



Annual Report 2021



OUR VISION

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

Nolato is a Swedish group with operations in Europe, Asia and North America. We develop and manufacture products in polymer materials such as plastic, silicone and TPE for leading customers within medical technology, pharmaceuticals, consumer electronics, telecom, automotive, hygiene and other selected industrial sectors. Nolato's shares are listed on Nasdaq Stockholm Exchange in the Industrials sector of the Large Cap segment.

Our customer offering comprises most technologies in the field of polymers and spans the entire value chain, from solutions-oriented development to product delivery.

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*The information on pages 55–102 has been audited.

Nolato has prepared a statutory sustainability report in accordance with Chapt. 6, Sect. 11 of the Swedish Annual Accounts Act; see pages 18–26 and 106–122. The reading guide is on page 117.

The printed annual report is sent by post to those shareholders who have notified Nolato that they wish to receive a copy. It can also be ordered at www.nolato.com, where a digital version is also available. The annual report is also available in Swedish.

Business areas



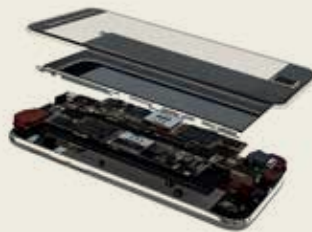
MEDICAL SOLUTIONS

Development and manufacture of complex product systems and components for medical devices, the pharmaceutical industry and diagnostics.



INTEGRATED SOLUTIONS

Design, development and manufacture of advanced components and subsystems for rapidly growing fields of technology.



INDUSTRIAL SOLUTIONS

Development and manufacture of product systems for industrial companies.

● Share of Group sales

● Share of Group operating profit (EBITA)

Employees

8,700

Nolato's average no. of employees in 2021.

Responsible business conduct

We have a long tradition of responsible business conduct. Our shared values of being Professional, Well Organized and Responsible are reflected throughout our business and are central to our sustainable development strategy.

Global presence



○ Development, production & sales

Significant events in 2021



FINANCIAL PERFORMANCE

- > 2021 was a record year, despite a challenging operating environment
- > Nolato's sales rose to SEK 11,610 million (9,359)
- > Operating profit (EBITA) increased to SEK 1,369 million (1,066)
- > Operating margin (EBITA) of 11.8% (11.4)
- > Diluted earnings per share were SEK 4.32 (3.02)

SUSTAINABLE DEVELOPMENT

- > Purchase of fossil-free electricity in China cuts impact on climate
- > Investment in solar farm in Sweden
- > Increased use of recycled and bio-based raw materials



Medical Solutions

Key figures	2021	2020
Sales, SEKm	4,067	3,089
Operating profit (EBITA), SEKm	457	402
EBITA margin, %	11.2	13.0
Average no. of employees	2,546	1,870

Development and manufacture of complex product systems and components for medical devices, the pharmaceutical industry and diagnostics.



Integrated Solutions

Key figures	2021	2020
Sales, SEKm	5,226	4,068
Operating profit (EBITA), SEKm	671	548
EBITA margin, %	12.8	13.5
Average no. of employees	4,813	3,712

Design, development and manufacture of advanced components, subsystems and ready-packaged products for consumer electronics. EMC & Thermal develop and manufacture shielding and heat dissipation products and systems for electronics.



Industrial Solutions

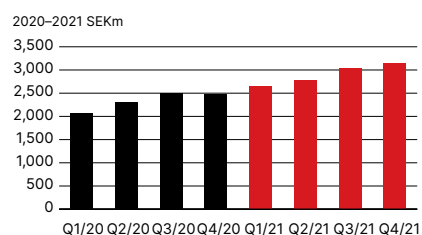
Key figures	2021	2020
Sales, SEKm	2,324	2,205
Operating profit (EBITA), SEKm	208	168
EBITA margin, %	9.0	7.6
Average no. of employees	1,303	1,133

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

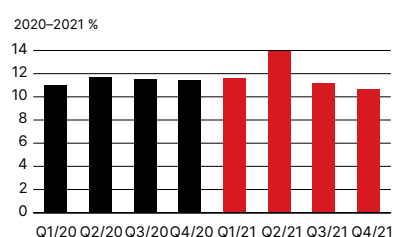
Financial highlights

SEKm (unless otherwise specified)	2021	2020	2019	2018	2017
Net sales	11,610	9,359	7,919	8,102	6,720
Operating profit (EBITDA)	1,805	1,456	1,263	1,189	980
Operating profit (EBITA)	1,369	1,066	895	949	763
EBITA margin, %	11.8	11.4	11.3	11.7	11.4
Profit after financial income and expense	1,401	1,014	857	921	731
Profit after tax	1,160	806	703	722	572
Diluted earnings per share, SEK	4.32	3.02	2.66	2.74	2.17
Cash flow after investments, excluding acquisitions and disposals	446	905	800	593	496
Net investments, affecting cash flow, excluding acquisitions and disposals	782	347	360	452	277
Cash conversion, %	35	87	88	60	66
Return on capital employed, %	22.8	20.7	23.1	29.7	26.6
Return on shareholders' equity, %	28.0	23.9	25.5	30.4	29.4
Equity/assets ratio, %	47	44	48	50	45
Financial net debt (-)/net assets (+), excluding pension and lease liabilities	- 51	- 298	666	341	31
Dividend per share (2021 proposal) SEK	1.90	1.60	-	1.40	1.25
Average no. of employees	8,669	6,721	5,941	6,449	7,249

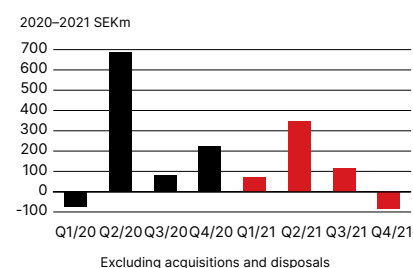
Sales per quarter



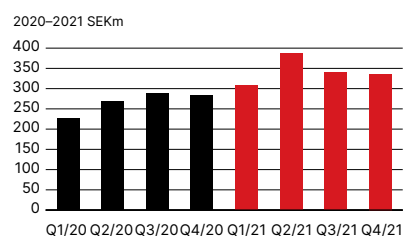
EBITA margin per quarter



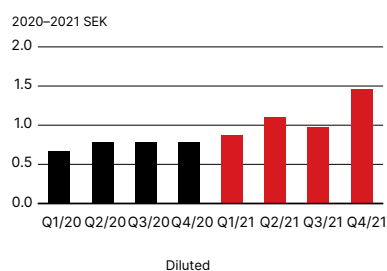
Cash flow after investments per quarter



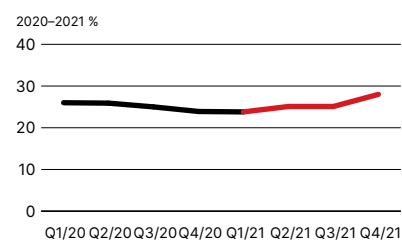
Operating profit (EBITA) per quarter



Earnings per share per quarter



Return on equity per quarter



See key performance indicators and definitions of alternative performance measures and IFRS measures on pages 93–95.

Robust market position and profitable growth

Nolato delivered a considerable increase in sales and profit in 2021, despite a continued challenging operating environment. Our strong position as a strategic and global solutions provider on three continents, together with a robust financial position, means we are well placed for continued profitable growth.

The 2021 financial year saw fluctuating business conditions, with a strong emphasis on meeting customer needs, managing the effects of the pandemic and ensuring the safety of our employees and cooperation partners. In addition to supply chain disruptions, with a component shortage forcing some Industrial Solutions customers to halt or reduce production capacity, the impact of the pandemic also led to uneven demand in various segments. Despite this challenging operating environment, Nolato delivered its best ever full-year earnings. Consolidated net sales increased by an impressive 18%, adjusted for currency and acquisitions, and EBITA rose to SEK 1,369 million, with a margin of 11.8%.

Nolato is a strategic partner with the resources and expertise to support our customers from concept to delivery of finished products. We have development and production in over 35 units in Europe, North America and Asia, and are continually expanding our offering to meet customers' needs.

GW Plastics, acquired in fall 2020, has added significant volumes and a strong position on the North American market, as well as contributing to a solid global position and production. This acquisition has also strengthened our relationship with existing customers, expanded our customer offering, and created new business opportunities, including advanced mold production. Despite the impact of the pandemic and travel restrictions, integration of the company has gone according to plan, with integration efforts largely undertaken locally and regionally. However, the impact of the pandemic has led to reduced demand in some segments, particularly in

surgery, which adversely affected GW Plastics' volumes and operating profit during the year.

In mid-November, Nolato suffered a data breach, disrupting our IT systems and affecting our communication channels and business systems, primarily in Europe. We took immediate and robust action to isolate and minimize the impact. The data breach, which has been reported to both the police and the Swedish Privacy Protection Authority, has not resulted in any significant adverse financial impact or business risk for the Group.

Advancing market positions in all business areas

We have continued to develop, expand and strengthen our global customer offering through close cooperation with customers and collaboration between our business areas. This resulted in us further growing our customer base during the year, bolstering our global offering and advancing our market positions in all business areas. Despite the impact of the pandemic, performance was excellent, with volume growth across all business areas.

Medical Solutions generated continued growth in the year, with a considerable increase in the in vitro diagnostics (IVD) segment. Production capacity was expanded during the year, and key customer projects started ramping up. The extensive enlargement of production capacity in Switzerland, Hungary, Poland, the US and Sweden has proceeded according to plan and is a strategic element of our global expansion.

Integrated Solutions delivered a significant increase in volumes over the year, with a

remarkable 36% organic growth. EMC's customer base was broadened to include new customers in the automotive sector, boosting volumes. There was good delivery performance and strong growth in all segments, despite supply chain disruptions.

Industrial Solutions continued to grow during the year, generating business opportunities through its development of sustainable solutions and products. Efficiency was good in the first six months of the year, but was adversely affected by supply chain disruptions in the second half of the year. The expansion of production capacity in Switzerland and Hungary also proceeded according to plan.

Sustainable and responsible business conduct

Sustainability efforts are an integral part of our business and Nolato supports the 10 principles of the UN Global Compact. Our sustainability strategy includes targets and activities relating to social responsibility, environmental responsibility and business benefits. These goals support the UN's Agenda 2030 and Sustainable Development Goals. Our aim, together with our customers and other stakeholders, is to contribute to the transition to a more circular and sustainable society. Good business ethics are an integral part of Nolato's corporate culture, and Nolato's group-wide values of being Professional, Well Organized and Responsible form the basis of a long tradition of responsible business conduct and our sustainable development strategy.

Nolato is an important link between suppliers of materials and our customers' products, which gives us a strategic role in customers'

transition to sustainable development. In 2021, we accelerated the phasing-out of fossil-based plastics in favor of bio-based and recycled plastic raw materials and we are tailoring and designing products for recycling and circular flows. Demand for sustainable products increased during the year, along with customer and stakeholders' knowledge of and requirements for sustainable products and business opportunities. Nolato's close cooperation with our customers and suppliers allows us to anticipate needs and stay one step ahead in the development stage. We offer sustainable options for raw materials, product design, production technologies and shipping, and are continually developing efficient use of resources and undertaking preventive initiatives to ensure a safe and more stimulating work environment.

In 2020, Nolato updated its sustainability targets and adopted an ambitious emissions target to cut the Group's carbon dioxide emissions by 80% by 2025. Nolato is working towards fossil-free energy usage, and in 2021 the Group signed a contract for origin-certified fossil-free electricity for its five production plants in China. These measures will cut the Group's carbon dioxide emissions in China by 75% and its global emissions by 30%. During the year, we also signed a 10-year power purchase agreement for a new solar farm being constructed in southern Sweden, due to enter operation in the second quarter of 2022. This agreement will help the Group further reduce its environmental impact, while also cutting the cost of electricity and providing protection against volatility in the electricity market over the course of the agreement. Both electricity contracts are important measures to cut the Group's emissions by 80% by 2025. Find out more about Nolato's sustainability work on pages 18–26 and in the directors' report.

Strong position as a global solutions provider

Overall, I'm incredibly proud of how our skilled and committed employees manage the day-to-day challenges they face. It demonstrates the significant responsibility we take throughout our organization. The advantage of Nolato's decentralized business model, with production and decision-making located close to customers and suppliers on three continents, has enabled us to adapt and be flexible, efficient and agile, to meet customer needs in the optimum way. Intensified local and regional cooperation has also created new business opportunities and allowed more efficient

logistics and cost savings. Our decentralized business model has also enabled efficient, local management of the effects of the pandemic, particularly in terms of ensuring employee safety and helping to reduce the spread of infection.

The situation that has arisen and escalated in Eastern Europe since February 2022, and its impact on global geopolitics, is, of course, also having an effect on Nolato's business and its customers. It is not currently possible to foresee the extent of this or how long it is likely to continue, nor is it possible to quantify its effects on the Group. However, Nolato has a strong financial position and is a reliable cooperation partner. We continue to invest in development and innovation as an integral part of our work with customers. We also regularly evaluate potential acquisitions to complement

and expand our offering, and have a scalable organizational structure for further organic growth and acquisitions. Underlying strong demand for our connected products, combined with rapid development in 5G, online services, sustainable products and solutions, and electrification, is creating new business opportunities and growth.

Torekov, March 2022



Christer Wahlquist
President and CEO



OPERATING ENVIRONMENT

Dominant trends driving change

Nolato and our customers are subject to strong global trends and drivers. In concert with our customers and business partners, we turn trends and challenges into new business opportunities to boost the competitiveness of both our customers and Nolato.





Competitiveness

We operate in a competitive sector and our customers often face competition from new market entrants.

Nolato helps boost customers' competitiveness by supporting the development of innovative, sustainable products that meet requirements for greater differentiation and sustainability. And our extensive experience of lean manufacturing allows us to maximize business benefits for customers through efficient processes and a high level of quality assurance.

Digitalization offers opportunities

As digitalization and IoT (Internet of Things) are increasingly integrated in everything from medical technology to consumer electronics and vehicles, there is a growing need for shielding and heat dissipation for electronics in new product areas.

Nolato's in-depth expertise in polymer products and systems identifies development needs, innovates sustainable solutions and supplies tailored subsystems and finished products. Our capabilities address new needs for shielding and heat dissipation for more electronics in products. A high level of digitalization and access to real-time data also enables continued development and increased operating efficiency, including using automated processes.



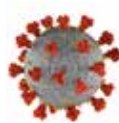
Increased focus on core business

The rapid pace of development is creating a need for customers to focus on their own core operations. One way to meet this challenge is to outsource parts of their business to strategic partners.

As a high-tech global solutions provider, Nolato is well placed to efficiently handle those aspects of the business that need to be outsourced and, where required, to expand locally or globally together with customers. We also help simplify and shorten customers' logistics chains by supplying integrated solutions, either in the form of subsystems or finished products.



Impact of the Covid-19 pandemic



Disruptions to global supply chains, combined with travel restrictions, are increasing demand for regional and continental business relationships and flows, in both the short and long term.

Nolato is a global high-tech solutions provider with a solid position and manufacturing on three continents. Production located close to both customers and suppliers enables more in-depth and closer collaboration, quicker decisions and more efficient logistics, management of crises and supply chain disruptions. Together, this generates new business opportunities. More efficient logistics also make for cost savings and lower carbon emissions.



Climate change and the circular economy

Climate change and the need to transition to a circular economy, the Paris Agreement's target of 1.5°C and greater awareness of the need for robust and rapid action are driving development towards a circular economy and a carbon-neutral society. Natural resource shortages are also spurring legislation and requirements to create circular flows and accelerate the transition to renewable and recycled materials and renewable energy.

Customers' expectations of proactive sustainability work are growing, requiring clearly responsible conduct on environmental and social issues, and on business ethics.

Nolato conducts business responsibly by operating in a highly ethical and transparent way and ensuring its production has a minimal negative impact. Nolato's expertise and capabilities in providing sustainable solutions strengthen the competitiveness of both customers and Nolato. Nolato is also an important part of customers' value chain and their aims to increase the level of renewable/recycled materials, along with designs that allow products to become part of a sustainable loop and contribute to a circular economy.

Find out more about Nolato's sustainability work on pages 18–26 and in the directors' report.

VISION

Nolato aims to be the customer's first choice of partner, in business and in sustainable development.

Being the customer's first choice is defined as customers experiencing the delivery of high quality in all aspects of projects. Nolato is a highly credible business that delivers what it promises, on time, and seeks long-term, transparent and close working relationships with customers. Nolato is always looking for new ways of exceeding customer expectations and contributing to sustainable development. The key factors in achieving this vision are:

Broad customer offering

Customers are increasingly prioritizing suppliers with the global resources and expertise to be involved from concept to delivery. That's why Nolato's global organization and broad customer offering in developing and producing polymer-based products comprises everything from concept development, product design and process optimization to high-volume production, post-processing, assembly and logistics. There is an emphasis on sustainable development at all stages of the process.

Expertise

Nolato's customers constantly challenge us with new requests and tougher requirements. So we enhance our customer offering by continually raising the skill levels of employees, and investing in cutting-edge technologies and acquisitions.

Local yet global presence

Proximity to customers and their markets is crucial. It's about achieving the most efficient logistics possible, along with short lines of command and the ability to make quick decisions.

High productivity

High productivity and a continual focus on costs are key elements of our business. Lean manufacturing maximizes business benefits for both Nolato and its customers.

Responsible business conduct

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, the environment and health and safety are therefore an integral part of our business and key to defining Nolato's corporate culture.

Long-term customer relationships

Long-term, close cooperation is the objective for all Nolato's customer relationships. In-depth understanding and knowledge of customer processes and needs, combined with continuity that creates experience, enable key values to be generated.

Solid finances

A strong financial position provides us with a stable foundation and is essential for our business. Ensuring solid finances also makes Nolato a reliable supplier and partner in more challenging economic times.





RESPONSIBLE BUSINESS CONDUCT

Values embedded in our business

Nolato has a long tradition of responsible business conduct, in which care for people and the environment has been integral since the company was founded.

For over 80 years we have worked systematically, progressively, and responsibly, with a strong emphasis on customer benefits, professionalism and efficiency, caring for the environment and people. Good business ethics are deeply embedded in Nolato's corporate culture. Nolato's group-wide values, of being Professional, Well Organized and Responsible, form the basic principles of a long tradition of responsible business and a sustainable development strategy.

Find out more about Nolato's sustainability work on pages 18–26 and in the directors' report.

PROFESSIONAL

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

WELL ORGANIZED

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

RESPONSIBLE

- › We take responsibility for all aspects of our business
- › We contribute actively to sustainable development
- › We operate with integrity and transparency

Targets and outcomes

FINANCIAL TARGETS

These financial targets reflect Nolato's strategic focus, with three business areas and advanced market positions, providing the financial flexibility to grow, make new acquisitions and provide good potential dividends for shareholders. The Group is managed with the aim of achieving healthy earnings, generating adequate cash flow and maintaining a healthy level of financial risk.

