	881	804	60	11	6
2014	777	703	62	11	1

Accounts receivable, including provisions for decline in value

	Total	Not due	Due ≤15 days	Due 16–60 days	Due > 60 days
2015	874	799	60	11	4
2014	755	685	59	10	1

Other financial assets per category in 2015

	Loans receivable and accounts receivable	Assets available for sale	Derivatives identified for hedge accounting	Derivatives not identified for hedge accounting	2015 Total
Other securities	—	2	—	—	2
Accounts receivable	874	—	—	—	874
Cash and bank balances	403	—	—	—	403
Derivatives (see Note 4)	—	—	1	6	7
Carrying amount	1,277	2	1	6	1,286
Fair value	1,277	2	1	6	1,286

Other financial assets per category in 2014

	Loans receivable and accounts receivable	Assets available for sale	Derivatives identified for hedge accounting	Derivatives not identified for hedge accounting	2014 Total
Other securities	—	2	—	—	2
Accounts receivable	755	—	—	—	755
Cash and bank balances	256	—	—	—	256
Derivatives (see Note 4)	—	—	—	—	—
Carrying amount	1,011	2	—	—	1,013
Fair value	1,011	2	—	—	1,013

The fair value of the currency forward contracts (derivatives) is set according to level 2. Level 1: In accordance with prices listed on an active market for the same instrument. Level 2: Based on directly or indirectly observable market data which is not included in level 1. Level 3: Based on input data which is not observable in the market.

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

Note 18 Inventories

	2015	2014
Raw materials and supplies	128	115
Products in manufacturing	40	42
Finished goods and goods for resale	111	107
Total	279	264

During the year, the Group impaired inventories by SEK 45 million (48). Impairment losses for the year are included in *Cost of goods sold* in the income statement.

During the year, reversed impairment losses recognised in *Cost of goods sold* totalled SEK 41 million (32). The reversal of previously impaired stocks is due to the fact that these items could be sold or were no longer deemed obsolete.

Note 19 Other current assets

	2015	2014
Other receivables	91	103
Prepaid expenses and accrued income	24	27
Closing balance	115	130

Note 20 Shareholders' equity

Capital management

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

	2015	2014
Share capital	132	132
Other capital contributed	228	228
Translation reserve	95	102
Hedging reserve	—	-2
Retained earnings, incl. profit for the year	1,304	1,107
Total capital	1,759	1,567

The Board aims to maintain a good balance between a high return which can be achieved through higher borrowing and the advantages and security offered by a sound capital structure. The Board sets the Group's financial targets each year on the basis of this. These targets should be seen as average figures over the course of a business cycle. The extent to which these targets were achieved for 2015 is shown below.

	2015		Financial targets	Outcome
	Financial targets	Outcome		
EBITA margin	>10%	12.1%	>10%	11.1%
Cash conversion	>75%	52.0%	>75%	28.0%
Equity/assets ratio	>35%	54.0%	>35%	54.0%

The Board's dividend proposal shall take into consideration Noloto's long-term development potential, financial position and investment requirements. The Board's dividend policy means that the Board shall intend to propose a dividend which corresponds on average to at least 50% of profit after tax. For 2015, the Board proposes a dividend of SEK 10.00 per share (8.50), corresponding to SEK 263 million (224). The pay-out ratio is 63% (61).

Note 21 Other reserves

	Hedging reserve	Transl. reserve	Total
Opening balance, 1 January 2014	1	18	19
<i>Cash flow hedges:</i>			
Gain from fair value measurement during the year	-3	—	-3
Tax from fair value measurement	1	—	1
Transfers to the income statement	-2	—	-2
Tax on transfers to the income statement	1	—	1
Translation differences	—	83	83
Reversed translation differences in connection with liquidation	—	1	1
Closing balance, 31 December 2014	-2	102	100
Opening balance, 1 January 2015	-2	102	100
<i>Cash flow hedges:</i>			
Gain from fair value measurement during the year	3	—	3
Tax from fair value measurement	-1	—	-1
Transfers to the income statement	—	—	—
Tax on transfers to the income statement	—	—	—
Translation differences	—	-7	-7
Closing balance, 31 December 2015	—	95	95