EBITA margin

TARGET

>10%

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

OUTCOME IN 2021

11.8%

11.2% Medical Solutions
12.8% Integrated Solutions
9.0% Industrial Solutions

FIVE-YEAR AVERAGE

11.5%



Over the past five years, the EBITA margin has averaged 11.5%.

Cash conversion

TARGET

>75%

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 investment and EBIT.

OUTCOME IN 2021

35%

FIVE-YEAR AVERAGE

67%



Over the past five years, cash conversion has averaged 67%.

Equity/assets ratio

TARGET

>35%

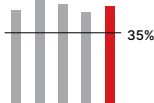
The target for the equity/assets ratio is for it to exceed 35% over a business cycle.

OUTCOME IN 2021

47%

FIVE-YEAR AVERAGE

47%



Over the past five years, the equity/assets ratio has averaged 47%.

Dividend policy

Nolato's dividend policy is to propose a dividend that exceeds 50% of profit after tax, taking account of Nolato's long-term development opportunities, financial position and investment needs. The Board's proposed dividend for the 2021 financial year is SEK 1.90 per share. That's an increase of 19% and accounts for 51% of profit after tax, excluding non-recurring items.

OUTCOME IN 2021

1.60

2022 PROPOSAL

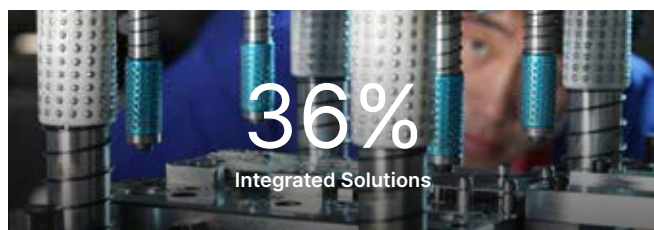
1.90

GROWTH TARGET

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



Medical Solutions sales growth in 2021 was 6%, adjusted for currency and acquisitions. Long-term volume growth for this business area's market segments and applications is assessed to remain around 4–5%. The year generally saw strong demand in most areas, but mainly in diagnostics, in part because of the pandemic. The pandemic had a negative impact on volumes for the surgery segment due to postponed surgical operations.



Integrated Solutions sales growth in 2021 was a remarkable 36%, adjusted for currency, driven mainly by high Vaporiser Heating Product (VHP) demand, in addition to which EMC sales also rose sharply as a result of a healthy upswing in telecom and significant relative growth in automotive.



Industrial Solutions sales growth in 2021 was 4%, adjusted for currency and acquisitions. Customer demand has been impacted by supply chain disruptions, which has affected volumes, albeit slightly less for the full year than in 2020.

SUSTAINABILITY TARGETS

Nolato has 10 long-term sustainable development targets covering social responsibility, environmental responsibility and business benefits. These targets are linked to the UN's Sustainable Development Goals and 2030 Agenda. Find out more about sustainability targets on pages 18–26 and in the directors' report.

Carbon emissions

–80%

Carbon dioxide emissions are to be cut by 80% by 2025 compared with the average for 2011–2012.

OUTCOME IN 2021

–20%

The purchase of fossil-free electricity increased significantly, particularly in China.

Energy

–55%

Energy usage is to be cut by 55% by 2025 compared with the average for 2011–2012.

OUTCOME IN 2021

–5%

Energy efficiency improvements produced good results.

Strategy for profitable growth

The following overarching strategy remains in place in order to achieve targets:

Market positioning and progression along the value chain

Nolato aims to be a high-tech solutions provider with a global presence, with the objective of long-term growth and stable returns for shareholders.

World-class expertise and offering

We invest in highly skilled employees and the development of cutting-edge technology, along with competitive lean manufacturing. This allows us to offer end-to-end solutions in which sustainability is a key element.

A decentralized organization that generates synergies

A corporate culture based on a decentralized business model. This gives the business areas' companies scope to develop and adapt their offerings based on the specific needs and demands of customers.

The similarity of the technologies used by the three business areas generates synergies and cooperation that provide additional customer value.

Customer-oriented strategy provides the focus for organic growth

A customer-oriented strategy means Nolato looks for large customers in product areas with organic growth, providing opportunities to expand and develop alongside their market offerings.

Expansion on priority geographic markets

Nolato's expansion is achieved both by accompanying customers into new markets and by acquiring companies with a corporate culture that matches Nolato's and that complements the existing customer base, in addition to expertise that further broadens Nolato's offering.

Nolato's strategic progression

Nolato is on its way to becoming a global solutions provider

YESTERDAY

- > Mobile phone sector, industry, small medtech companies.
- > Supplier.
- > Leading position in Sweden. Position in Asia and Central Europe progressing. Robust internal responsible business conduct.

PRESENT

- > A well-balanced group: Medical Solutions, Integrated Solutions and Industrial Solutions.
- > Solutions provider/partner for customers/cooperation partner.
- > Strong presence on the three continents of Europe, Asia and North America. Green initiatives for customers.

MISSION

Nolato's mission is based on the business providing a clear picture of how its customers' needs can be met:

Nolato is a global, advanced high-tech solutions provider and manufacturer of polymer products and systems for leading customers in specific market areas.

Nolato is an effective and innovative partner, with many years of experience, in-depth expertise in materials and processes, the know-how and willingness to offer sustainable solutions, early involvement in customer projects, advanced project management and detailed knowledge of each customer's specific requirements.



TOMORROW

- › Global end-to-end provider of sustainable solutions for the medical and industrial sectors, as well as of integrated solutions and EMC.
- › Sharper focus on close partnerships. Intensified development of the medical business.
- › End-to-end solutions with sustainability at their heart. Aiming for a carbon-neutral business focus.

BUSINESS MODEL

Nolato's business model is based on three decentralized business areas, with their own decision-making and group-wide aims to achieve the vision, financial targets and sustainability goals that are set. This creates secure jobs for employees and generates value for shareholders.

Extensive experience and wide-ranging expertise allow us to develop close, long-term and innovative cooperation with customers.

Added value is created for both customers and stakeholders through progressive, leading technology, extensive expertise in development and design, advanced project management, and highly efficient production.

Nolato's group-wide core values inform all aspects of our business.

REVENUE MODEL

Nolato's revenue is mainly generated from customer production assignments. Manufacturing and supply of products take place in accordance with customer orders and other preferences, and are then billed. Manufacturing is based on short production and turnaround times, resulting in low risk exposure for warehousing and obsolescence.

An important part of value creation for customers and owners is the ability to provide in-depth expertise in leading technologies, sustainable solutions, design and advanced project management at an early stage of product development.

NOLATO'S BUSINESS

Nolato's business consists of developing and manufacturing customer-specific products, primarily in polymer materials such as plastic, silicone and TPE. Customers can be found in the medical technology, pharmaceutical, consumer electronics, telecom, automotive, hygiene and other selected industrial sectors.

Customer-specific products

Customer needs and requirements form the basis for all of Nolato's development work. Customer-specific products and solutions are created by leveraging our expertise in advanced technologies, sustainable solutions and cost-effective manufacturing. Nolato supports customers from concept development to high-volume production.

Medical Solutions supports its medical technology and pharmaceutical customers from idea, concept and design to validation, quality assurance and full-scale production. Products include drug injection systems and medical technology applicators.

Integrated Solutions offers a wide range of technologies and expertise in a one-stop



shop for areas including injection molding, casting, die-cutting, painting, decoration, assembly, testing and packaging of electronic products. These include components and subsystems for integrated products such as speaker systems, fitness trackers, alarms and Vaporiser Heating Products (VHPs).

Industrial Solutions is a high-tech partner for customers in the automotive and general industry sectors, from concept development through the entire production process, with

an emphasis on high productivity and lean manufacturing. Products include interior details for vehicles and components for grass trimmers and chainsaws.

Standard products

The standard range of own products that Nolato develops and manufactures includes pharmaceutical packaging, laboratory products, process and materials solutions for shielding and heat dissipation for electronics.



FROM CONCEPT TO FINISHED PRODUCT

Concept development

Nolato supports customers from the concept stage and is involved in discussions about production options.

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 minimize their environmental impact.

Design

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

Prototypes (3D)

Nolato visualizes the future product by producing prototypes and materials samples.

Production tooling

Nolato specifies and manufactures, or buys in, molds and related production equipment.

Full-scale production

We work with most production technologies, primarily in the field of polymers.

Quality assurance

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

Our production technologies

Below are examples and explanations of the most common manufacturing technologies used by Nolato. The breadth and depth of these are part of the customer offering that makes Nolato a high-tech partner.

Injection molding

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

Injection blow molding

Technology for manufacturing plastic containers and bottles. We use this method for the manufacture of pharmaceutical packaging.

Dip molding

Technology for the production of flexible, airtight liquid latex products. This is used to manufacture products such as catheter balloons and breathing bags.

Extrusion

Technology for the production of tubing and other tubular products. This technique is used to manufacture surgical instruments and urine catheters, as well as EMC shielding gaskets.

Die-cutting

Technology for producing flat products from one or more materials and for providing effective joining of components and electronics. We use die-cutting for manufacturing adhesive, gaskets, seals and cosmetic details for customers in the telecom, automotive, medical technology and electronics industries.

EMC shielding

Techniques and materials developed to achieve electromagnetic compatibility, i.e. to prevent disruption from electromagnetic radiation between electronic components. Radio base stations are an example of a customer product that uses EMC shielding.

Assembly

Assembly of components to create a complete product or subsystem. This may take place on a fully automated, semi-automated or manual basis. Automated assembly is mainly carried out for medical devices such as autoinjectors, which are assembled on a fully automated basis at high volumes.

Post-processing

We provide components with the desired finish through painting, decoration and metallization of components for products like mobile phones and medical devices.

Nolato and sustainable development

Preventive and targeted initiatives enable Nolato to create value for customers, employees, shareholders and other stakeholders. Our objective is to be customers' first choice within sustainable development.

Nolato's sustainable development strategy is focused on addressing challenges in the near future, while equipping ourselves to respond to future expectations and requirements. It encompasses targets and activities within social responsibility, business ethics, financial responsibility and the environment. An important aspect of the strategy is taking a systematic approach to developing resource-efficient production methods and products with a small carbon footprint. Nolato is moving in the right direction within these areas, but the challenge of improving products' environmental attributes requires continued in-depth cooperation with raw material suppliers and customers.

For Nolato, sustainable development means:
Preventive measures: Nolato should be the experts regarding the impact of our business on people, the environment and society. Risks and costs can be reduced through preventive measures, risk analysis and investments in modern technology.

Responsibility and transparency: Nolato complies with international guidelines, principles and standards for sustainable development, including via being a signatory to the UN Global Compact. The long-term targets set out the road map for our sustainability work and our progress and setbacks are reported transparently, according to international standards for sustainability reporting.

Reduction of carbon emissions: The key strategic issues for Nolato are reducing the carbon footprint from raw materials, production plants and products, and preparing ourselves for the impact of climate change on the Group's value chain.

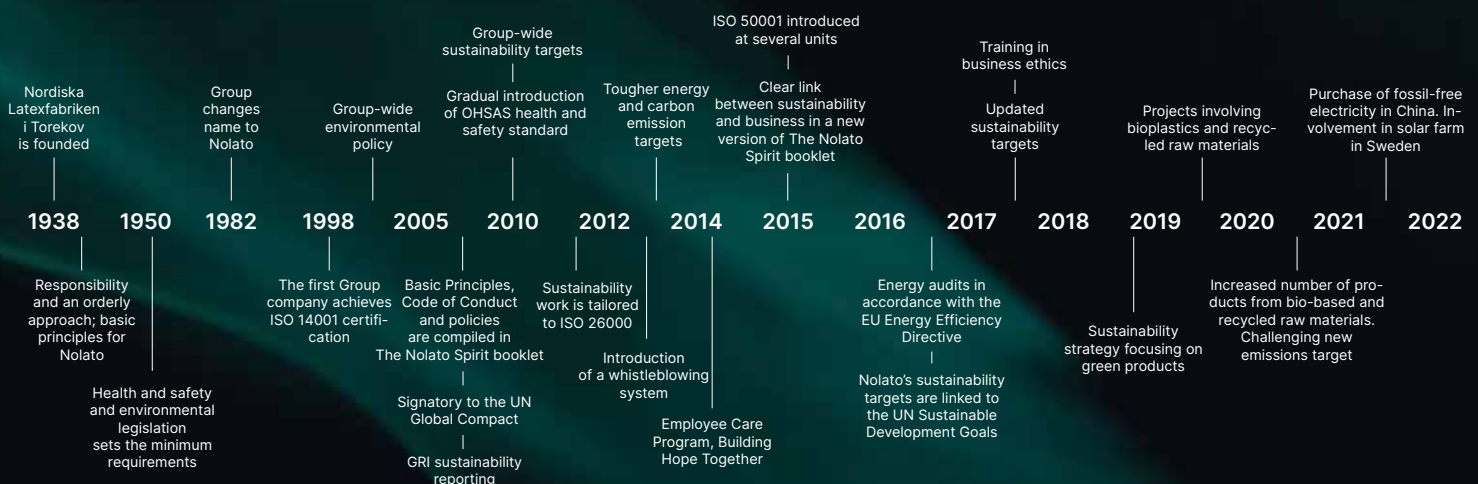
New business opportunities: We generate environmental and business benefits by developing innovative products with a smaller carbon footprint.

Long-term commitment

Nolato's commitment to sustainable development has its origins in fundamental work within health and safety and the environment. Satisfying legal requirements within these areas was important for Nolato's management, and from an early stage they realized the importance of working systematically and progressively.

Several important steps were taken in the 1990s. For example, Nolato was quick to introduce certified environmental management systems (ISO 14001) at its production plants.

In the 2000s, work was developed and intensified in several areas to include a clearer strategy and long-term sustainable development targets. This included sustainability work linked to the 10 principles of the UN Global Compact and the UN Sustainable Development Goals.



2021 HIGHLIGHTS

Nolato's sustainability work was only marginally affected by the global pandemic and many initiatives were able to continue as planned. However, there were fewer training courses and in-person meetings with customers than in previous years. Climate change and the role of plastics in society continued to be topics of concern for the Group's stakeholders. This was reflected in a number of customer projects relating to bio-based or recycled plastic raw materials. Positive results were also achieved in other areas such as energy efficiency, health and safety, and social responsibility.

**Solar farm in Sweden**

In fall 2021, a new solar farm began construction in southern Sweden. Nolato will purchase the electricity generated through electricity trading company Bixia, and the plant will be built, owned and managed by solar energy company Alight. The solar farm will be constructed over an area larger than 11 football pitches. It will have an installed capacity of around 8 MW and average annual generation of 8 GWh. This is equivalent to the electricity use of 1,600 houses and accounts for around 15% of Nolato's electricity consumption in Sweden. The solar farm will further reduce the Group's carbon emissions, cut electricity costs and provide protection against volatility in the electricity market. The agreement runs for 10 years.

**Fossil-free electricity in China**

In 2020, Nolato updated its emissions target, aiming to cut carbon dioxide emissions by 80% by 2025. To achieve this target, energy use needs to be largely fossil-free. During the year, the Group signed agreements on origin-certified fossil-free electricity for its five production plants in China. These measures will cut Nolato's carbon dioxide emissions in China by 75% and its global emissions by over 30%.

**In-depth value chain assessment**

Nolato's companies have been assessing supplier performance in terms of quality management, code of conduct, the environment and social responsibility for a long time. To coordinate supplier assessments, a digital reporting system was introduced in 2021 to make it easier for suppliers to record their quality management and sustainability work. This reduces Nolato's administrative work of assessing suppliers, while allowing information to be consolidated and better analyzed.

Key performance indicators*

	2021	2020	2019
CO ₂ emissions/sales (tons/SEKm)	3.3	4.1	4.3
Energy consumption/sales (GWh/SEKm)	0.020	0.021	0.023
Fossil-free electricity purchased (%)	70	72	75
Recycled/bio-based polymer raw materials (%)	2	2	2
Breaches of environmental and health and safety legislation	0	0	2
Occupational accidents (number/million hours worked)	5.2	5.2	4.9
Employee training (hours/employee)	37	36	26
Percentage of women in local management teams (%)	27	25	25
Human rights breaches	0	0	0
Economic value distributed among stakeholders (SEKm)	11,368	8,526	7,592

* Page 116 provides a 10-year overview of key figures on sustainable development.

"Our sustainability targets indicate the direction of a process that has already started together with customers and suppliers. This process means we are accelerating the phasing-out of fossil plastics in favor of bio-based and recycled plastic raw materials. Nolato is an important link between suppliers of materials and customers' products. This gives us a key role in our customers' transition to products with a smaller carbon footprint."

Christer Wahlquist

President and CEO

Sustainable development targets

Over 10 years ago, Nolato established group-wide objectives encompassing environmental responsibility, social responsibility and business benefits. These targets link to the UN Sustainable Development Goals, and the following pages summarize the results of these efforts in 2021.



Nolato and UN Sustainable Development Goals

The UN presented its Sustainable Development Goals (SDGs) in 2017, as part of its 2030 Agenda for Sustainable Development. The 17 goals provide a clear and useful framework for addressing global challenges, and they have had a huge impact on society. Businesses are expected to contribute by adopting responsible business practices, providing transparent reporting of their own targets and outcomes and developing products and services that foster sustainable development. The UN Sustainable Development Goals help Nolato identify key areas within sustainable development, and the Group has highlighted seven goals that are clearly relevant to our business. With

these goals as a starting point, Nolato can see opportunities to reduce our environmental impact and create business opportunities.

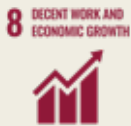

Minimizing Nolato's use of resources and its carbon footprint is key to achieving our targets. We accomplish this by working with innovation, efficiency improvements, investments in new technology, greater use of renewable energy, and initiatives focusing on bio-based and recycled plastics. The UN Sustainable Development Goals also provide inspiration for measures on social responsibility, social engagement and business ethics.

SOCIAL RESPONSIBILITY

“We create safe, stimulating, gender-equal workplaces with committed employees.”

Social responsibility

The Group's code of conduct provides guidance on issues concerning legal responsibility, accounting, conflicts of interest, working conditions, the environment, social responsibility and business ethics. The code of conduct and related policies are compiled in the Nolato Spirit booklet. Goals on social responsibility include initiatives that contribute to a safe work environment and respect for human rights.