Hedging reserve

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

Translation reserve

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

Note 22 Financial liabilities

	Year of maturity	Carrying amount	2015 Fair value	Carrying amount	2014 Fair value
<i>Current financial liabilities</i>					
Accounts payable	2015–2016	675	675	589	589
Short-term bank loan in SEK (variable rate)	< 3 months	154	154	69	69
Derivatives identified for hedge accounting (see Note 4)		1	1	6	6
Derivatives not identified for hedge accounting (see Note 4)		—	—	4	4
Subtotal of current financial liabilities		830	830	668	668
Total		830	830	668	668

Interest-bearing liabilities

At the end of the year, the Group's interest-bearing liabilities excluding pension liability amounted to SEK 154 million (69). The average interest rate was 0.4% (1.2). The average fixed-interest term was 1 month (1).

Terms and repayment periods

Total credit lines granted in the Group amount to SEK 900 million (900). Of this amount, SEK 450 million matures on 21/07/2017 and SEK 450 million on 18/12/2018. Pledged assets for the credit facilities amount to SEK 0 million (0). The credit facilities are conditional upon normal covenants. These include requirements in terms of financial key ratios for the Group, including net debt in relation to operating profit before depreciation/amortisation (EBITDA). At 31 December, all loan conditions were met. All loan agreements can be terminated by the other party in the event of any significant change in ownership control of the company.

Derivatives

The fair value of the currency forward contracts (derivatives) is set according to level 2. Level 1: In accordance with prices listed on an active market for the same instrument. Level 2: Based on directly or indirectly observable market data which is not included in level 1. Level 3: Based on input data which is not observable in the market.

Operating leases

Operating lease agreements consist mainly of rental contracts for production premises. Expensed leasing fees for the year totalled SEK 60 million (52). The variable fees included in these do not add up to any significant amount. The operating lease agreements are not restricted by index clauses or such terms that provide entitlement to extend or acquire the leased items. However, there are restrictions on the right of disposal.

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

	Operating leases
<i>Non-cancellable lease agreements total:</i>	
Within 1 year	43
Between 1 and 5 years	63
Over 5 years	9
Total	115

Note 23 Provisions for pensions and similar obligations

	2015	2014
Net present value of defined benefit pension schemes	126	127
Other pension schemes	1	1
Total	127	128

Defined benefit pension schemes

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

Fair value of the defined benefit pension schemes:

	2015	2014
Balance at 1 January	127	110
Benefits vested during the period	2	2
Interest expenses	3	4
Benefits redeemed	—	—
Pension payments	– 5	– 5
Actuarial gain (–)/loss (+)	– 1	16
Total	126	127

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

	2015	2014
Expenses related to service during the financial year	2	2
Interest expense	3	4
Expense for special employer's contribution and tax on returns	1	1
Total expense for defined benefit pension schemes	6	7
Expense for defined contribution schemes	75	64
Expense for special employer's contribution	9	7
Total pension expense	90	78

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

	2015	2014
<i>Amounts charged to operating profit:</i>		
Cost of goods sold	2	2
Administrative expenses	1	1
<i>Amounts charged to financial expenses:</i>		
Interest expenses	3	4
Total	6	7

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

	2015	2014
Actuarial gains (+)/losses (–)	1	– 16
Special employer's contribution and tax on returns	—	– 4
Deferred income tax	—	4
Total	1	– 16

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

	2015	2014
Accumulated at 1 January	– 48	– 32
Recognised in the period	1	– 16
Accumulated at 31 December	– 47	– 48

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

%	2015	2014
Discount rate	2.85	2.85
Future annual salary increases	3.20	3.20
Future annual pension increases	1.90	1.90
Employee turnover	5.00	5.00

Pension commitments within Alecta

Commitments regarding retirement pensions and family pensions for salaried employees in Sweden are secured through a policy with Alecta. According to a statement issued by the Swedish Financial Reporting Board, UFR 10, this is a multiple-employer defined benefit scheme. For the 2015 financial year, the company had no access to any information that would enable it to recognise this scheme as a defined benefit scheme. The ITP pension scheme (supplementary pensions for salaried employees), which is insured by Alecta, is thus recognised as a defined contribution scheme. Charges for the year for pension insurance policies held with Alecta totalled SEK 5 million (4). Alecta's surplus can be allocated to policyholders and/or insured parties. On 31 December 2015, Alecta's surplus, in the form of the collective funding ratio, amounted to 153% (143). The collective funding ratio is determined by the fair value of Alecta's assets as a percentage of the pension commitments calculated according to Alecta's actuarial calculation assumptions, which do not comply with IAS 19.

Note 24 Other provisions

	Other	Total
Amount at 1 January	29	29
Provisions for the year	3	3
Amounts claimed	—	—
Amount at 31 December	32	32

The amount at year-end relates to a provision for restoration of rental property of SEK 11 million, a provision for special employer's contribution in accordance with IAS 19 for PRI pension liability of SEK 10 million, as well as a provision for special employer's contribution regarding endowment insurance of SEK 11 million.

Note 25 Other current liabilities

	2015	2014
Customer advances	21	17
Other current liabilities	35	36
<i>Accrued expenses and deferred income</i>		
Salary liabilities	89	95
Social security contributions	34	37
Deliveries of goods received, not invoiced	66	104
Energy costs	16	14
Rents	7	12
Claims	27	13
Maintenance	20	36
Tools	22	—
Other items	69	56
Subtotal of accrued expenses and deferred income	350	367
Total	406	420

Note 26 Contingent liabilities

	2015	2014
Guarantee commitments, FPG/PRI	2	3
Total	2	3

Note 27 Related parties

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

There are no known transactions with related parties.

Note 28 Cash flow

	2015	2014
<i>The following subcomponents are included in cash and cash equivalents:</i>		
Cash and bank balances	366	239
Credit balance on Group account in Parent Company	37	17
Total cash and cash equivalents reported in the cash flow statement	403	256

Unutilised credit

At the balance sheet date, unutilised credit within the Group stood at SEK 746 million (831).

Parent Company income statement

SEKm	Note	2015	2014
Net sales	2	31	29
Selling expenses		- 11	- 11
Administrative expenses	3	- 53	- 50
Other operating expenses	4	- 17	- 4
		- 81	- 65
Operating profit	2,5,11	- 50	- 36
Profit from investments in Group companies	6	146	91
Financial income	7	21	34
Financial expenses	8	- 16	- 4
		151	121
Profit after financial income and expenses		101	85
Appropriations	9	262	291
Tax	10	- 53	- 66
Profit for the year		310	310

Parent Company comprehensive income

SEKm	2015	2014
Profit for the year	310	310
Other comprehensive income		
Items transferred or that could be transferred to profit for the period		
Exchange rate difference on monetary items related to overseas net investment	—	- 2
Comprehensive income for the year	310	308

Parent Company balance sheet

SEKm	Note	2015	2014
Assets			
Non-current assets			
Property, plant and equipment		1	1
Investments in Group companies	12	733	733
Receivables from Group companies	15	416	392
Other non-current receivables		2	2
Deferred tax assets	10	7	6
Total non-current financial assets		1,158	1,133
Total non-current assets		1,159	1,134
Current assets			
Receivables from Group companies		515	424
Prepaid expenses and accrued income		5	4
Total current assets		520	428
Cash and bank balances		37	17
Total assets		1,716	1,579
Shareholders' equity and liabilities			
Shareholders' equity			
<i>Restricted equity</i>			
Share capital (26,307,408 shares)	13	132	132
Statutory reserve		228	228
Total restricted equity		360	360
<i>Unrestricted equity</i>			
Translation reserve		- 3	- 3
Retained earnings		452	366
Profit for the year		310	310
Total unrestricted equity		759	673
Total shareholders' equity		1,119	1,033
Untaxed reserves	18	129	161
Other provisions	16	11	9
Non-current liabilities			
Liabilities to Group companies		55	—
Current liabilities			
Liabilities to credit institutions	14	140	50
Accounts payable		4	3
Liabilities to Group companies		235	283
Current tax liabilities		8	26
Other liabilities		1	1
Accrued expenses and deferred income	17	14	13
Total current liabilities		402	376
Total liabilities and shareholders' equity		1,716	1,579
Pledged assets		—	—
Contingent liabilities	19	125	133