Target	SDG	Measures to achieve goal	Outcome*
Safe workplaces The number of workplace accidents should be minimized. The long-term target is for no one to be injured at work.	 8 DECENT WORK AND ECONOMIC GROWTH	Actions are both preventive and systematic. Relevant international standards are introduced. Systems for registering and managing near misses should be in place at all units.	There were 5.2 (5.2) accidents resulting in absence per million hours worked. Systems for recording near misses are in place at 93% (90) of units and there are certified management systems in place at 7 (6) units.
Human rights and gender equality There should be no cases of infringements of human rights, discrimination or forced labor. The proportion of women in management positions should increase at all levels of Nolato.	 5 GENDER EQUALITY	Up-to-date information to employees and new staff. Nolato should contribute to employees' personal development and create career opportunities.	Employee training was held on Nolato's Code of Conduct. No cases of infringements of human rights were recorded. Recruitment of people with disabilities continued. Women make up approximately 27% (25) of local management teams.






*Detailed information is available on pages 113–114.

ENVIRONMENTAL RESPONSIBILITY

“We are helping combat climate change and cutting our emissions by optimizing resource use, reducing our carbon and environmental footprint, and developing innovative, sustainable products and solutions.”

Environmental responsibility

Climate change brings both risks and opportunities for Nolato. Boosting energy efficiency and phasing out fossil fuels is reducing the Group's carbon footprint. These measures also create preparedness for higher fees and taxes on carbon-emitting operations. Greater use of recycled and bio-based raw materials are other initiatives that support climate action. So environmentally sustainable product development is a priority area, in which the Group's expertise and technology are contributing to customers' environmental and carbon reduction efforts.

Target	SDG	Measures to achieve goal	Outcome*
Carbon emissions Carbon dioxide emissions from energy consumption (Scope 1, 2) are to be reduced by 80% by 2025, compared with the average for 2011–2012 (tons/net sales).	13 CLIMATE ACTION 	More efficient use of energy, installing heat pumps, procuring fossil-free electricity, fitting solar panels and phasing out fossil fuels.	Since 2011–2012, carbon dioxide emissions from energy consumption (tons/net sales) have declined by roughly 80 percentage points. Key measures during the year included the increased purchase of fossil-free electricity and investment in a solar farm.
Energy More efficient energy use; by 2025 usage should decrease by 55% compared with the average for 2011–2012 (GWh/net sales).	7 AFFORDABLE AND CLEAN ENERGY 	Continued investment in more energy-efficient production equipment, infrastructure and lighting. Increased automation could mean higher electricity consumption in the longer term.	Since 2011–2012, GWh/net sales has decreased by roughly 55 percentage points.
Climate impact: raw materials and products There should be an increase in the percentage of bio-based and recycled raw materials. Carbon dioxide emissions related to products (Scope 3) should be reduced by 5% between 2020 and 2025 (tons/net sales).	13 CLIMATE ACTION 	The carbon footprint of products is being reduced through greater use of bio-based and reduced raw materials, together with designs that contribute to a circular economy. Nolato aims to be at the forefront of sustainability projects with customers and other stakeholders.	60 (56) tons of bio-based and 1,441 (764) tons of recycled plastics were used in 2021. A number of projects with customers were successfully undertaken during the year.
Chemical products Hazardous chemical substances should be identified and, where possible, phased out.	12 RESPONSIBLE CONSUMPTION AND PRODUCTION 	A number of chemical substances have been identified as candidates to be phased out. Continued measures for the safe handling of chemical products are being implemented.	During the year, more than 50 chemical products were replaced with alternatives that are better for the environment and for people's health.
Environmental management systems All units to be ISO 14001 certified.	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 	Acquired companies should be certified within two years.	72% (91) of production units are certified in accordance with ISO 14001. The decrease was due to the fact that recently acquired companies have not yet been certified.

*Detailed information is available on pages 109–111.

Business benefits

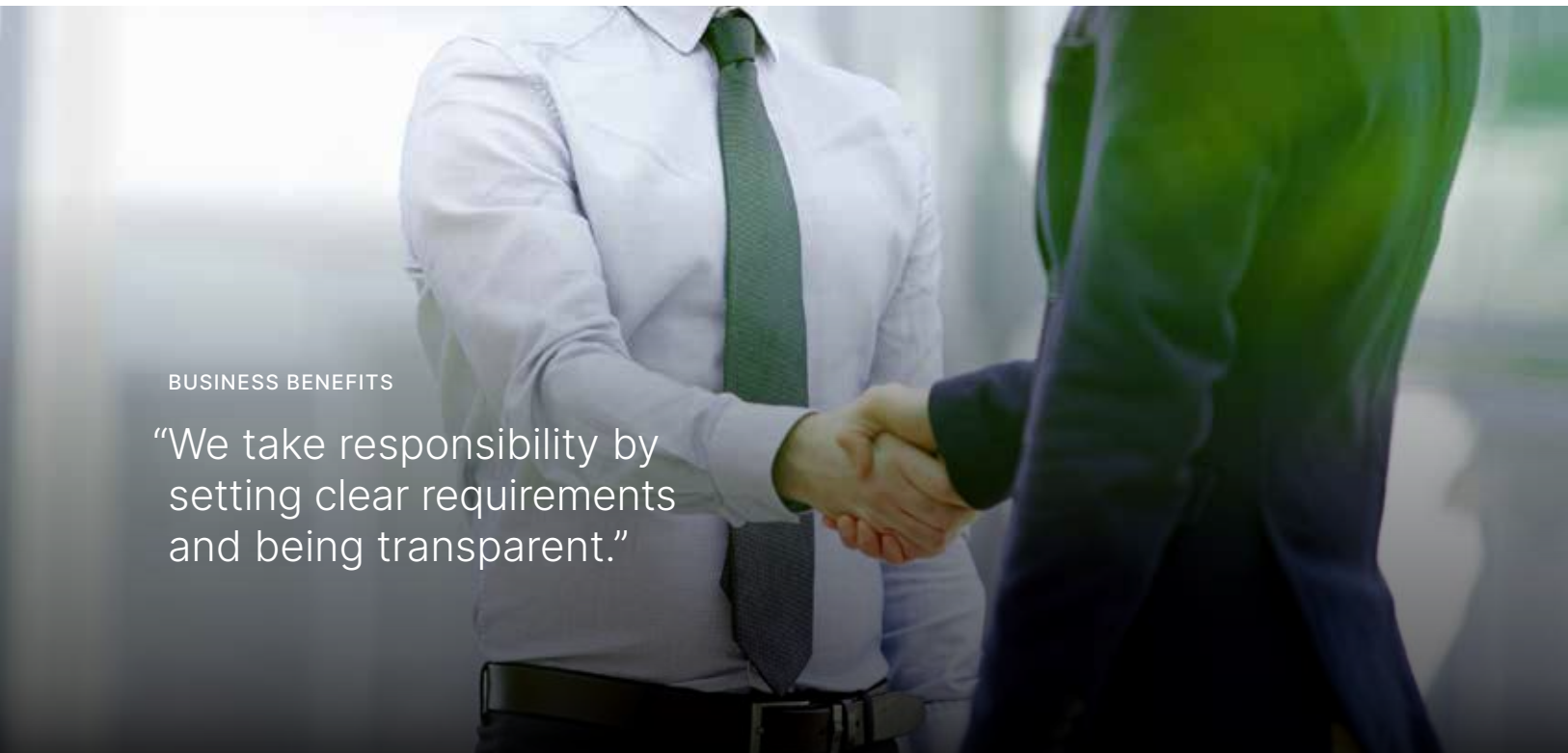
Nolato's business principles are characterized by integrity, responsibility and good ethics – basic principles that we share with suppliers, customers and others affected by our business operations. Prevention of corruption is a high priority. The Nolato Spirit, based in part on the principles of the Global Compact, provides support for employees and reassurance when interacting with customers and other stakeholders.

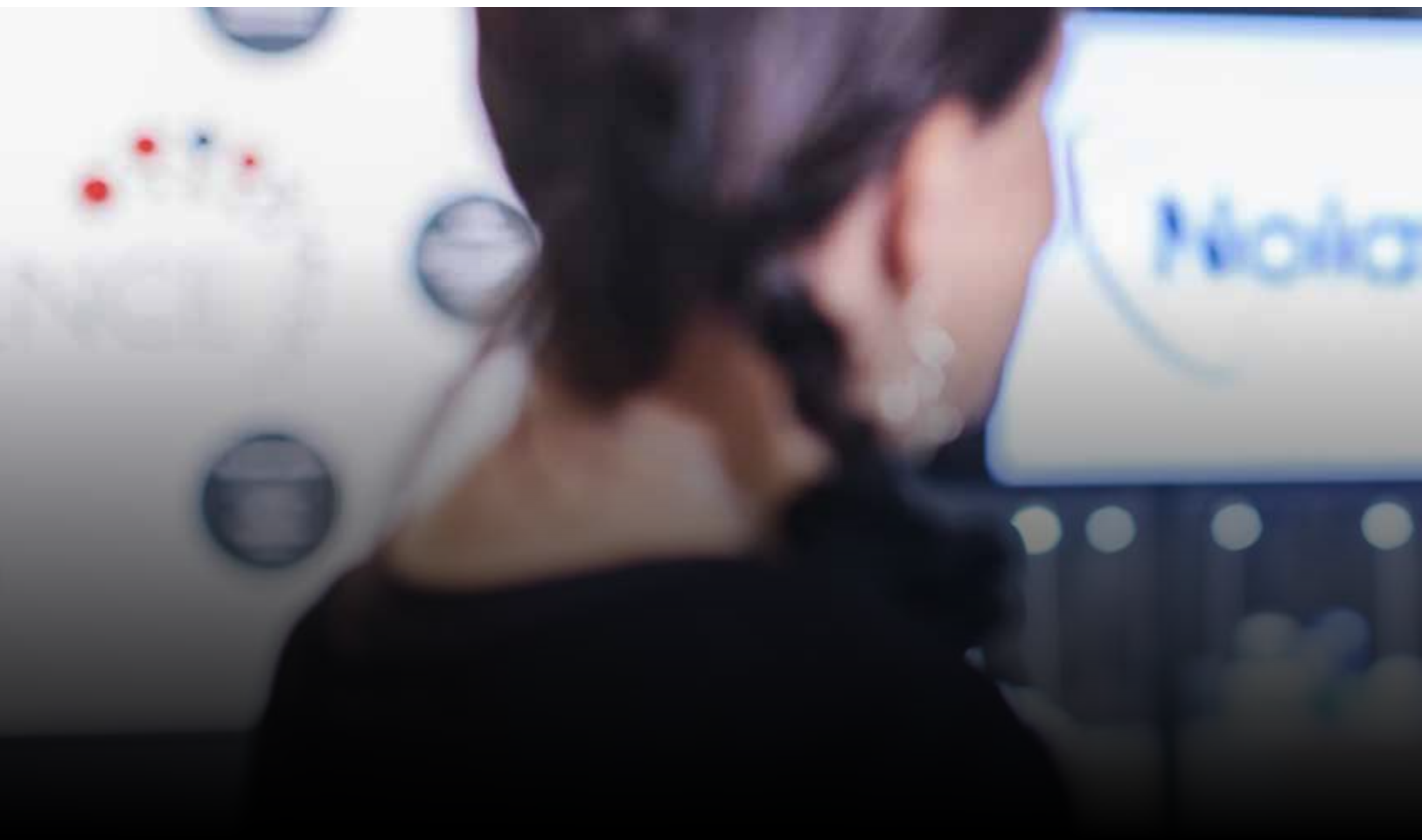
Target	SDG	Measures to achieve goal	Outcome*
Anti-corruption There should be no cases of bribery, corruption or cartel formation. Continued up-to-date information to employees.		Application of preventive procedures and controls. In addition, training, information and discussions are tools that are used in anti-corruption work. The whistleblowing system is applied throughout the entire Group.	The annual evaluation of Group companies' anti-corruption measures indicated a persistently high level of ambition. No incidents relating to corruption or inadequate business ethics were recorded in 2021.
Customers Nolato aims to maintain a leading position and be perceived as the customer's first choice within sustainable development.		Trends and customer requirements within sustainable development should be identified and, where relevant, turned into practical measures. The overriding aim is to exceed customer expectations.	Interest in climate issues, and renewable or recycled raw materials grew. During the year, customers undertook assessments and dialogue on sustainable development.
Suppliers By 2025, all strategic suppliers will be assessed according to Nolato's guidelines for suppliers.		Strategic suppliers represent 80% of purchasing expenditure, or can have a direct impact on Nolato's product quality, employees and production plants, and/or sustainability work.	A group-wide digital platform for assessing suppliers was launched. In 2021, roughly 500 (240) assessments of suppliers' sustainability work were conducted. The suppliers satisfied Nolato's requirements at an acceptable or good level.

*Detailed information is available on pages 114–115.

BUSINESS BENEFITS

"We take responsibility by setting clear requirements and being transparent."





Customers' expectations of Noloto

Customer expectations and requirements are gradually changing and are affected by legislation in different countries, particularly by new approaches to sustainable development within business.

Customer requirements for the introduction of ISO 14001, the phasing-out of hazardous chemical substances and compliance with specific legislation have been in place for some time. The same is true regarding requirements for a code of conduct and for customers' and Noloto's sustainability aims to be passed further along the supply chain.

Customer interest in recycled and bio-based raw materials is increasing and enquiries about the carbon footprint of products are growing. During the year, a rising number of customers used the CDP (Carbon Disclosure Project) reporting system to obtain detailed information about the carbon footprint from the manufacture of their products at Noloto's production plants.

A number of Noloto's companies are reviewed using EcoVadis' system for assessing sustainability work. Noloto Cerbo is highly rated among those companies assessed in the plastics sector.



Products that support sustainable development

Many of the Group's customers have ambitious environmental and emissions plans, often focusing on cutting their carbon footprint from processes and products. In addition, there are key trends in society relating to climate policies and legislation, such as the EU's Green

Deal and its taxonomy for sustainable investments. For Nolato, it's about developing processes and products that help cut carbon emissions, which both poses risks and creates opportunities. The table provides an overview of products that contribute to sustainable development.

Product/product group	Contribution to sustainable development	Supports customer sustainability efforts
Plastic containers and plastic lids for pharmaceuticals (SC Light) and other applications.	Lower content of fossil-based polymers results in a smaller carbon footprint.	✓
Plastic containers and plastic lids for pharmaceuticals, cosmetics, dietary supplements and other applications.	Bio-based polyethylene (>10%) results in a smaller carbon footprint.	✓
Breathing bags in emergency health care.	Lower content of fossil-based polymers (synthetic rubber) results in a smaller carbon footprint.	✓
Products for use in cleantech.	Components used in fuel cells, hybrid and electric vehicles result in a smaller carbon footprint.	✓
Automotive components.	Components made from recycled plastic (>10%) result in a smaller carbon footprint and contribute to a circular economy.	✓

Nolato and the EU taxonomy for sustainable investments



The taxonomy for environmentally sustainable investments (the Taxonomy Regulation) is one of the measures in the EU's Sustainable Finance Action Plan. The taxonomy enables investors to identify and compare investments that are essential to achieving a sustainable economy. The idea is for it to form the basis of future standards and labelling of sustainable financial products. Companies with more than 500 employees are expected to report sales, capital investments and operating expenditure in accordance with the taxonomy.

The following applies to the taxonomy:

– **Contribute to environmental objectives:**

To be sustainable according to the regulation, a business must materially contribute to at least one of the taxonomy's environmental objectives. The contribution can be made via internal measures and/or by Nolato helping a stakeholder to contribute to one of the objectives.

– **Not counteract environmental objectives:**

The fulfilment of one or more of the taxonomy's environmental objectives must not counteract the other environmental objectives.

– **Fulfil fundamental principles and norms:**

This relates to conventions and guidelines in areas such as health and safety and human rights.

– **Commit to technical criteria:** The taxonomy stipulates specifications and criteria for an activity or product to be regarded as sustainable. The EU taxonomy is being developed and it is important to recognize that the regulation does not cover all sustainability initiatives within the business sector. To encourage development towards net zero carbon dioxide emissions, the regulation initially focuses on activities that have a very significant impact on the climate. As a polymers company, Nolato does not belong to this category and there are currently no criteria in the taxonomy that are directly applicable to the Group's business and products.

The EU taxonomy was analyzed by the Group management in 2021. A working group developed criteria and designed a system to collect data (volumes, revenue, investments,

costs) on products that contribute to sustainable development. The aim was to create a clear overview of this area and prepare for possible future criteria that could be applied by the polymer industry.

The table on page 25 shows that several of Nolato's products and product groups help reduce carbon emissions and support a circular economy, as well as contributing to Group revenue. Nolato's main economic activities are not subject to the taxonomy. Consequently, the proportion of Nolato's sales subject to the taxonomy regulation is 0%. The proportion of capital expenditure and operating expenses subject to the taxonomy regulation is also 0%.

BUSINESS AREAS

Three areas with a
shared focus on
customer value



Nolato is a global, advanced high-tech solutions provider and manufacturer with expertise to offer end-to-end solutions that incorporate sustainability. Our business areas' combined cutting-edge technologies, know-how and global presence provide enhanced customer value.

The business model is based on three decentralized business areas, with group-wide aims and their own decision-making to achieve the vision, financial targets and sustainability goals that are set. The sharing of know-how and experience between our business areas, cutting-edge technology, expertise in product design, project management and sustainable development, along with highly efficient production, allow us to establish close, long-term and innovative cooperation with our customers and partners and generate value for both customers and shareholders.

Nolato's shared values of being professional, well organized and responsible are reflected throughout our business and form the basis of a long tradition of responsible business.

Synergies between the business areas boost customer value and business benefits

Cooperation between the three business areas is developing as enhanced business benefits for customers become increasingly clear. Synergies between the business areas are generated through cross-fertilization of in-depth expertise in polymer materials, circular and renewable materials, technologies and production processes in various sectors. This creates a unique customer offering that is constantly being enhanced and helps develop Nolato's business and its end-to-end offering as a high-tech solutions

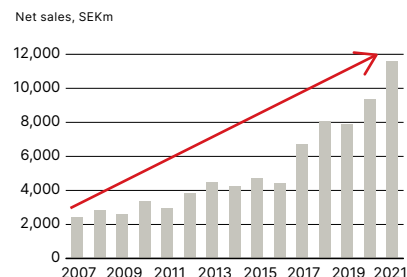
provider. A decentralized business model also allows the offering to be tailored to the customer-specific needs of each company, which also strengthens and enables flexible, long-term customer relationships. Nolato's unique customer offering is reflected in its financial results and in growth that exceeds long-term market growth in each market segment.