Parent Company changes in shareholders' equity

SEKm	Restricted equity		Translation reserve	Unrestricted equity	
	Share capital	Statutory reserve		Retained earnings	Total sh. equity
Opening balance, 1 Jan. 2014	132	228	-1	576	935
Profit for the year	—	—	—	310	310
Other comprehensive income for the year	—	—	-2	—	-2
Comprehensive income for the year	—	—	-2	310	308
Dividend for 2013	—	—	—	-210	-210
Closing balance, 31 Dec. 2014	132	228	-3	676	1,033
Opening balance, 1 Jan. 2015	132	228	-3	676	1,033
Profit for the year	—	—	—	310	310
Other comprehensive income for the year	—	—	—	—	—
Comprehensive income for the year	—	—	—	310	310
Dividend for 2014	—	—	—	-224	-224
Closing balance, 31 Dec. 2015	132	228	-3	762	1,119

Parent Company cash flow statement

SEKm	Note	2015	2014
	21		
Operating activities			
Operating profit		-50	-36
Adjustments for items not included in cash flow		3	1
Dividends from subsidiaries		18	18
Interest received		20	19
Interest paid		-3	-4
Other financial income		1	4
Realised exchange rate differences		-25	-34
Income tax paid		-71	-42
Cash flow from operating activities before changes in working capital		-107	-74
Changes in working capital			
Changes in operating receivables and operating liabilities		-51	195
Cash flow from operating activities		-158	121
Investing activities			
Acquisition of non-current financial assets		—	-6
Shareholders' contribution		—	-118
Cash flow from investing activities		—	-124
Cash flow before financing activities		-158	-3
Financing activities			
Borrowings		90	—
Repayment of loans		—	-35
Change in long-term intra-Group transactions		43	66
Dividend paid		-224	-210
Group contributions received		275	165
Group contributions paid		-6	-6
Cash flow from financing activities		178	-20
Cash flow for the year		20	-23
Cash and cash equivalents, opening balance		17	40
Cash and cash equivalents, closing balance		37	17

Notes to the Parent Company financial statements

Note 1 Accounting and valuation policies

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

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

Transaction charges

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

Classification and formats

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

Sales

Assigning joint Group expenses

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

Dividend income

Dividend income is recognised when the right to receive the dividend is established.

Financial instruments

In view of the relationship between accounting and taxation, the rules on financial instruments and hedge accounting contained in IAS 39 are not applied within the Parent Company as a legal entity. The Parent Company does not therefore recognise the fair value measurement of currency futures/currency swaps in the balance sheet. Outstanding derivative instruments as at 31 December 2015 are described in the consolidated statements' Note 4.

Remuneration to employees

Defined benefit schemes

Defined benefit pension schemes are insured through a policy held with Alecta. According to RFR 2, the defined benefit pension schemes are classified and recognised as defined contribution schemes, which means that premiums paid are charged to the income statement. Charges for the year to Alecta totalled SEK 273 k (284). Within the Parent Company, a different basis than that set out in IAS 19 is applied when calculating and valuing the defined benefit schemes. The Parent Company follows the provisions of the Swedish Law on Safeguarding Pension Obligations and the regulations of the Swedish Financial Supervisory Authority, since this is a requirement for tax deduction rights. The main differences compared with the rules of IAS 19 are the manner in which the discount rate is established, the fact that the defined benefit obligations are calculated based on current salary levels without taking assumptions regarding future salary increases into consideration, and the fact that all actuarial gains and losses are recognised in the income statement when they arise.

Recognition of income taxes

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

Group contributions for legal entities

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

Note 2 Purchasing and sales between Parent Company and subsidiaries

	2015	2014
Sales of services to subsidiaries	31	29
Purchase of services from subsidiaries	- 4	- 4

Note 3 Information on remuneration to auditors

The company's auditing firm has received remuneration:

SEK thousands	2015	2014
<i>EY and KPMG:</i>		
Auditing	441	608
Taxation duties	200	107
Other duties	—	1,948
Total	641	2,663

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

In 2015, the company changed its auditor from KPMG to EY.

Note 4 Other operating expenses

	2015	2014
Effect of exchange rate on receivables/liabilities, net	- 17	- 4
Total	- 17	- 4

Note 5 Personnel**Average number of employees**

	2015		2014	
	Number	Of which men	Number	Of which men
Nolato AB, Torekov, Sweden	10	80%	10	80%

Costs for remuneration to employees

	2015	2014
Salaries and remuneration	32	28
Pension expenses, defined contribution schemes	8	7
Social security contributions	10	8
Total	50	43

There are 5 (5) senior executives at the Parent Company. Expensed remuneration and benefits for senior executives at the Parent Company during the year totalled SEK 27 million (21), of which SEK 6 million (7) relates to bonuses. Of the Parent Company's pension expenses, SEK 4.1 million (3.5) relates to the Board and the President and CEO. The company's outstanding pension liabilities and obligations in relation to the Board and the President and CEO stood at SEK 0 million (0).

Gender distribution of senior executives

	2015		2014	
	Men	Women	Men	Women
Board members	7	1	6	2
President and CEO	1	—	1	—
Other senior executives	4	—	4	—

Note 6 Profit from investments in Group companies

	2015	2014
Dividend received from Group companies	18	18
Anticipated dividend from Group companies	128	70
Liquidation profit from Group companies	—	3
Total	146	91

Note 7 Financial income

	2015	2014
Interest income, Group companies	20	19
Repayment regarding impaired non-current loan receivable, Group companies	1	4
Insurance recourse ¹⁾	—	3
Exchange rate differences	—	8
Total	21	34

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

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

Note 8 Financial expenses

	2015	2014
Interest expenses, credit institutions	-1	-2
Other financial expenses	-2	-2
Exchange rate differences	-13	—
Total	-16	-4

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

Note 9 Appropriations

	2015	2014
Group contributions received	235	276
Group contributions paid	-5	-6
Reversal of tax allocation reserve	32	21
Total	262	291

Note 10 Tax

Recognised in the income statement

	2015	2014
Current tax expense (-)/income (+)		
Tax expense (-)/income (+) for the period	- 53	- 68
	- 53	- 68
Deferred tax income/expense		
Deferred tax in relation to temporary differences	—	2
Total recognised tax expense (-)/income (+)	- 53	- 66

Reconciliation of effective tax

The tax rate applicable is 22%.

	2015	2014
Profit before tax	363	376
Tax according to applicable Parent Company tax rate	- 80	- 83
Non-deductible expenses	- 5	- 7
Non-taxable income	32	23
Standard interest on tax allocation reserve	—	1
Recognised effective tax	- 53	- 66
Recognised in the balance sheet		
Other provisions	3	2
Other	4	4
Total	7	6

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

	Balance at 1 Jan. 2014	Recognised in profit for the year	Recognised in shareholders' equity	Balance at 31 Dec. 2014
Other provisions	1	1	—	2
Other	3	1	—	4
Total	4	2	—	6

	Balance at 1 Jan. 2015	Recognised in profit for the year	Recognised in shareholders' equity	Balance at 31 Dec. 2015
Other provisions	2	1	—	3
Other	4	—	—	4
Total	6	1	—	7

Note 11 Expenses allocated by type of cost

	2015	2014
Costs for remuneration to employees	- 50	- 43
Insurance	- 3	- 5
Consulting expenses	- 7	- 6
Effect of exchange rate on receivables/liabilities, net	- 17	- 4
Other costs	- 4	- 7
Total	- 81	- 65