Strategic acquisitions bolster customer offering

Nolato is expanding geographically, both by following existing customers in their expansion into new markets and through strategic acquisitions that complement our customer base, add technologies or capabilities and geographic markets and bring know-how that broadens Nolato's customer offering. The strategic acquisition of GW Plastics in 2020 contributed a strong position and significant volumes on the key North American market and bolstered Nolato's global presence. In 2021, this acquisition brought further cross-fertilization of cutting-edge technologies and generated new business opportunities, primarily in Medical Solutions. Together with Nolato's existing expertise in the development of complex product systems and medical technology components, we have created an end-to-end offering spanning the entire customer value chain, from concept to finished product.

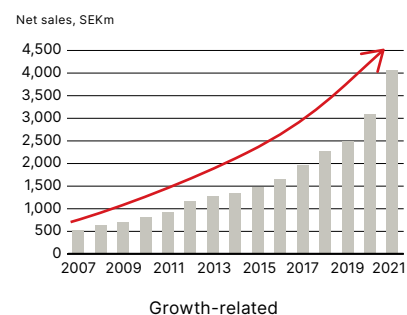
The Nolato Group 2007–2021

A global solutions provider established on three continents



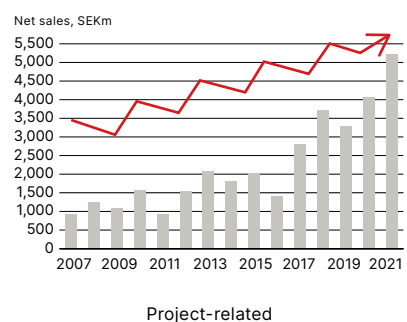
Medical Solutions 2007–2021

Global expansion



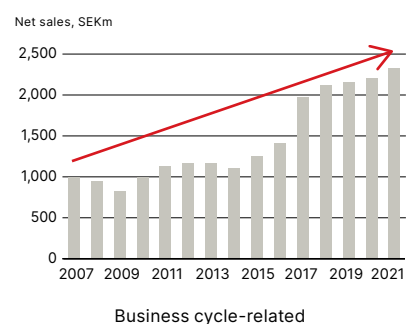
Integrated Solutions 2007–2021

Expansion into new market segments



Industrial Solutions 2007–2021

Technological and geographical expansion



Business areas' strategic growth markets

Global production and position on three continents

**Medical Solutions**

Express aim of growing on the American, European and Asian markets. Operates in a sector with stable growth driven mainly by population growth, an aging population and lifestyle diseases. Growing demand for out-sourcing services and medical devices that make life easier for patients. Bolt-on acquisitions are continually considered.

**Integrated Solutions**

Continued focus on the American, European and Asian markets. Continual demand for advanced components and subsystems for consumer electronics products, in addition to a growing need for shielding and heat dissipation for electronics.

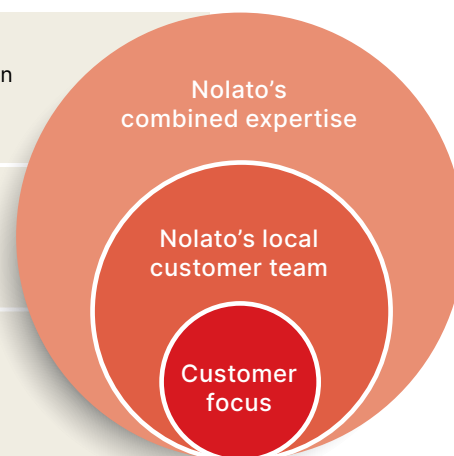
**Industrial Solutions**

Continued emphasis on the industrial sector on the Nordic market and selected Central European markets, with the possibility of bolt-on acquisitions. The strategic establishment and expansion of capacity in the US creates new business opportunities and the ability to meet customer needs, to supply high-quality, cost-effective products with short lead times, and is a fundamental driver of growth.

Access to the entire Group's expertise and resources; a combination of close cooperation and an efficient decision-making structure with the local customer team.

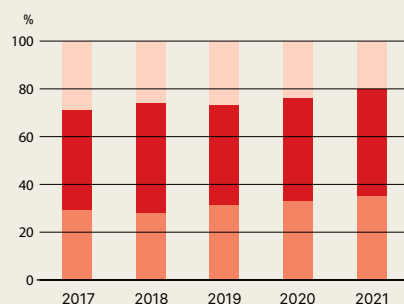
A local team of experts with a dedicated customer team that takes overall responsibility for projects and delivery in close cooperation with the customer.

An end-to-end solution offering that generates increased customer value.

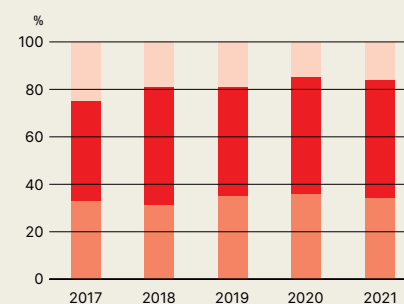


Business areas' market share

Share of net sales



Share of operating profit (EBITA)



BUSINESS AREA

Medical Solutions

Medical Solutions develops and manufactures complex product systems and components for medical devices, the pharmaceutical industry and diagnostics.

NATURE OF THE MARKET

- > Large, global medical technology, diagnostics and pharmaceutical companies.
- > Long development phases and product life cycles.
- > Extensive regulatory requirements and regulations.
- > High standards on quality, safety and traceability.

CUSTOMER TRENDS

- > Greater focus on core business is leading to product development and production being outsourced.
- > Projects that require shorter lead times and greater globalization.
- > Consolidation among both customers and suppliers.
- > Increasing customer requirements for responsible business conduct, as well as sustainable product packaging and medical devices made from fossil-free materials.

STRENGTHS

- > In-depth medical understanding that puts the patient front and center.
- > Expertise in developing and manufacturing high-quality customer-specific solutions.
- > Broad technological base and global production.
- > Access to Nolato's combined technologies, know-how and resources.

STRATEGIC FOCUS

- > Organic growth.
- > Partnerships – increased proportion of system projects.
- > Global expansion and acquisitions.

VOLATILITY

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

Performance in 2021

- > Medical Solutions saw continued growth in the year, with sustained robust growth in the in vitro diagnostics (IVD) segment. IVD demand has increased sharply in recent years, driven in part by the need for more precise diagnostics and the pandemic, and the manufacture of products for diagnostics and respirators can be regarded as essential for society.
- > The ongoing, extensive expansion of production capacity in Switzerland, Hungary, Poland, the US and Sweden has proceeded according to plan and is a strategic part of our continued global expansion. Production capacity was increased during the year, and significant customer projects started ramping up.
- > GW Plastics, acquired in fall 2020, has added significant volumes and a strong position on the North American market and contributed to a solid global position and production. This acquisition has also strengthened our relationship with existing customers, expanding our customer offering, and created new business opportunities, including in advanced mold production.

Key figures	2021	2020
Sales, SEKm	4,067	3,089
Operating profit (EBITA), SEKm	457	402
EBITA margin, %	11.2	13.0
Average no. of employees	2,546	1,870



MEDICAL SOLUTIONS 2021

Global expansion and continued growth

The Medical Solutions business area operates on the market for medtech equipment, pharmaceuticals and diagnostics, developing and manufacturing complex product systems and components based on advanced polymer technology and automation. Packaging develops and manufactures advanced packaging solutions for pharmaceuticals and dietary supplements.

Development in 2021

Medical Solutions saw continued growth in the year, with sustained robust growth in the in vitro diagnostics (IVD) segment. IVD demand increased sharply in recent years, driven in part by the need for more precise diagnostics and the pandemic, and the manufacture of products for diagnostics and respirators can be regarded as essential for society.

Managing the impact of the pandemic also had an effect in 2021. The emphasis has remained on ensuring a good work environment and employee safety, as well as ensuring high capacity utilization.

Sales in the surgery segment were adversely affected during the year by fewer planned operations being carried out in health care as a result of the pandemic. In the third quarter, many customers reduced their inventory levels, which had temporarily increased during the pandemic.

The ongoing, extensive expansion of production capacity in Switzerland, Hungary, Poland, the US and Sweden has proceeded according to plan and is a strategic part of our continued global expansion. Production capacity was increased during the year and major customer projects started to ramp up, including a project with an existing customer that sees our customer offering moving into the IVD segment. Additional strategic investments were also made in product development and design, primarily in virtual design and prototypes, simulation and AI.

The continued development of sustainable product packaging and medical devices, based on renewable or circular materials, has led to new business opportunities to-

gether with customers and suppliers. There has been a significant sustained emphasis on energy efficiency improvements, reducing waste, minimizing use of water and phasing out non-environmentally friendly chemicals.

US-based GW Plastics, acquired in fall 2020, has added significant volumes and a strong position on the North American market, and contributed to a solid global position and production. This acquisition has also strengthened our relationship with existing customers, expanding our customer offering, and created new business opportunities, including in advanced mold production.

Continual efficiency improvements within Medical Excellence have generated sustained business benefits, and group-wide processes and procedures were implemented at GW Plastics during the year, while global quality management resources were also coordinated more effectively.

Customers & competitors

Some of Medical Solutions' customers

- > Abbott
- > AstraZeneca
- > Becton Dickinson
- > Boston Scientific
- > Coloplast
- > Hamilton
- > Johnson & Johnson
- > Medtronic
- > Novo Nordisk
- > Pfizer
- > Roche
- > Sanofi
- > Takeda

Some of Medical Solutions' competitors

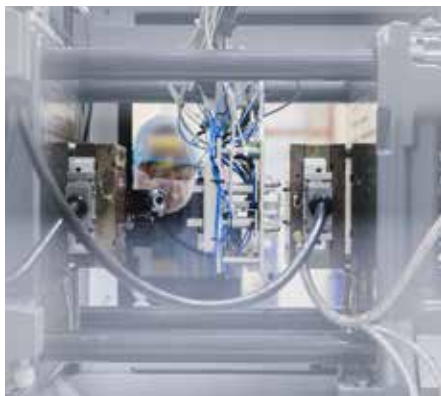
- > Carclo
- > Flex
- > Gerresheimer
- > Jabil
- > Nemera
- > Phillips-Medisize
- > Tessa Plastics
- > West Pharmaceuticals

Global presence

○ Development, production & sales



Development, production and sales take place in Sweden, the UK, Hungary, Switzerland, Poland, the US, Mexico, China and Ireland.



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 (urine catheters, uridomes), surgery (catheter balloons, complete blood purification equipment), diagnostics (PCR tests, blood analyses, allergy tests).



Pharmaceutical packaging

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



Product life cycle

Long product life cycles.

Solid growth with good market outlook

Expected growth in medical devices remains solid at around 4%–5% globally. The main drivers are global population growth, increased access to medication in developing countries, an aging population, and more people being affected by lifestyle diseases. This is contributing to an increased need for health care, with a greater proportion of self-care at home with medical equipment that patients can use themselves. The need for more precise diagnostics is also a strong driver for IVD.

Medical Solutions' market

This market is characterized by companies increasingly prioritizing drug development. This is leading to a need for outsourcing to global solutions providers for both advanced development and production of medical devices. In addition, cooperation with global companies that can manage the entire value chain is becoming increasingly important. There is also a notably greater emphasis on developing medications that require new medical devices to be administered and more and larger development projects with short lead times in the development phase. These market trends are contributing to continued consolidation among both customers and competitors. Nolato is well positioned as a global end-to-end provider to take advantage of continued growth opportunities and to grow faster than the market.

Strong position to handle changes in the market

Medical Solutions' competitive advantages to address changes in the market and to further strengthen competitiveness:

- In-depth medical understanding, with a focus on patients.
- Extensive capabilities in developing and manufacturing sustainable, customized and platform-based solutions.
- Expertise to handle growing customer requirements for responsible business conduct and to develop sustainable product packaging and medical devices using renewable and circular materials.
- Good ability to handle the rapid development of technology, including in the field of IoT.

– Global production and a broad technological base and know-how.

– A packaging system supplier that is focused solely on the pharmaceutical and dietary supplements sector.

– A strong pharma customer offering that fully complies with regulatory management and applicable quality requirements for both individual components and entire packaging solutions.

Strategy for sustained growth

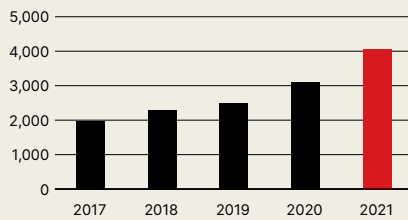
Medical Solutions' vision is to be the acknowledged best global systems solution development and production partner for medical technology, diagnostics and pharmaceutical companies. This strategic focus is based on growing faster than the market in all segments. The aim is to grow both organically and through acquisitions, enabling rapid global expansion. The strategy is also based on growing alongside customers' businesses, and ensuring offerings comprising global production, design optimization, product development and integrated electronics. Medical Solutions also aims to grow by combining the sale of standard products via own channels and distribution networks.

Outlook

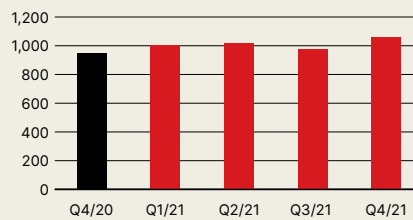
Medical Solutions' aim is to continue growing faster than expected market growth of 4–5%. The strongest increase is expected in IVD, autoinjectors, insulin products and incontinence products. Medical Solutions is well positioned in terms of both expertise and capabilities to meet growing demand for sustainable products and solutions. Increased production capacity and close cooperation with raw material suppliers are also key to ensuring capacity to meet greater demand, particularly in IVD, and to enable continued growth with existing customers and customer projects. Our aim is to also remain at the very forefront of technical progress with solutions that continue to make us more competitive, using a range of strategic initiatives, investments and measures, including AI and automation systems.

Net sales, SEKm

FULL YEAR

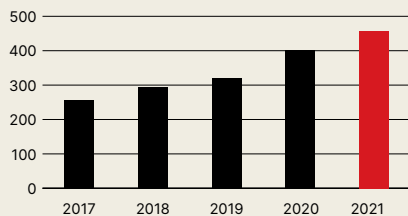


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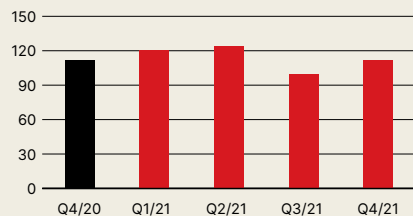


Operating profit (EBITA), SEKm

FULL YEAR

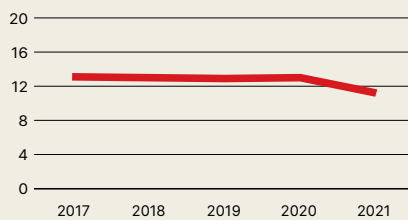


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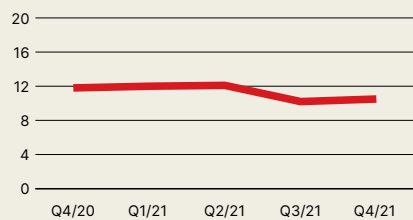


EBITA margin, %

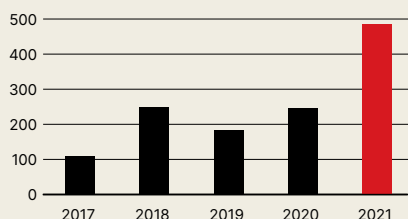
FULL YEAR



QUARTER

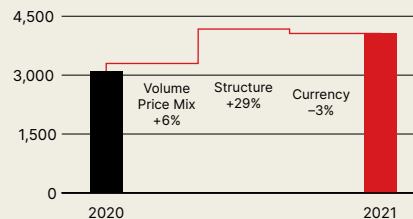


Investments, SEKm

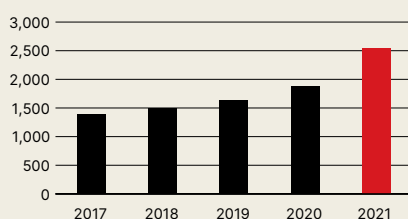


Affecting cash flow, excluding acquisitions and disposals

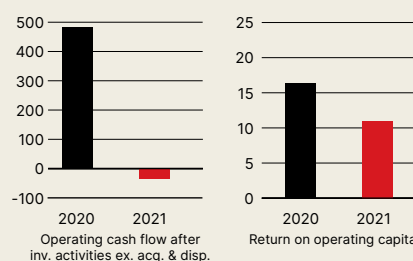
Change in sales, SEKm



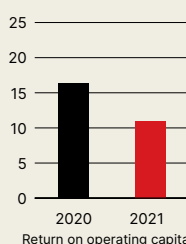
Average no. of employees



Cash flow, SEKm



Return, %



Business area's units

Avenue
Sligo, Ireland
Site Manager Ricardo Silva

Nolato Beijing Medical
Beijing, China
MD Thomas Hofflander

Nolato Cerbo
Trollhättan, Sweden
MD Cecilia Hellner

Nolato Contour
Baldwin, US
MD Russell Steele

Nolato GW Bethel
Bethel, US
Site Manager John Silva

Nolato GW Dongguan
Guangdong, China
Site Manager Ron Tomes

Nolato GW Querétaro
El Marques, Mexico
Site Manager Eric Olvera

Nolato GW Royalton
Royalton, US
Site Manager John Therriault

Nolato GW San Antonio
San Antonio, US
Site Manager Rafael Sojo

Nolato GW Silicones
Royalton, US
Site Manager Mark Hammond

Nolato GW Tucson
San Antonio, US
Site Manager Ed Boyden

Nolato Hungary
Mosonmagyaróvár, Hungary
Negoesti, Romania
MD Johan Arvidsson

Nolato Jaycare
Newcastle, UK
MD Alan Sweeting

Nolato MediTech
Hörby and Lomma, Sweden
MD Torkel Skoglösa

Nolato MediTor
Torekov, Sweden
MD Johan Barkentin

Nolato Stargard
Stargard, Poland
MD Jonas Hansson

Nolato Treff
Degersheim, Switzerland
MD Guido Vollrath

BUSINESS AREA

Integrated Solutions

Integrated Solutions designs, develops and produces advanced components, subsystems and ready-packaged products for consumer electronics. EMC & Thermal develops and manufactures shielding and heat dissipation products and systems for electronics.

NATURE OF THE MARKET

- > A number of large, global companies.
- > Stringent customer requirements for advanced technology.
- > Expectations of short development times and rapid production start-ups.

CUSTOMER TRENDS

- > Constant need for cost-effective solutions.
- > Cosmetic effects, unique design solutions and special functions of great importance.
- > Significant growing need for EMC shielding and heat dissipation for electronics in products.

STRENGTHS

- > High level of creativity in development work, combined with cutting-edge technologies.
- > Expert advanced project management.
- > Capable of rapid production start-ups and high productivity.
- > Access to Nolato's combined technologies, know-how and resources.