Note 12 Investments in Group companies

	2015	2014
Acquisition cost on 1 January	1,088	964
Acquisitions	—	6
Shareholders' contribution	—	118
Accumulated acquisition cost on 31 December	1,088	1,088
Accumulated impairment losses on 1 January	- 355	- 355
Impairment losses for the year	—	—
Accumulated impairment losses on 31 December	- 355	- 355
Carrying amount	733	733

	Participating interest		Carr. amount	
	2015	2014	2015	2014
AB Cerbo Group, Trollhättan, Sweden	100%	100%	117	117
Nolato Cerbo AB, Trollhättan, Sweden	100%	100%	—	—
A/S Cerbo Norge, Norway	100%	100%	—	—
Cerbo France Sarl, France	100%	100%	—	—
Kartongprodukter Berglund AB, Trollhättan, Sweden	—	100%	—	—
Lövepac Converting Ltd, China	100%	100%	9	9
Lövepac Converting Private Ltd, India	100%	100%	—	—
Nolato Alpha AB, Kristianstad, Sweden	100%	100%	12	12
Nolato EMC Production Center Sdn Bhd, Malaysia	100%	100%	—	—
Nolato Holding USA Inc., US	100%	100%	—	—
Nolato Contour Inc., US	100%	100%	—	—
Nolato Gota AB, Götene, Sweden	100%	100%	129	129
Nolato Hertila AB, Åstorp, Sweden	100%	100%	41	41
Nolato Holdings UK Ltd, UK	100%	100%	70	70
C A Portsmouth Ltd, UK	100%	100%	—	—
Nolato Jaycare Ltd, UK	100%	100%	—	—
Nolato Hungary Kft, Hungary	100%	100%	46	46
Nolato Lövepac AB, Skånes Fagerhult, Sweden	100%	100%	10	10
Nolato Medical Device (Beijing) Co. Ltd, China	100%	100%	6	6
Nolato MediTech AB, Hörby, Sweden	100%	100%	115	115
Nolato MediTor AB, Torekov, Sweden	100%	100%	9	9
Nolato Mobile Comm.Polymers (Beijing) Ltd, China	100%	100%	91	91
Nolato Automotive Components (Beijing) Co. Ltd, China	100%	100%	1	1
Nolato Plastteknik AB, Gothenburg, Sweden	100%	100%	42	42
Nolato Polymer AB, Torekov, Sweden	100%	100%	5	5
Nolato Produktions AB, Götene, Sweden	100%	100%	—	—
Nolato Romania S.R.L., Romania	100%	100%	—	—
Nolato Silikonteknik AB, Hallsberg, Sweden	100%	100%	18	18
Nolato Torekov AB, Torekov, Sweden	100%	100%	12	12
Carrying amount			733	733

Note 13 Share capital

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

	Number of shares	Quotient value	Share capital
Share capital, 31 Dec. 2014	26,307,408	SEK 5	SEK 131,537 k
Share capital, 31 Dec. 2015	26,307,408	SEK 5	SEK 131,537 k

Note 14 Borrowings

	Due	2015	2014
Short-term bank loan in SEK (variable rate)	< 3 months	140	50
Total		140	50

Note 15 Receivables and liabilities, Group companies**Receivables from Group companies**

At 1 January 2014	419
Change	-27
At 1 January 2015	392
Change	24
At 31 December 2015	416

Liabilities to Group companies

At 1 January 2014	—
Change	—
At 1 January 2015	—
Change	55
At 31 December 2015	55

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

Note 16 Other provisions

	Other	Total
Amount at 1 January	9	9
Provisions for the year	2	2
Amounts claimed	—	—
Amount at 31 December	11	11

Relates to future salary tax for endowment insurance.

Note 17 Accrued expenses and deferred income

	2015	2014
Salary liabilities	9	9
Social security contributions	3	4
Other items	2	—
Total	14	13

Note 18 Untaxed reserves

	2015	2014
Tax allocation reserves 2011	—	32
Tax allocation reserves 2012	35	35
Tax allocation reserves 2013	47	47
Tax allocation reserves 2014	47	47
Total	129	161

Note 19 Contingent liabilities

	2015	2014
Guarantees on behalf of subsidiaries	125	133
Total	125	133

Note 20 Related parties

The Parent Company has controlling influence over the subsidiaries, in accordance with the structure described in Note 12.

When delivering goods and services between Group companies, business terms and conditions and market pricing are applied. The scope of internal invoicing for joint Group services amounts to SEK 31 million (29), as detailed in Note 2, and relates primarily to assigning costs for joint Group services and overheads. The Parent Company is an internal bank for the Group companies, whereby intra-Group interest income of SEK 20 million (19) and interest expenses of SEK 0 million (0) have arisen in the Parent Company to the extent reported in Notes 7 and 8. Interest on loans receivable and liabilities is calculated on an ongoing basis in line with the market rate. There are no contractually regulated durations. Intra-Group receivables at the Parent Company amount to SEK 416 million (392) and liabilities to Group companies amount to SEK 55 million (0).

During the year, the Parent Company received dividends from subsidiaries in the amount of SEK 146 million (88), of which SEK 128 million (70) refers to anticipated dividend.

Note 21 Cash flow

	2015	2014
<i>The following subcomponents are included in cash and cash equivalents:</i>		
Credit balance on Group account in Parent Company	37	17
Total cash and cash equivalents reported in the cash flow statement	37	17

Attestation and signatures of the Board

This Annual Report has been prepared in accordance with IFRS international accounting standards as adopted by the EU. It provides a true and fair presentation of the operations, financial position and earnings of the Group and the Parent Company, and describes the significant risks and uncertainty factors faced by the Parent Company and the companies included in the Group.

As indicated below, the Annual Report was approved for issue by the Board on 9 March 2016. The consolidated income statement and balance sheet and the Parent Company's income statement and balance sheet will be proposed for adoption at the Annual General Meeting on 28 April 2016.

Torekov, Sweden, 9 March 2016



Fredrik Arp
Chairman of the Board



Sven Boström-Svensson
Board member



Henrik Joulén
Board member




Dag Andersson
Board member




Åsa Hedin
Board member



Lars-Åke Rydh
Board member



Hans Porat
Board member



Christer Wahlquist
President and CEO

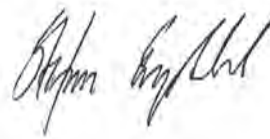


Björn Jacobsson
Employee representative



Håkan Svensson
Employee representative

Our auditor's report was submitted on 14 March 2016.
Ernst & Young AB



Stefan Engdahl
Authorised public accountant

Auditor's report

To the annual meeting of the shareholders of Nolato AB,
company reg. no. 556080-4592

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Nolato AB for the year 2015. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 43–79.

Responsibilities of the Board of Directors and the

President and CEO for the annual accounts and consolidated accounts

The Board of Directors and the President and CEO are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the President and CEO determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We have conducted the audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free of material misstatement.

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

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

Opinion

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Parent Company as of 31 December 2015 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of 31 December 2015 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The directors' report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the Parent Company and Group.

Other information

The audit of the annual accounts for the year 2014 was conducted by another auditor, who submitted an auditor's report dated 13 March 2015 with unmodified opinions in the Report on the annual accounts.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the President and CEO of Nolato AB for the year 2015.

Responsibilities of the Board of Directors and the President and CEO

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the President and CEO are responsible for administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We have conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

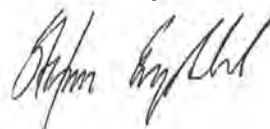
As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the President and CEO is liable to the company. We also examined whether any member of the Board of Directors or the President and CEO has in any other way acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

Opinion

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the directors' report, and that the members of the Board of Directors and the President and CEO be discharged from liability for the financial year.

Torekov, Sweden, 14 March 2016
Ernst & Young AB



Stefan Engdahl

Authorised public accountant

Definitions

› Return on total capital

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

› Return on capital employed

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

› Return on operating capital

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

› Return on shareholders' equity

Profit after tax in relation to average shareholders' equity.