STRATEGIC FOCUS

- > Organic growth and broader customer offering for new markets.
- > One-stop shop with development of niche technologies, advanced project management and rapid time to market.
- > Further development of EMC & Thermal aimed at reaching new markets and customer segments.

VOLATILITY

- > High. Project-based operations.

Performance in 2021

- > Integrated Solutions continued to see strong growth in volumes during the year, with organic growth of a remarkable 36%.
- > EMC's customer base broadened to encompass new customers in the automotive industry, which led to high growth in volumes.
- > The impact of the pandemic has been handled well within the Group. There was good security of supply and strong growth in all segments, despite supply chain disruptions.
- > As part of efforts to cut carbon dioxide emissions, the decision was taken to purchase renewable electricity for all production plants in China. This is an important step in achieving the group-wide target of cutting carbon dioxide emissions by 80% by 2025.

Key figures	2021	2020
Sales, SEKm	5,226	4,068
Operating profit (EBITA), SEKm	671	548
EBITA margin, %	12.8	13.5
Average no. of employees	4,813	3,712

INTEGRATED SOLUTIONS 2021

Sustained strong growth in all segments and leading-edge technological development

The Integrated Solutions business area comprises two business sectors:

Consumer Electronics: Design, development and manufacture of advanced components, subsystems and ready-packaged electronic products. Integrated electronics and IoT also remain key drivers. Consumer Electronics also includes Vaporiser Heating Products (VHP), for which Nolato supplies heating devices.

EMC & Thermal: Process and material solutions for the shielding of electronics to achieve electromagnetic compatibility (EMC), and for heat dissipation (Thermal). The automotive industry in particular is becoming increasingly important as electronics develop for all types of vehicles.

Development in 2021

Integrated Solutions continued to see strong growth in volumes during the year, with organic growth of a remarkable 36%. The strong growth in consumer electronics was

due to increased demand in Vaporiser Heating Products (VHP). EMC & Thermal also enjoyed robust volume growth, with rising demand from the automotive sector spurred by greater need for electronics and by the roll-out of 5G.

EMC's customer base broadened to encompass new customers in the automotive industry, which led to growth in volumes. The successful 2020 launch of Compashield Pad, a surface-mounted grounding component for circuit boards, generated strong volume growth during the year.

Management of the effects from the pandemic also impacted 2021. The emphasis has been on ensuring a good work environment and employee safety, as well as high capacity utilization. The impact of the pandemic has been handled well within the Group. Security of supply has remained good and there was strong growth across all segments during the year, despite supply chain disruptions.

Parts of both consumer electronics and EMC & Thermal production in China was relocated closer to a customer during the year. Strategic use of Integrated Solutions' combined production resources is enabling closer cooperation with customers and new business opportunities across all segments.

The continued development of sustainable products, based on renewable and circular materials, has led to new business opportunities together with customers and suppliers.

During the year, we conducted a review of transport operations to optimize logistics, cut costs and reduce carbon dioxide emissions. There has been a significant sustained emphasis on energy efficiency improvements, reducing waste, minimizing use of water and phasing out non-environmentally friendly chemicals. As part of efforts to cut carbon dioxide emissions, the decision was taken to purchase renewable electricity for all production plants in China. This is an

Customers & competitors

Some of Integrated Solutions' customers

- > Bosch
- > Delphi
- > Dyson
- > Ericsson
- > Google
- > Gore
- > Harman
- > Huawei
- > Nokia
- > PSS
- > Sonos
- > Sony
- > Veoneer
- > Verisure
- > ZTE

Some of Integrated Solutions' competitors

- > Beijing Jones
- > BYD
- > Chomerics
- > Fabri-Tech
- > Jabil Green Point
- > Laird
- > Lingyi Tech
- > Marian
- > Rosti

Global presence

○ Development, production & sales



Development, production and sales take place in Sweden, China, Malaysia, Hungary and the US.



important step in achieving the group-wide target of cutting carbon dioxide emissions by 80% by 2025.

Our continual improvements and lean manufacturing have generated further business benefits, and additional cost savings were made in the year throughout the VHP supply chain in cooperation with a customer.

Cutting-edge technology creates growth

Integrated Solutions tailors technologies to both new and enhanced products and develops leading-edge technologies to make them relevant to more customers. Meeting the evolving needs of customers with stringent demands in terms of technology, expertise and design helps gradually expand the customer base. Customers' stringent requirements are met through product development, enabling the customer offering to be quickly tailored to the fast-paced and rapidly changing consumer electronics market. VHP is an example of how development and technical adaptation have helped meet customer needs and enhanced the product through creative technical expertise, regulatory changes in the industry and growing healthy lifestyle trends. The customer base is also being expanded in Laser Applications and Ceramics by developing and tailoring products and making them more relevant to companies that produce products such as fitness trackers, speakers, thermostats and web cameras.

Growth in EMC is similar, with increased demand mainly fueled by growing needs for applications and products that are being tailored to 4G and 5G networks as the number of new connected products grows. Increased network traffic, along with the ongoing electrification of vehicles, is leading to greater requirements for process and materials solutions for shielding and heat dissipation. There are also good opportunities to address the need for materials used for demanding heat dissipation for electronics in telecom, automotive, green technology, smart home appliances, home electronics, IT, medtech and wellbeing products.

Varying market positions

Integrated Solutions is largely a niche operator in consumer electronics product areas, based on in-depth in-house expertise in development, design and production.

Its role is well established in the VHP product area as a close strategic partner for one of the market's larger operators.

The business area has a strong position in EMC & Thermal as a supplier of technically advanced products, such as shielding solutions for mobile phone network base stations.

Strategy for sustained growth

The aim is to be a partner and provider of technically advanced products, mainly for high-end segments of the electronics and telecom industry. This strategic focus is based on growing faster than the market in all segments through organic growth.

Areas such as injection molding, die-cutting, painting, decoration, assembly, testing and packaging of electronic products comprise a one-stop shop customer offering, which includes advanced project management and rapid time to market.

The VHP area remains focused on developing its position as a strategic partner for one of the market's largest operators. The aim is to grow alongside the customer's business and launches on new markets by providing product development, manufacture and assembly of complete products, delivered direct to the customer's distributors. In addition, it will be intensifying development of electrically and thermally conductive material solutions and components for shielding and heat dissipation in electronics. The aim is to reach new markets and customer segments, both through direct sales channels and licensed partners.

Outlook

The business area's strategic focus is based on developing our cooperation with existing customers and growing faster than the market in all segments. The long-term growth potential in most consumer electronics areas is assessed as good. EMC & Thermal will have additional business opportunities as the 5G network is rolled out, along with the rapid development of electronics in the automotive industry and greentech.

Business sectors



Components, subsystems and ready-packaged products for consumer electronics.

Subsystems for VHPs, mobile phones and home electronics products, which contain injection-molded, painted and decorated components, often integrated with electronics in the form of 'mechanical modules', sometimes water-resistant. Creative material and surface design with significant cosmetic and haptic content. Small, designed adhesive-based components with mechanical and/or cosmetic functions, such as logos, speaker grilles and three-dimensional design elements.



EMC & Thermal

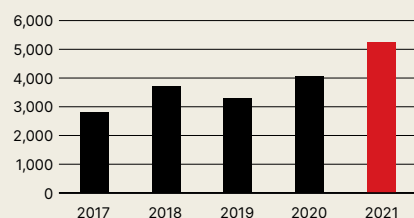
Process and material solutions for the shielding of electronics to achieve electro-magnetic compatibility (EMC), and for heat dissipation.



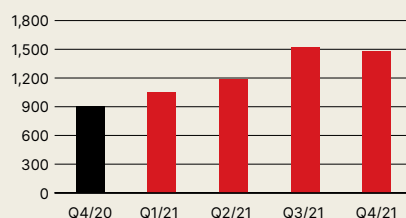
Product life cycle
Short.

Net sales, SEKm

FULL YEAR

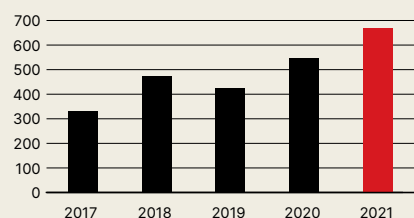


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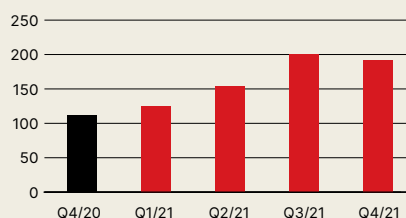


Operating profit (EBITA), SEKm

FULL YEAR

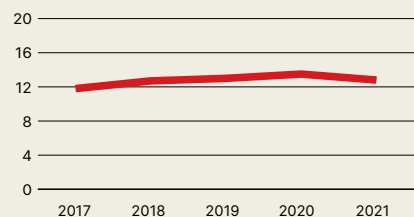


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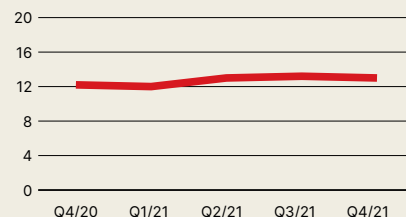


EBITA margin, %

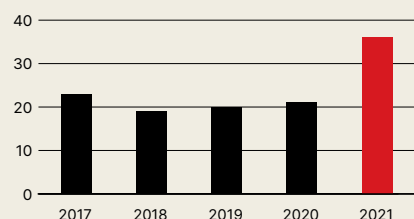
FULL YEAR



QUARTER

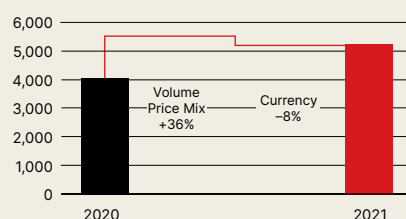


Investments, SEKm

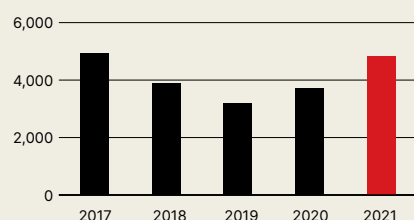


Affecting cash flow, excluding acquisitions and disposals

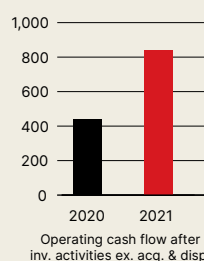
Change in sales, SEKm



Average no. of employees



Cash flow, SEKm



Business area's units

Consumer Electronics

Nolato Beijing
Beijing, Suzhou & Dongguan, China
MD Thomas Hofflander

Lövepac Converting

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

EMC & Thermal

Nolato Silikonteknik
Hallsberg, Sweden
Beijing, China
Suzhou, China
Penang, Malaysia
Mosonmagyaróvár, Hungary
New Jersey, US
MD Anders Ericsson

BUSINESS AREA

Industrial Solutions

Industrial Solutions develops and manufactures products and product systems, primarily in polymer materials, for customers in the automotive sector, hygiene, packaging, gardening/forestry, appliances, furniture and other selected industrial segments.

NATURE OF THE MARKET

- > A fragmented and differentiated market with good access to both customers and suppliers.

CUSTOMER TRENDS

- > Growing demand for sustainable solutions such as bioplastics and recycled plastic to replace fossil-based plastic and metal components.
- > A desire for cooperation early on in the development process.
- > Growing need for global operators with a local presence.

STRENGTHS

- > Expertise in developing and manufacturing high-quality customer-specific solutions.
- > Extensive technology base, project management and high productivity.
- > Access to the Nolato Group's combined technologies, know-how and resources.
- > Extensive expertise in processing recycled materials.

STRATEGIC FOCUS

- > Developing our cooperation with existing customers and winning market share in priority segments.
- > Selective geographic expansion, together with customers and through acquisitions that bring new customers and technologies.
- > Improving productivity.

VOLATILITY

- > Medium. Follows the industrial business cycle, particularly in Northern Europe.

Performance in 2021

- > Advanced market positions and sustained growth in 2021.
- > Efficiency enhancements, especially at the start of the year, have improved earnings.
- > Supply chain disruptions intensified in the second half of the year.
- > Close and increased cooperation with strategic customers.
- > Sustained emphasis on energy efficiency improvements, reducing waste, renewable and circular materials, minimizing use of water and phasing out non-environmentally friendly chemicals.
- > The expansion of production capacity in Switzerland and Hungary has proceeded according to plan and is a strategic part of our continued global expansion.

Key figures	2021	2020
Sales, SEKm	2,324	2,205
Operating profit (EBITA), SEKm	208	168
EBITA margin, %	9.0	7.6
Average no. of employees	1,303	1,133



INDUSTRIAL SOLUTIONS 2021

Geographical and technological expansion

Industrial Solutions' business has a strong focus on customer needs, and develops and manufactures advanced technical products, mainly for two customer sectors:

- General industry, in sectors such as hygiene, packaging, gardening/forestry, appliances, furniture and other selected industrial segments.
- Automotive industry.

These sectors feature continual and extensive purchasing of large volumes and long product series.

Development in 2021

Industrial Solutions has advanced its market positions and saw continued growth in 2021.

Managing the impact of the pandemic also affected the business in 2021, and the emphasis has been on ensuring a good work environment, employee safety and high capacity utilization.

Efficiency improvements have generated results, and efficiency was good in the first half of the year. Efficiency was adversely affected in the third and fourth quarters by supply chain disruptions, as it was in the second quarter of 2020, when some customers halted or reduced production. The impact of the pandemic was managed well through close and intensified cooperation with strategic customers.

The continued development of sustainable solutions and products, based on renewable and circular materials, has led to new business opportunities together with customers and suppliers, especially in the automotive industry, where there is high demand for these types of solutions. 2021 saw a significant sustained emphasis on energy efficiency improvements, reducing waste, minimizing use of water and phasing out non-environmentally friendly chemicals.

The ongoing expansion of production capacity in Switzerland and Hungary has proceeded according to plan and is a strategic part of our continued global expansion.

US-based GW Plastics, acquired in 2020, has provided a solid global position and production, expanded our customer offering and created new business opportunities.

Fragmented market

The polymer products manufacturing market is fragmented, comprising numerous companies, many of which have a strong local focus. The market is also highly competitive and significantly influenced by fluctuations in industrial activity.

Industrial Solutions' strong position as global high-tech solutions provider with an established local presence, capacity and expertise in integrated production processes meets customer demands for cost-effective, high-quality products on regional markets.

Tailored offerings create growth

Industrial Solutions tailors its offering based on its customers' needs by being everything from a high-volume manufacturer of components to a high-tech solutions provider involved from development to delivery of finished products to market. This business

Customers & competitors

Some of Industrial Solutions' customers

- > Bosch
- > Brose
- > Continental
- > Geberit
- > Husqvarna
- > Kinnarps
- > MCT Brattberg
- > Scania
- > SKF
- > Volvo
- > Volvo Cars

Some of Industrial Solutions' competitors

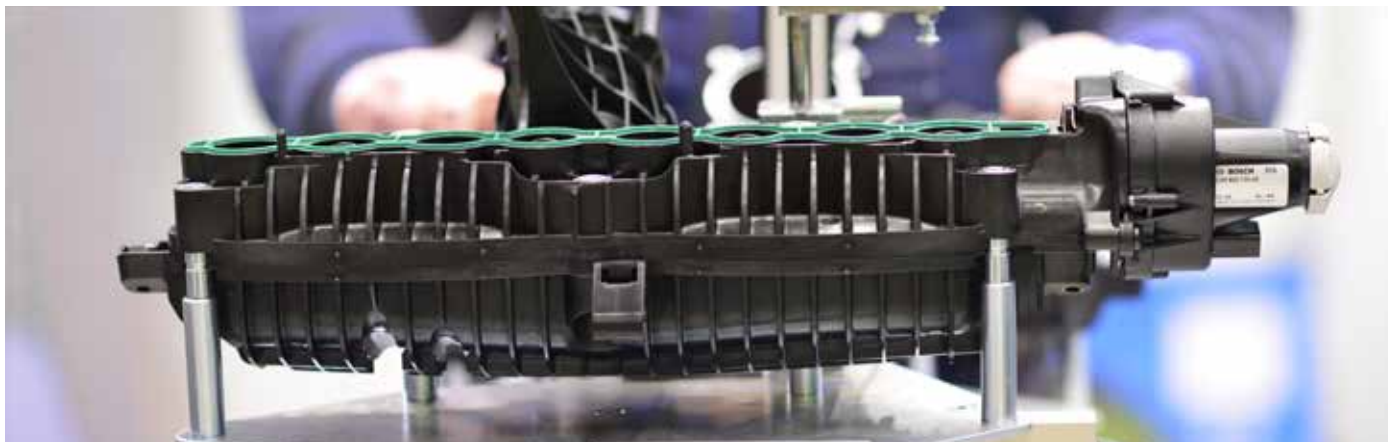
- > Flextronics
- > KB Components
- > Plastal
- > Rosti (Nordstjernan)

Global presence

○ Development, production & sales



Development, production and sales take place in Sweden, Hungary, Switzerland, Romania, the US, China and Mexico.



Customer sectors



General Industry

Ball retainers and storage seals for ball bearings, armrests etc. for office chairs and fireproof cable ducts. Components for microwave ovens, chainsaws and grass trimmers (recoil housing, filler caps, air filter holders, etc.), flushing mechanisms for toilets and brew units for coffee machines.



Automotive industry

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



Product life cycle

Medium/long.

area has grown in this way by gradually tailoring its offerings to the changing needs and demand of industry.

The business also has the expertise and capabilities to meet growing demand for sustainable solutions, based on renewable materials and circular flows to replace fossil-based plastic and metal components, with extensive know-how in processing recycled materials. Industrial Solutions has a robust market position as a global high-tech solutions provider, combined with a well-established local presence, a market-leading standing on the Swedish market and leading positions in Europe. Establishment in the US and the acquisition of GW Plastics in 2020 has further strengthened our market position as a result of an expanded customer offering and a solid global position and manufacturing.

Strategy for sustained growth

Industrial Solutions' objective is to be a leading high-tech supplier, providing development and production of products and product systems in polymer materials for customers in the general industry and automotive sectors. The business area's strategic focus is based on developing our cooperation with existing customers and growing faster than the market in all segments. Acquisition opportunities are continually considered as a complement to organic growth. Lean manufacturing is a key aspect of delivering on this strategy, which involves focusing on value-adding processes, being well organized, an increasingly high degree of integration and automation, minimal warehousing and an aim to eliminate production defects.

Industrial Solutions has been working for several years with Volvo Cars on developing sustainable components made from recycled materials.

Nolato's cooperation with Volvo Cars has increased in light of Volvo Cars' aim for at least 25% of the plastic in every newly launched Volvo model to be made from recycled materials from 2025. It's a proactive collaboration, with both Nolato and Volvo Cars regularly proposing recycled materials that could be used in existing components already being produced. Switching to recycled plastic involves extensive technical testing to ensure the specification requirements of each component are met. Testing comprises everything from assessment of quality and sustainability to design.

Recycling and reuse of plastic is key to these efforts. This work involves collaboration by Nolato's three business areas, and the overall purchase of the Group's recycled plastic is being optimized by its central procurement department.

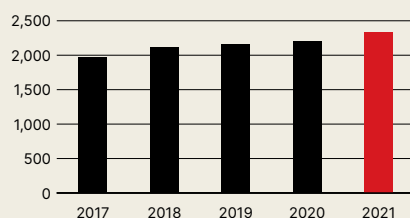
Nolato is also leading the transition to recycled materials by working with customers and proactively proposing renewable and recyclable materials in new tenders for customers. Synergies between our business areas through cross-fertilization of in-depth expertise in circular and renewable materials helps add customer value.

Outlook

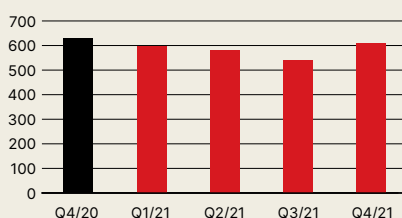
Industrial Solutions aims to continue growing faster than the market by growing alongside customers, both in terms of volume and geographically, as technology advances.

Net sales, SEKm

FULL YEAR

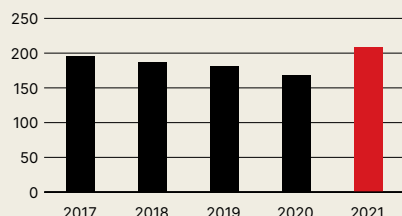


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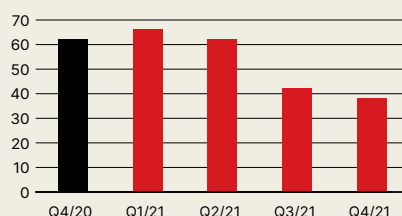


Operating profit (EBITA), SEKm

FULL YEAR

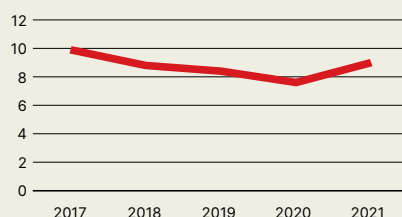


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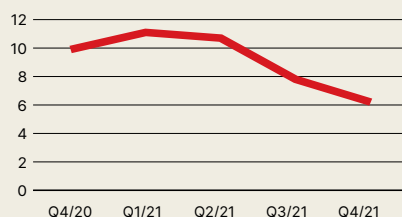


EBITA margin, %

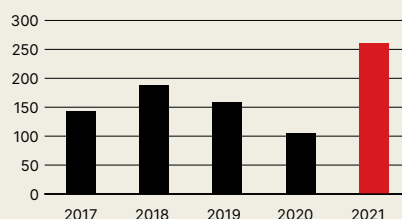
FULL YEAR



QUARTER

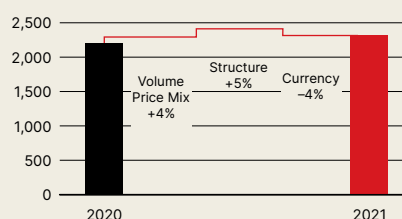


Investments, SEKm

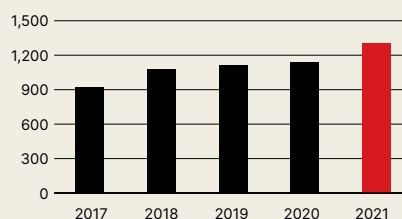


Affecting cash flow, excluding acquisitions and disposals

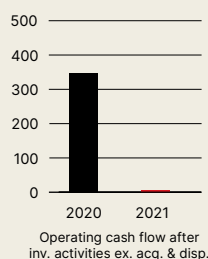
Change in sales, SEKm



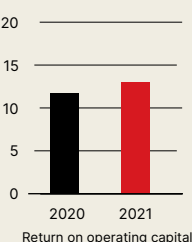
Average no. of employees



Cash flow, SEKm



Return, %



Business area's units

Nolato Contour
Baldwin, Wisconsin, US
MD Russell Steele

Nolato Gota
Göteborg, Sweden
MD Olof Pettersson

Nolato GW Dongguan
Guangdong, China
Site Manager Ron Tomes

Nolato GW Querétaro
El Marques, Mexico
Site Manager Eric Olvera

Nolato GW San Antonio
San Antonio, US
Site Manager Rafael Sojo

Nolato Hungary
Mosonmagyaróvár, Hungary
MD Johan Arvidsson

Nolato Lövep
Skånes Fagerhult, Sweden
MD Henrik Enoksson

Nolato Plastteknik
Gothenburg, Sweden
MD Olof Pettersson

Nolato Polymer
Torekov & Ängelholm,
Sweden
MD Anders Willman

Nolato Romania
Negoesti, Romania
MD Johan Arvidsson

Nolato Treff
Degersheim, Switzerland
MD Guido Vollrath

Shareholder information

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 Large Cap company in the Industrials sector. The share symbol is STO:NOLA B and the ISIN code is SE0015962477.

Share price performance

Nolato's B shares rose by 30% (51) during the year. The share price at the end of 2021 was SEK 107.90 (83.20). The highest closing price on Nasdaq Stockholm in 2021 was SEK 120.20 (Nov. 4, 2021) and the lowest closing price was SEK 74.00 (Feb. 24, 2021).

In 2021, 168.8 million Nolato class B shares were traded, 49% of which was in open exchange trading (lit + auction market) and 51% in other trading (dark, off-book, OTC and SI). Of total trade, 46% was on the primary Nasdaq Stockholm market, 39% on Cboe Global Markets, 7% on LSE, 4% on Aquis, 3% on Sigma-X and 1% on other markets.

The turnover ratio of B shares, based on all markets and all trade, was 70%. There were 15,489 (11,656) shareholders at December 31.

Share capital

The share capital of Nolato AB totals SEK 135 million, divided among 269,377,080 shares. Of these, 27,594,000 are A shares and 241,783,080 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 programs

Nolato has one share warrant program for management, which could result in the dilution of the number of shares. For further information, see Note 27 on page 86.

Dividend policy and dividend

Nolato's dividend policy is to propose a dividend that exceeds 50% of profit after tax, taking account of Nolato's long-term development opportunities, financial position and investment needs. The Board of Directors proposes a dividend for 2021 of SEK 1.90 (1.60), corresponding to SEK 512 million (428).

The pay-out ratio, i.e. the dividend in relation to profit after tax, is 51% (53), excluding non-recurring items. The dividend yield was 1.8% in relation to the share price at December 31, 2021. Over the last five years, the average dividend yield from Nolato's shares was 2.0%.

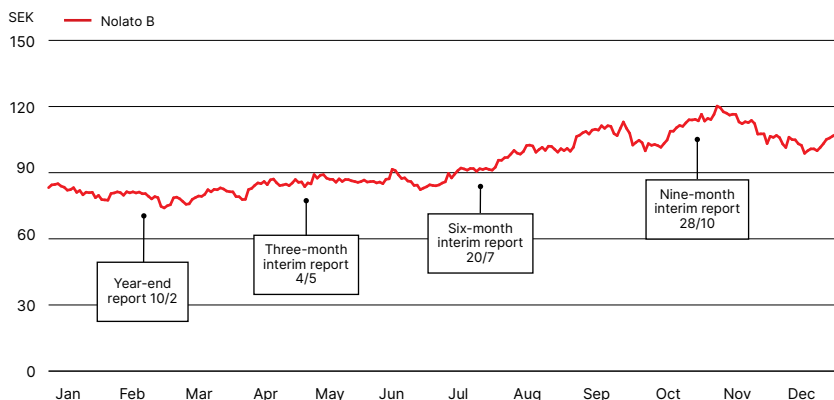
Transferability

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

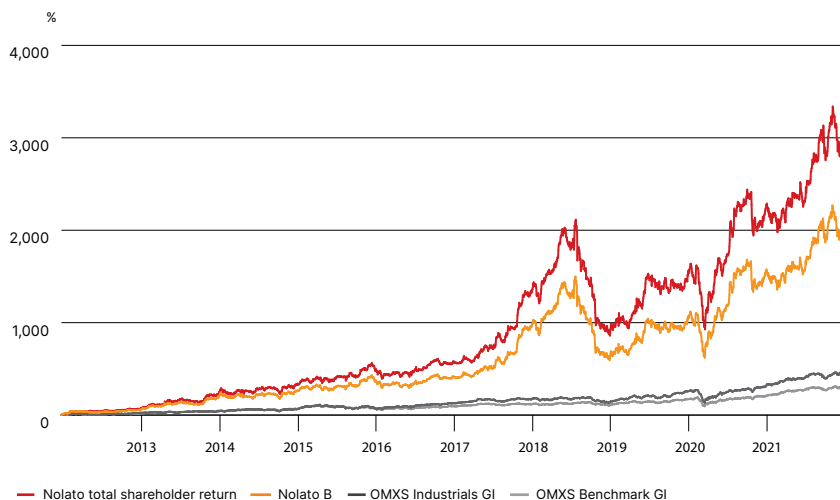
Financial information

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 dating back 10 years.

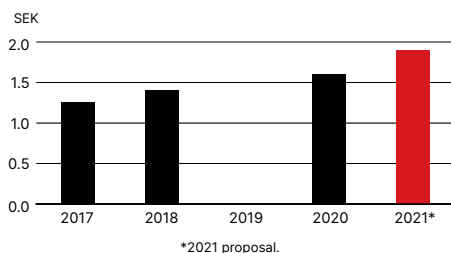
Share price performance in 2021



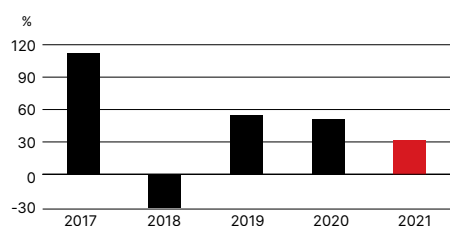
Total shareholder return and share price performance 2012–2021



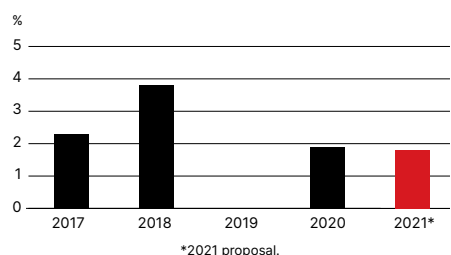
Dividend 2017–2021



Annual total shareholder return 2017–2021



Dividend yield, 2017–2021



Total shareholder return:

10 years	2,987% (yearly average 41%)
5 years	354% (yearly average 35%)
3 years	209% (yearly average 46%)
2 years	100% (yearly average 41%)

Definition of total shareholder return (not IFRS measure):

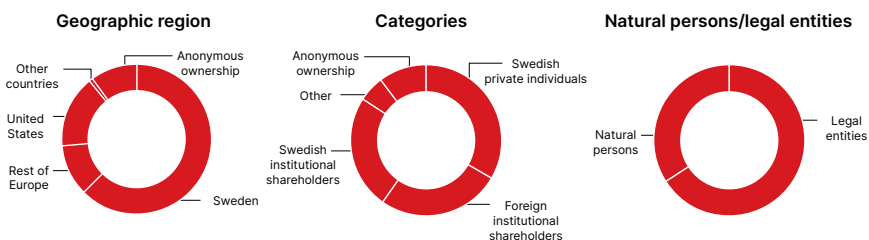
Total shareholder return shows the change in the share price, including reinvested dividends over the period.

Analysts

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

- ABG Sundahl Collier – Adrian Gilani +46 8 5662 8692
- Carnegie – Mikael Laséen +46 8 5886 8721
- Handelsbanken – Daniel Lindkvist +46 8 701 2819
- Nordea – Carl Ragnarstam +46 10 1562 817

Breakdown of shareholders at December 31, 2021



Largest shareholders at December 31, 2021

Shareholders	% of capital		% of votes	
	Dec. 31, 2021	Change*	Dec. 31, 2021	Change*
Jorlén family	9.2	-0.2 ▼	24.0	-0.1 ▼
Boström family	9.2	-0.1 ▼	19.3	-0.1 ▼
Hamrin family	8.3	0.1 ▲	18.5	0.0 ►
Capital Group	7.6	-0.1 ▼	4.0	0.0 ►
Lannebo Fonder	6.5	-0.7 ▼	3.4	-0.4 ▼
First Swedish National Pension Fund (AP1)	3.1	1.1 ▲	1.6	0.5 ▲
Didner & Gerge Fonder	2.4	0.4 ▲	1.2	0.2 ▲
Vanguard	2.1	–	1.1	–
Danske Bank	1.6	–	0.8	–
Norges Bank	1.4	-1.4 ▼	0.7	-0.8 ▼
Dimensional Fund Advisors	1.3	0.0 ►	0.7	0.0 ►
Nordea Fonder	1.2	–	0.6	–
Montanaro	1.2	-0.1 ▼	0.6	-0.1 ▼
Black Rock	1.2	–	0.6	–
SHB Fonder o Liv	1.2	–	0.6	–
Total for largest shareholders	57.5		77.7	
Other shareholders	42.5		22.3	

*Change (percentage points) in shareholdings compared with December 31, 2020.

Data per share

	2021	2020	2019	2018	2017
Diluted earnings per share after tax (SEK) ¹⁾	4.32	3.02	2.66	2.74	2.17
Shareholders' equity per share, before dilution, SEK ²⁾	18	14	11	10	8
Cash flow after investing activities excl. acquisitions and disposals per share, before dilution, SEK	1.66	3.40	3.02	2.25	1.88
Share price at December 31, SEK	107.90	83.20	55.00	36.65	53.90
Price/earnings ratio, times ³⁾	25	28	21	13	25
Turnover rate, %	70	63	68	92	66
Dividend (2021 proposal), SEK	1.90	1.60	0.00	1.40	1.25
Dividend yield (2021 proposal), % ⁴⁾	1.8	1.9	–	3.8	2.3
Dividend as a percentage of earnings per share (2021 prop.)	51	53	–	51	57
Average number of shares after dilution, million	268.8	266.6	264.3	263.8	263.2
Price/equity ratio per share, times	6.0	6.0	4.9	3.7	6.6
Market capitalization at December 31, SEK million	29,066	22,251	14,601	9,642	14,180

Definitions

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

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

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

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

Corporate governance

Nolato is a Swedish limited company. Its corporate governance is based on Swedish legislation (primarily the Swedish Companies Act), Nasdaq Stockholm regulations, the Swedish Code of Corporate Governance and the rules and recommendations issued by relevant organizations. Moreover, there are a number of principles and rules for the business that have been established by Nolato (see pages 47–49). These can be found on the company's website (nolato.com) or, if they are internal documents, they are not made public.

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 general meeting of the company, where the Board presents the annual accounts and auditor's report, is called the annual general meeting (AGM) and is usually held by Nolato in late April or early May. The AGM also addresses matters regarding dividends, the discharge of Board members and the CEO from liability, and the election of Board members, the Chairperson 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. Information about conditions affecting ownership of shares in Nolato, including major shareholders, can be found on page 43 and at nolato.com/en/ir.

2021 Annual General Meeting

The 2021 AGM took place on May 4, 2021. The meeting was attended by 201 shareholders, together representing 55.5% of the number of shares and 74.7% of the number of votes in the company.

The AGM re-elected Board members Fredrik Arp, Sven Boström, Lovisa Hamrin, Åsa Hedin, Erik Lyngé-Jorlén and Lars-Åke Rydh, and elected Tomas Blomquist as a new Board member. Fredrik Arp was re-elected as Chairman of the Board. The members are presented in more detail on pages 52–53 and at www.nolato.com/en/IR/Corporate-Governance.

The AGM resolved on several issues, including fees for Board members, guidelines for remuneration of senior executives and instructions for the Nomination Committee. The AGM also resolved to adopt the income statement and balance sheet for Nolato AB and for the Group, as well as the proposed appropriation of profits. The meeting discharged the members of the Board and the President and CEO from liability for the 2020 financial year. The meeting resolved in accordance with the Board's proposal regarding an amendment to the Articles of Association. Approval was also given for the Board's proposal for authorization of the Board to make decisions regarding the issue of new B shares. And, to make trading in the company's shares on Nasdaq Stockholm easier, the AGM approved a share split, whereby each share, irrespective of class, will be divided into 10 shares of the same class.

Nomination Committee

The 2021 AGM resolved that the Nomination Committee ahead of the 2022 AGM should consist of one representative for each of the five largest shareholders in terms of the number of votes at the end of September 2021.

In accordance with this decision, the Nomination Committee ahead of the 2022 AGM consists of

- Henrik Jorlén, chairman, appointed by the Jorlén family
- Gun Boström, appointed by the Boström family
- Lovisa Hamrin, appointed by the Hamrin family

– Johan Ståhl, appointed by Lannebo Fonder. One of the five largest shareholders has chosen not to participate in the work of the Nomination Committee, and has therefore declined to elect a representative to the committee.

Since it was established and up until February 2022, the Nomination Committee has held three meetings. In addition, the Nomination Committee maintained continual contact by phone and email.

The Nomination Committee can be contacted by email: henrik.jorlen@gmail.com or by ordinary mail: Nolato Nomination Committee, c/o Henrik Jorlén, Kommendörsgatan 4, 269 77 Torekov, Sweden.

Auditor

The 2021 AGM elected Ernst & Young AB as auditor of Nolato, with authorized public accountant Joakim Falck as principal auditor.

Joakim Falck, born 1972. Authorized public accountant, Ernst & Young AB. Auditor of Nolato since 2018. Other clients include Xano Industri AB, Garo AB, Itab Shop Concept AB and Nefab.

The auditor works according to an audit plan. The auditor reported back to the Board during the course of the audit and in connection with the adoption of the 2021 year-end report on February 7, 2022.

During the year, the auditor carried out certain consultancy assignments in addition to the audit, which related primarily to accounting and tax issues.

The external audit is conducted in accordance with generally accepted auditing standards. Auditing of financial statements for legal units outside Sweden is carried out in accordance with statutory requirements and other relevant regulations in the respective country, and according to generally accepted auditing standards.

The auditor regularly examines the adjusted minutes from Nolato's Board meetings and has continual access to the monthly reports submitted to the Board.

The auditor has examined the remuneration of senior executives and reviewed the company's half-year report.