› EBITA margin

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

› Financial net asset

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

› Adjusted earnings per share

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

› Cash flow from operating activities per share

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

› Cash flow per share

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

› Cash conversion

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

› Liquidity

Total current assets divided by total current liabilities.

› Earnings per share

Profit after tax in relation to the average number of shares.

› Interest coverage ratio

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

› Operating profit (EBITDA)

Earnings before interest, taxes, depreciation and amortisation.

› Operating profit (EBITA)

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

› Operating profit (EBIT)

Earnings before interest and taxes.

› Debt/equity ratio

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

› Equity/assets ratio

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

› Profit margin

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

A few specialist terms used within the Nolato Group



› Polymer materials

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



› Dip moulding

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



› Injection moulding

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



› Haptic technology/haptics

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



› Injection blow moulding

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



› Clean room

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



› Extrusion

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



› Shielding (EMC)

Technology for shielding electronics from electromagnetic interference, both internally between different electronic components and from external interference. This is achieved using silicone gaskets containing silver or nickel particles. EMC stands for electromagnetic compatibility, which is the purpose of the shielding.

Five-year review

	2015	2014	2013	2012	2011
Sales and profit					
Net sales (SEK million)	4,726	4,234	4,522	3,874	2,977
Sales growth (%)	12	-6	17	30	-12
Percentage of sales outside Sweden (%)	77	79	80	75	70
Operating profit (EBITA) (SEK million)	570	470	427	303	199
Operating profit (EBIT) (SEK million)	556	454	411	287	190
Financial income and expense (SEK million)	-1	8	-8	-15	-7
Profit after financial income and expense (SEK million)	555	462	403	272	183
Profit for the year (SEK million)	420	364	314	202	132
Financial position					
Total assets (SEK million)	3,233	2,914	2,573	2,634	2,144
Shareholders' equity (SEK million)	1,759	1,567	1,348	1,170	1,117
Interest-bearing assets (SEK million)	403	256	318	272	124
Interest-bearing liabilities and provisions (SEK million)	-281	-197	-196	-385	-243
Net financial assets (+)/net financial liabilities (-) (SEK million)	122	59	122	-113	-119
Equity/assets ratio (%)	54	54	52	44	52
Liquidity (%)	136	126	126	109	123
Debt/equity ratio (times)	0.2	0.1	0.1	0.3	0.2
Cash flow					
Cash flow from operations (SEK million)	532	330	512	476	246
Investing activities (SEK million)	-244	-203	-144	-335	-134
Cash flow before financing activities (SEK million)	288	127	368	141	112
Cash conversion (%)	52	28	82	111	45
Profitability					
Return on total capital before tax (%)	18.3	17.1	15.9	11.9	8.7
Return on capital employed before tax (%)	29.6	28.4	26.7	19.4	13.9
Return on operating capital before tax (%)	35.3	33.0	32.6	22.6	15.5
Return on net shareholders' equity, after tax (%)	25.3	25.0	24.9	17.7	11.6
EBITA margin (%)	12.1	11.1	9.4	7.8	6.7
Profit margin (%)	11.7	10.9	8.9	7.0	6.1
Interest coverage ratio (times)	78	58	37	23	16
Share data (see also pages 36-37)					
Earnings per share after tax (SEK)	15.97	13.84	11.94	7.68	5.02
Shareholders' equity per share (SEK)	67	60	51	44	42
Cash flow from operating activities per share (SEK)	20.22	12.54	19.46	18.09	9.35
Cash flow before financing activities excl. acq. and disp. per share (SEK)	10.95	4.83	13.76	12.05	4.26
Yield (2015 proposal) (%)	3.9	4.8	5.5	7.6	9.9
Dividend per share (2015 proposal) (SEK)	10.00	8.50	8.00	6.00	5.00
Personnel					
Number of employees (people)	7,759	8,020	9,357	8,421	5,496
Sales per employee (SEK thousands)	609	528	483	460	542
Income after financial items per employee (SEK thousands)	72	58	43	32	33



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