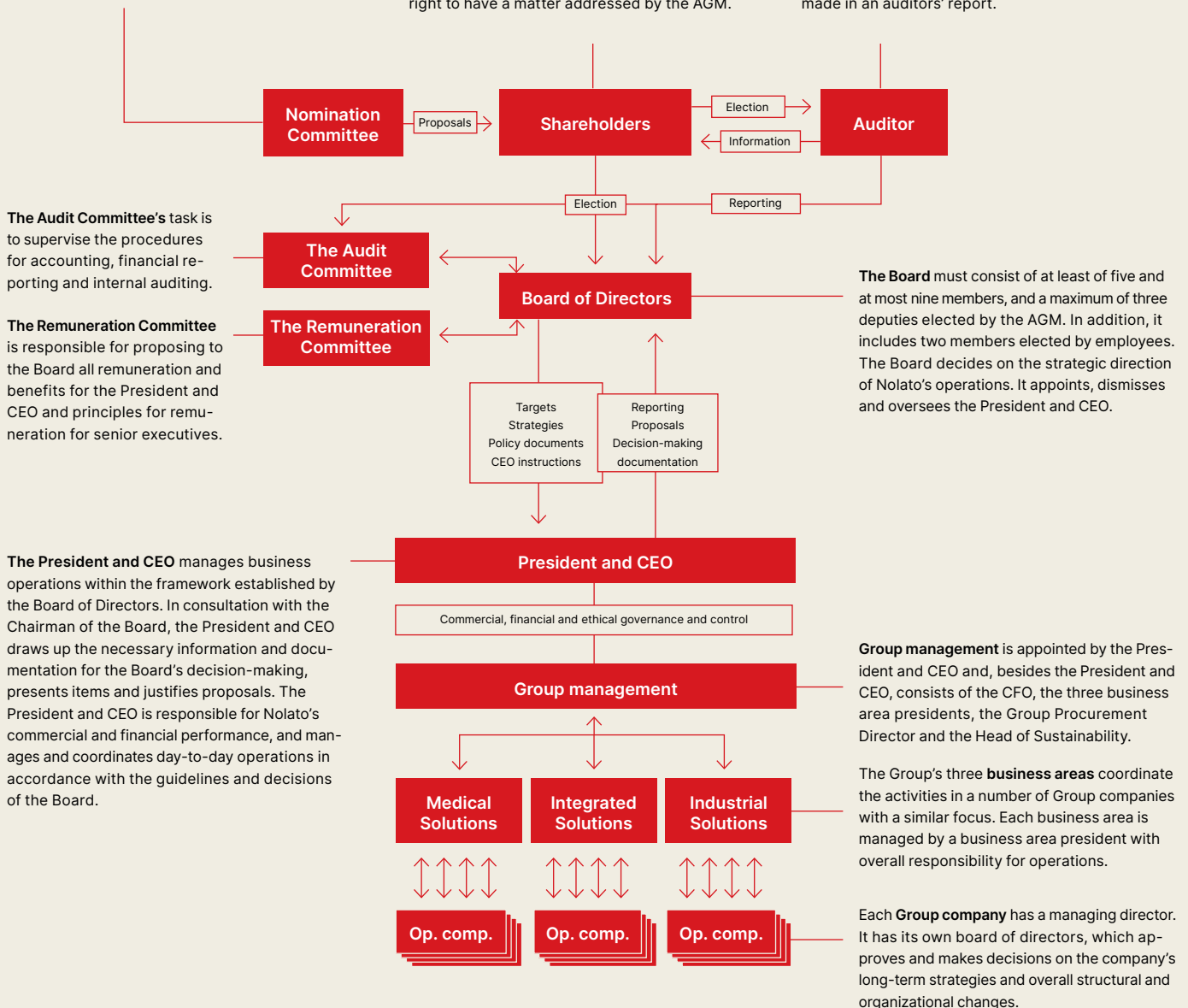
SCHEMATIC DESCRIPTION OF THE NOLATO GROUP'S CORPORATE GOVERNANCE

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 right of shareholders to determine Nolato's affairs is exercised at the annual general meeting (AGM), which usually takes place in late April or early May. Among other things, the AGM elects the Board of Directors and takes decisions regarding a dividend, directors' fees and adopts the annual accounts. 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 analyzing 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. In addition, the committee is responsible for making recommendations and proposals for ensuring reporting reliability. The Board reads and checks financial reporting such as monthly reports, forecasts, interim reports and the annual accounts. The committee must inform the Board of the result of the audit, how it contributed to the reliability of reporting and what role the committee had.

THE BOARD AND ITS WORK

The working methods of the Board

The Board decides on the strategic direction of Nolato's operations and prepares the necessary instructions. It establishes the Nolato Group's management structure and appoints, dismisses and oversees the President and CEO.

Principles have been decided on at initial statutory Board meetings following the AGM with regard to rules of procedure for the Board's work, the delegation of duties between the Board and the President and CEO, as well as financial reporting.

The key elements of these principles determine the following:

- The Board shall establish a work program comprising six ordinary meetings during the year, at which various matters according to the rules of procedure are considered at different Board meetings.
- Notice of the meeting, the agenda and documentation for the Board meeting will usually be distributed no later than one week prior to the meeting. Minutes with numbered points are taken at the meeting.
- The delegation of duties clarifies the responsibilities of the Board and the key duties of the Chairman and the President and CEO. The instructions for the President and CEO include restrictions regarding decisions on investments, acquisitions, transfers and certain agreements.
- To enable the Board to continually follow and monitor the Group's financial position and performance, the President and CEO must provide the Board with monthly reports on sales, profit, capital commitments, cash flow, the balance sheet, forecast monitoring and forecast updates.

The Chairman of the Board, Fredrik Arp, organizes and leads the work of the Board, to ensure it is performed in accordance with the Swedish Companies Act, other legislation and regulations, applicable rules for listed companies (including the Swedish Corporate Governance Code), and the Board's internal governance instruments. The Chairman monitors operations through regular contact with the President and CEO and is responsible for ensuring that other Board members receive satisfactory information and relevant documentation.

The Chairman is responsible for ensuring that the Board is kept continually updated and increases its knowledge of Nolato and generally receives the training required in order to carry out its work in an effective manner. Furthermore, the Chairman ensures that an annual evaluation of the work of the Board is conducted, and that the Nomination Committee is informed of the results.

An evaluation was carried out in 2021, during which all Board members were given the opportunity to submit their views and suggestions, and to rate such areas as the composition and practices of the Board. The evaluation has been presented to the full Board.

Composition of the Board 2021

Following the 2021 AGM, the company's Board consists of seven members elected by the AGM: Fredrik Arp (Chairman), Tomas Blomquist, Sven Boström, Lovisa Hamrin, Åsa Hedin, Erik Lyngre-Jorlén and Lars-Åke Rydh.

The Board also includes two employee representatives: Björn Jacobsson (LO, the Swedish Trade Union Confederation) and Håkan Bovimark (LO). Their deputies are Arif Mislimi (LO), Reynaldo Mejedo (PTK, Swedish Federation of Salaried Employees in Industry and Services) and Agneta Olsson (PTK). Apart from the union representatives, none of the Board members are employed by or work within the company's operations.

The Board members Åsa Hedin, Lars-Åke Rydh, Tomas Blomquist and Chairman

Fredrik Arp are deemed by the Board to be independent of the company's major shareholders. Nolato's Board has determined that all members elected by the AGM are independent in relation to the company.

Further information about the members of Nolato's Board can be found on pages 52–53.

Nolato's Diversity Policy

Nolato applies the Swedish Corporate Governance Code. Point 4.1 of the Code specifies the following: The Board should have an appropriate composition that reflects diversity and breadth in terms of the skills, experience and background of its members elected by a general company meeting. Equal gender distribution should be sought.

Work on the Board adheres to these guidelines. The aim is for the Board to have as broad as possible a basis in terms of different types of skills and experience. Application of the policy is achieved both during the financial year through discussions at Board meetings and in connection with the Nomination Committee proposing candidates for Nolato's Board. The results of the policy are best reflected in the composition of the Board.

The current Board represents a broad spectrum. The members have experience from manufacturing industry, retail and service companies. The members have different types of education and career experience, and include both younger and older members. The Board consists of members appointed by shareholders at a general meeting

Board members' attendance in 2021

	Feb 10	May 4	July 20	Sep 13	Oct 28	Dec 7	Total
Fredrik Arp	1	1	1	1	1	1	6
Tomas Blomquist ¹⁾			1	1		1	3
Sven Boström	1	1	1	1	1	1	6
Lovisa Hamrin	1	1	1	1	1	1	6
Åsa Hedin	1	1	1	1	1	1	6
Erik Lyngre-Jorlén	1	1	1	1	1	1	6
Lars-Åke Rydh	1	1	1	1	1	1	6
Håkan Bovimark	1	1	1	1	1		5
Björn Jacobsson	1	1	1	1	1	1	6

¹⁾ Elected at the Annual General Meeting in 2021.

of the company and of employee members appointed by trade union branches within the company. Two out of seven members elected by the general meeting of the company are women.

Attendance in 2021

In 2021, the members of the Board attended Board meetings as detailed in the table at the bottom of the previous page.

The Board's work in 2021

In 2021, the Board held six meetings and one initial statutory meeting following the AGM. Reviews of the company's operations, markets and finances have been standing items on the agenda. In addition to these points, the work of the Board during the year focused primarily on investment discussions, market communication, acquisition processes, budgets/forecasts, financing and strategy discussions relating to the company's operations.

The Audit Committee

The members of the Audit Committee are

Lars-Åke Rydh (chairman) and Åsa Hedin, both of whom were appointed by the Board. The work of the committee is regulated by a specific rules of procedure, which have been adopted by the Board. The Audit Committee met on four occasions in 2021. Both members attended all meetings. The company's CFO and, at certain meetings, the company's auditors, also participated in meetings. Minutes were taken at all meetings.

The Remuneration Committee

The members of the Remuneration Committee are Fredrik Arp (chairman) and Lovisa Hamrin, both of whom were appointed by the Board. The committee met on three occasions.

Ahead of 2022, the committee drew up principles for variable remuneration and other remuneration and benefits for the President and CEO and senior executives, which will be presented by the Board to the AGM for resolution.

Reporting and control

The Board and the Audit Committee analyze and assess risks and control environments, and oversee the quality of financial reporting and Nolato's internal control systems. This takes place by, for example, issuing instructions to the President and CEO, agreeing on requirements for the content of the reports on financial conditions given to the Board on an ongoing basis, and holding reviews together with the management and the auditors. The Board is informed, and ensures the quality, of financial reports such as monthly reports, forecasts, interim and annual reports, but has delegated to company management the task of ensuring the quality of presentation materials in connection with meetings held with the media, shareholders and financial institutions.

The Board is provided with the minutes drawn up by the Audit Committee and any observations, recommendations and proposals for decisions and measures, which are continually reported to the full Board.

REMUNERATION OF THE BOARD AND SENIOR EXECUTIVES

See Note 27 on page 86 regarding policies, the preparatory and decision-making process, and information about remuneration and benefits.

THE BOARD'S DESCRIPTION OF INTERNAL CONTROLS IN RELATION TO FINANCIAL REPORTING

According to the Swedish Companies Act and Swedish Corporate Governance Code, the Board is responsible for the company's internal controls. In the description, the Board does not issue any statement on the effectiveness of internal controls.

Nolato's internal controls in relation to financial reporting includes five main activities: creating a control environment, risk assessment, control activities, information and communication, and monitoring.

Control environment

Effective Board work forms the foundation for good internal controls. The Board has established clear processes and rules of procedure for its work. One key element of the Board's work is deciding on and approving a number of fundamental policies, guidelines and frameworks for financial

reporting. These include the Code of Conduct, Information Policy and Financial Policy.

The Board evaluates the operating activities' performance and results on an ongoing basis, via reporting which includes business outcomes, earnings, rolling forecasts, the analysis of key performance indicators and other significant operating and financial information.

Nolato has a simple legal and operational structure, with established management and internal audit systems. This enables the business to react swiftly in the event of changes in the conditions in the Group's market or in other areas. Operational decisions are taken at company or business area level, while decisions on overall strategy, focus, acquisitions, major investments and overall financial issues are taken by Nolato's Board and Group management.

Internal controls in relation to Nolato's financial reporting is tailored to work within this organizational structure. Within the Group, there is a clear regulatory framework for delegating responsibility and authorization, and this follows the Group structure.

The basis for internal controls in relation to financial reporting is a control environment consisting of the organization, decision-making paths, authorization and responsibilities communicated, as well as the culture within which the Board and company management communicate and operate.

Policy documents

Nolato's group-wide regulations are defined in eight policy documents, as detailed in the list on page 48. These documents are an important part of creating an effective control environment within Nolato.

The documents relating to the Group's core values are based on the combination of ethical and professional values that Nolato has upheld for many years, and that are communicated to all employees, including in the form of a publication entitled 'The Nolato Spirit'.

In addition to these policy documents, rules of procedure for the Board, and CEO instructions have been drawn up. These describe matters such as the division of work within the Board and the duties of the Chairman of the Board and the President and CEO.

Rules of procedure have also been drawn up for the managing director of each subsidiary.

Managers at various levels within the company are responsible for dealing with internal controls on an ongoing basis within their own particular areas of responsibility.

Risk assessment

The company carries out a risk analysis of its financial reporting, which is evaluated and adopted by the Board. In connection with this risk analysis, income statement and balance sheet items are identified where there is a heightened inherent risk of material errors.

Within the company's operations, these risks are mainly present in non-current assets, financial instruments, inventories, trade receivables, accrued expenses, taxes and revenue recognition.

These risk assessments are based on effects on financial reporting, the outcome of the income statement, business processes, external factors and the risk of fraud.

Control activities

Those risks that have been identified in relation to financial reporting are dealt with

via the company's control activities, e.g. authentication checks for IT systems and authorization controls.

These operational-specific controls are supplemented by detailed financial analyses of earnings and monitoring against business plans and forecasts, providing an overall assessment of the quality of the reporting.

Information and communication

The company's steering documents for financial reporting consist mainly of policies and guidelines, which are kept up-to-date and communicated via the relevant channels. Information is obtained from the subsidiaries through financial and operational reports to the boards of the subsidiaries, the business area management and the Group management.

There is an information policy for communication with external parties, which provides

POLICY DOCUMENTS

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

- **Nolato's Basic Principles:** These define the platform of shared values for all Group operations.
- **Code of Conduct:** This sets out the ethical and compassionate principles that Nolato employees are obliged to follow. Nolato's group-wide policies regarding the environment, health and safety, suppliers and quality are integrated into the Code of Conduct.
- **Financial Policy:** This governs how financial risks should be managed in 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.
- **Inside Information Policy:** This supplements the rules contained in the EU Market Abuse Regulation and other insider trading legislation with directives on notification obligations and trading in Nolato's shares.
- **Trade Sanctions Policy:** This regulates the restrictions on employees having business relationships with certain individuals, companies, governments and countries according to sanctions, laws and rules issued by various countries at any given time.
- **Whistleblowing Policy:** This governs the Group's systems and procedures for receiving and handling reports of any irregularities.

guidelines on how such communication should be carried out. The aim of the policy is to ensure that all information obligations are correctly and fully complied with.

Monitoring

The President and CEO is responsible for internal controls being organized and monitored in accordance with the guidelines established by the Board. Financial control is carried out by the Group financial function. Financial reporting is analyzed in detail each month.

The Board has monitored the financial reporting at its meetings, and the company's auditors have reported back their observations to the Board and the Audit Committee. The Audit Committee has received regular reports from the auditor, and monitors measures taken to improve or amend controls. The Board has received monthly financial reports and the company's financial situation has been addressed at each Board meeting.

The Board and the Audit Committee review all interim and annual reports prior to publication.

Internal audit

Nolato has a simple legal and operating structure and established management and internal audit systems. The Board and the Audit Committee monitor the organizational assessment of internal controls, including through contact with Nolato's auditors. In view of the above, the Board has chosen not to carry out any separate internal audit.

OTHER INFORMATION

Group management

In 2021, the Group's management consisted of Christer Wahlquist (President and CEO), Per-Ola Holmström (CFO), Johan Iveberg (President of Medical Solutions), Jörgen Karlsson (President of Integrated Solutions), Johan Arvidsson (President of Industrial Solutions), Camilla Magnusson (Group Procurement Director) and Glenn Svedberg (Head of Sustainability).

Further information about the members of Group management is available on page 54.

Business operations

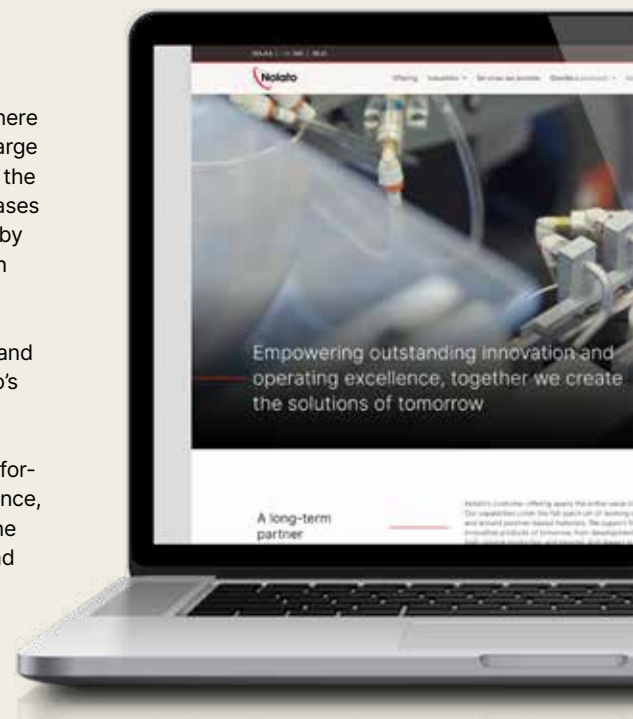
All operations in the Group are conducted by subsidiaries, in keeping with the decentralized culture that has always been a hallmark of Nolato. The operational subsidiaries are organized into three customer-focused business areas. Information about them can be found on pages 27–41.

Information for shareholders, etc.

Nolato reports to Nasdaq Stockholm, where the company's shares are listed in the Large Cap segment. Information is provided in the form of quarterly reports and press releases according to the requirements imposed by the stock exchange and the information policy adopted by Nolato's Board.

Reports, press releases, annual reports and other information are available on Nolato's website at [nolato.com/en/ir](https://www.nolato.com/en/ir).

The website also provides up-to-date information about Nolato's corporate governance, including the current shareholdings of the Board, current Articles of Association and information about the Annual General Meeting and the largest shareholders.



Torekov, March 17, 2022



Fredrik Arp
Chairman of the Board



Tomas Blomquist
Board member



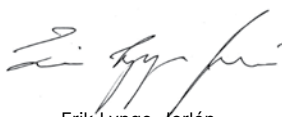
Sven Boström
Board member



Lovisa Hamrin
Board member



Åsa Hedin
Board member



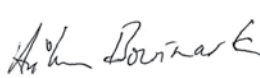
Erik Lyng-Jorlén
Board member



Lars-Åke Rydh
Board member



Christer Wahlquist
President and CEO



Håkan Bovimark
Employee representative



Björn Jacobsson
Employee representative

AUDITOR'S STATEMENT ON THE CORPORATE GOVERNANCE REPORT

To the general meeting of the shareholders of Nolato AB, company reg. no. 556080-4592

Remit and division of responsibility

The Board of Directors is responsible for the corporate governance report for the 2021 financial year and for ensuring that it is prepared in accordance with the Swedish Annual Accounts Act.

Focus and scope of the review

Our review has been carried out according to FAR's auditing standard RevU 16 The Auditor's

Examination of the Corporate Governance Statement. This means that our review of the corporate governance report has a different focus and is considerably smaller in scope than the focus and scope of an audit conducted in accordance with the International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that this review provides us with a sufficient basis for our opinions.

Opinion

A corporate governance report has been prepared. Disclosures in accordance with Chapter 6, Section 6 second paragraph, points 2–6 of the Annual Accounts Act and Chapter 7, Section 31, second paragraph of the same law are consistent with the annual accounts and consolidated accounts, and are in accordance with the Annual Accounts Act.

Torekov, March 24, 2022
Ernst & Young AB



Joakim Falck
Authorized public accountant



Board of Directors



Name	Fredrik Arp	Tomas Blomquist	Sven Boström	Lovisa Hamrin	Åsa Hedin
Elected	2009 (also member 1998–1999)	2021	2013	2017	2014
Position	Chairman of the Board and Chairman of the Remuneration Committee	Board member	Board member	Board member and member of the Remuneration Committee	Board member and member of the Audit Committee
Born	1953	1970	1983	1973	1962
Education	Master of Science (Economics) and Ec. Doctor h.c.	Marketing/Economics	Bachelor of Science (Chemistry) Master of Science (Analytical Chemistry) and Bachelor of Science (Economics)	Master of Science (Economics and Business), Stockholm School of Economics and Bachelor of Science (Economic History)	Master of Science (Biophysics), Bachelor of Science (Physics)
Other assignments	Chairman of Bravida Holding AB, Gränges AB and Hövding AB. Board member of Swedfund International.	—	—	Chairman of Herenco AB and Hamrin Foundation. Board member of Jönköping International Business School, Jönköping County Chamber of Commerce, Swedish Entrepreneurship Forum and Lyko.	Chairman of Tobii AB and Artificial Solutions AB. Board member of Cellavision AB, C-Rad AB, Biotage AB and Industriefonden AB.
Background	CEO of Volvo Cars, Trelleborg, PLM.	President and CEO of Biotage. Senior management positions at Abbott, Alere, Analyticon and Johnson & Johnson.	—	Owner and President of Herenco AB, owner and Executive Chairman of Herenco Holding AB, senior positions at Hall Media AB and Schibsted.	Deputy CEO of Elekta AB. Senior positions at Siemens Healthcare and Gambro AB.
Attendance	6 of 6 meetings	3 of 6 meetings (Elected at the Annual General Meeting)	6 of 6 meetings	6 of 6 meetings	6 of 6 meetings
Remuneration ¹⁾	825,000	250,000	250,000	285,000	310,000
Shareholding ²⁾	30,000 B (30,000 B)	0	2,558,700 B (2,558,700 B)	8,192,000 A + 14,060,191 B (8,192,000 A + 13,647,430 B)	0 (0)
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 but not independent of major shareholders.	Independent of the company and major shareholders.

¹⁾ For further information about remuneration, see Note 27 on pages 86–87.

²⁾ Shareholding in Nolato at Dec. 31, 2021 (Dec. 31, 2020) incl. family and companies, according to Euroclear Sweden. Shareholding information is always available at www.nolato.com/en/IR/The-Nolato-share



Name	Erik Lynge-Jorlén	Lars-Åke Rydh	Håkan Bovimark	Björn Jacobsson
Elected	2020	2005	2014 Deputy 2009–2014	2015 (also member 2000–2013) Deputy 2014
Position	Board member and Board's representative for sustainability issues	Member of the Board and chairman of the Audit Committee	Employee representative from PTK (Swedish Federation of Salaried Employees in Industry and Services)	Employee representative from LO (the Swedish Trade Union Confederation)
Born	1979	1953	1960	1971
Education	Bachelor of Education	Master of Science (Engineering)	Upper-secondary school. Certified member of the Board of PTK.	Upper-secondary school
Other assignments	—	Chairman of Danfo AB, Olja ek. för., Schuchardt Maskin AB, Chiffonjén AB and Prototypen AB. Board member of Nefab AB, Garo AB, Spectria Invest Fond AB, Söder- bergsföretagen AB, Hjo Verktyg AB and Östrand o Hansen AB.	Deputy board member of Nolato Cerbo AB.	Board member of Nolato Gota AB.
Background	Upper-secondary school teacher.	President and CEO of Nefab.	Employed at Nolato Cerbo.	Employed at Nolato Gota.
Attendance	6 of 6 meetings	6 of 6 meetings	5 of 6 meetings	6 of 6 meetings
Remuneration ¹⁾	250,000	340,000	0	0
Shareholding ²⁾	2,000 A + 350,000 B (2,000 A + 350,000 B)	20,000 B (20,000 B)	0 (0)	0 (0)
Dependence	Independent of the com- pany but not independent of major shareholders.	Independent of the company and major shareholders.	—	—

Deputy employee representatives are Arif Mislmi (LO, Swedish Trade Union Confederation), Agneta Olsson and Reynaldo Mejedo (PTK, Swedish Federation of Salaried Employees in Industry and Services).

¹⁾ For further information about remuneration, see Note 27 on pages 86–87.

²⁾ Shareholding in Nolato at Dec. 31, 2021 (Dec. 31, 2020) incl. family and companies, according to Euroclear Sweden. Shareholding information is always available at www.nolato.com/en/IR/The-Nolato-share

Nolato Group management



Name	Christer Wahlquist	Per-Ola Holmström	Johan Iveberg	Jörgen Karlsson
Employed	1996	1995	2010	1995
Position	President and CEO since 2016.	Deputy CEO and CFO since 1995.	President of Medical Solutions since 2016.	President of Integrated Solutions since 2009.
Born	1971	1964	1969	1965
Education	Master of Science (Engineering) MBA	Bachelor of Science (Economics)	Master of Science (Engineering)	Polymer Engineering
Background	Business Area President. MD in Group companies.	Authorized public accountant.	Senior positions with Trelleborg, Akzo Nobel and Perstorp. MD in Group companies.	Marketing manager. MD in Group companies.
Shareholding ¹⁾	237,120 B (217,120 B)	180,840 B (170,840 B)	125,000 B (75,000 B)	50,000 B (40,000 B)
Warrants	40,000 (Series 2020/2023) 40,000 (Series 2021/2024)	30,000 (Series 2020/2023) 20,000 (Series 2021/2024)		



Name	Johan Arvidsson	Camilla Magnusson	Glenn Svedberg
Employed	1994	2013	2007
Position	President of the Industrial Solutions business area since 2012 and Managing Director of Nolato Hungary since 2008.	Group Procurement Director since 2016.	Head of Sustainability since 2021.
Born	1969	1971	1965
Education	Master of Science (Engineering)	Master of Science (Mechanical Engineering)	Master of Science (Engineering)
Background	MD in Group companies.	Head of Purchasing at Siemens, Saab/GM.	Managing Director of Nolato Cerbo, Promens and Flextronics, senior positions at Ericsson and Volvo Equipment.
Shareholding ¹⁾	120,000 B (110,000 B)	2,520 B	102,000 B
Warrants		7,000 (Series 2021/2024)	15,000 (Series 2020/2023) 30,000 (Series 2021/2024)

¹⁾ Shareholding in Nolato at Dec. 31, 2021 (Dec. 31, 2020) incl. family and companies, according to Euroclear Sweden. Shareholding information is always available at www.nolato.com/en/IR/The-Nolato-share

Directors' report and financial statements

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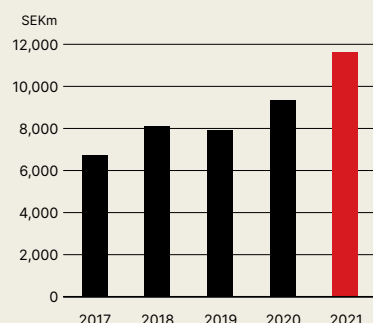
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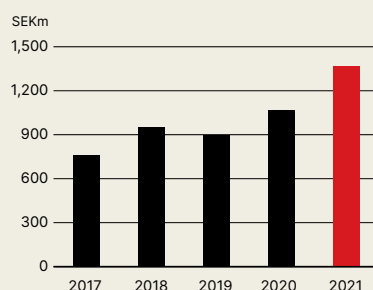
* The content of pages 55–102 has been audited.

Directors' report

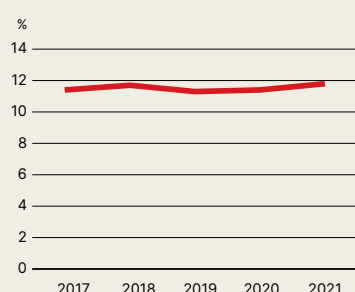
Sales



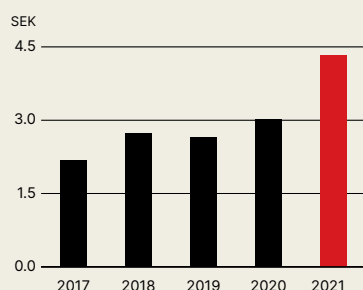
Operating profit (EBITA)



EBITA margin



Diluted earnings per share



Operations in 2021

The Board of Directors and President and CEO hereby publish the annual accounts and consolidated accounts for Nolato AB (publ), company registration number 556080-4592, for the 2021 financial year. Nolato is a Swedish publicly listed group with 8,669 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, consumer electronics, telecom, automotive and other selected industrial sectors. The business model is based on close, long-term and innovative collaboration with customers. Nolato endeavors 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 Exchange in the Large 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:

Medical Solutions: Development and manufacture of complex product systems and components for medical devices, the pharmaceutical industry and diagnostics.

Integrated Solutions: Design, development and manufacture of advanced components, subsystems and ready-packaged products for consumer electronics. EMC & Thermal develops and manufactures shielding and heat dissipation products and systems for electronics.

Industrial Solutions: Development and manufacture of products and product systems for customers in the automotive, hygiene, packaging, gardening/forestry, domestic appliance

and furniture sectors, and other selected industrial segments.

The activities of these three business areas are based on the same core elements of responsible business conduct, 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 specialization 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. Medical Solutions operates on a market with long product life cycles and low business cycle dependency, while Integrated Solutions is the opposite, with short product lifespans and high project volatility. And between these two extremes is Industrial Solutions.

The operations of these business areas are presented in more detail on pages 27–41.

Financial summary

Consolidated sales rose by 24% in 2021, amounting to SEK 11,610 million (9,359). Adjusted for currency and acquisitions, sales rose by 18%. Operating profit (EBITA) increased to SEK 1,369 million (1,066), giving an EBITA margin of 11.8% (11.4).

Operating profit (EBIT) rose to SEK 1,283 million (1,079), excluding non-recurring items. Including non-recurring items, profit amounted to SEK 1,333 million (1,048) after an expense of SEK 36 million for the amortization of intangible assets arising in connection with acquisitions. The EBIT margin was 11.5% (11.2).

For further financial information, see the five-year review on page 93.

Sales, operating profit and EBITA margin by business area, 2019–2021

SEKm	Sales			Operating profit (EBITA)			EBITA margin (%)		
	2021	2020	2019	2021	2020	2019	2021	2020	2019
Medical Solutions	4,067	3,089	2,484	457	402	320	11.2	13.0	12.9
Integrated Solutions	5,226	4,068	3,292	671	548	427	12.8	13.5	13.0
Industrial Solutions	2,324	2,205	2,159	208	168	181	9.0	7.6	8.4
Intra-Group adj., Parent Co.	– 7	– 3	– 16	33	– 52	– 33	—	—	—
Group total	11,610	9,359	7,919	1,369	1,066	895	11.8	11.4	11.3

Consolidated profit after tax was SEK 1,160 million (806). Diluted earnings per share were SEK 4.32 (3.02). Adjusted earnings per share after dilution, excluding amortization of intangible assets arising from acquisitions, amounted to SEK 4.42 (3.08). The effective tax rate was 17.2% (20.5).

Medical Solutions

Medical Solutions sales totaled SEK 4,067 million (3,089); adjusted for currency and acquisitions, sales grew by 6%. The year generally saw strong demand in most areas, but mainly in diagnostics, in part because of the pandemic. Growth in the diagnostics segment has, however, been limited by available capacity during certain periods. In addition, volumes in this business area continued to be adversely affected by postponed surgical operations, while there has also been a return to more normal inventory levels by several customers in other areas as pandemic-related restrictions were eased or removed in the third quarter. Growth was good in most areas in the fourth quarter, with the surgical segment also showing some growth, but this area continues to be affected by the pandemic situation as a result of postponed operations.

Operating profit (EBITA) increased to SEK 457 million (402). The EBITA margin was 11.2% (13.0). A lower operating margin in the acquired US business, consolidated since September 1, 2020, is having a dilutive effect. In addition, the margin was adversely affected by volumes from the third quarter and high costs for the ramp-up of a large project. The ramp-up is resulting in disruptions and temporarily higher costs from the third quarter. A shortage of materials and labor are leading to lower efficiency in Nolato's production, which further affected the margin in the fourth quarter.

Integrated Solutions

Integrated Solutions sales totaled SEK 5,226 million (4,068). Adjusted for currency, sales increased by a remarkable 36% on the back of strong growth in both Vaporiser Heating Products (VHP) and EMC. VHP volumes demonstrated good growth in 2021 and were very high in the third and fourth quarters. EMC sales increased sharply as a result of good growth in telecom and, above all, owing to strong relative growth in automotive.

Operating profit (EBITA) was SEK 671 million (548). The EBITA margin was 12.8% (13.5). The margin was mainly affected by changes in the sales mix.

Industrial Solutions

Industrial Solutions sales totaled SEK 2,324 million (2,205); adjusted for currency and acquisitions, sales grew by 4%. In 2020, demand from automotive industry customers was significantly impacted by production halts for periods of the year. 2021 was also affected by supply chain disruptions, which impacted volumes. Supply chain disruptions have intensified since the summer vacation period, with component shortages causing some customers to halt production or reduce production capacity periodically.

Operating profit (EBITA) increased sharply to SEK 208 million (168). The EBITA margin rose to 9.0% (7.6), driven by improved efficiency, especially in the first quarter of the year. The margin was adversely affected in the second half of the year by supply chain disruptions, leading to lower volumes and low production efficiency.

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 Large Cap segment, where they are included in the Industrials sector. The company's A shares are not listed.

The share capital totals SEK 135 million, divided among 269,377,080 shares. Of these, 27,594,000 are A shares and 241,783,080 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.

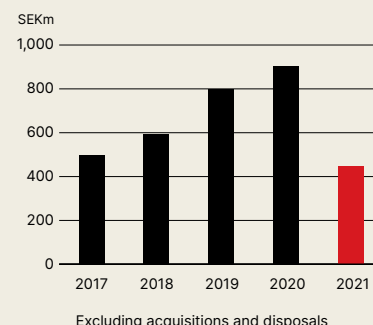
At the end of 2021, Nolato had 15,489 (11,656) shareholders. The largest shareholders are the Jorlén family and the Boström family with 9% each, the Hamrin family with 8%, and Capital Group and Lannebo Fonder with 7% of capital each.

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.

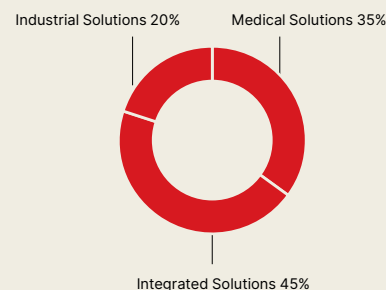
Between 2018 and 2021, Nolato's management were offered the opportunity to acquire warrants for the purchase of shares at a predetermined price.

At the end of the period, the Group had one incentive program: Incentive Program 2019/2024. Series 2020/2023 has redemptions from May 1, 2023 to December 15, 2023, and the

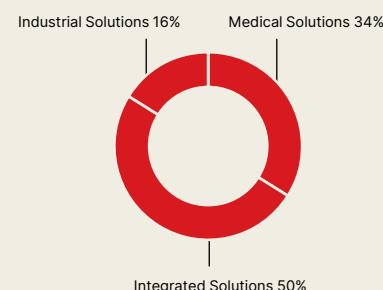
Cash flow after investments



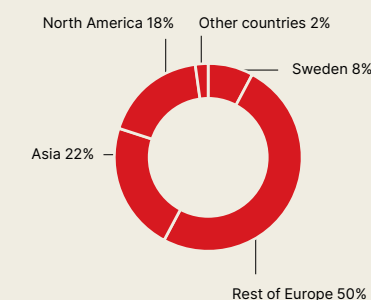
Share of sales



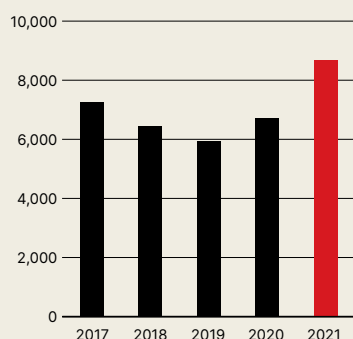
Share of operating profit (EBITA)



Sales by geographic markets

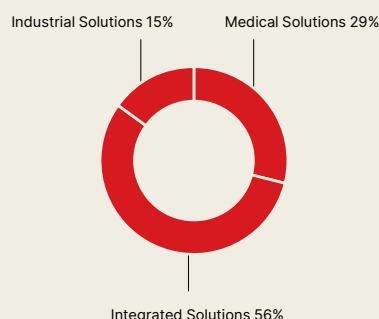


Average no. of employees



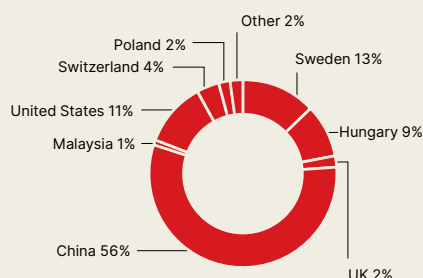
Employees by business area

Average



Employees by country

Average



subscription price is SEK 92.88 each. Series 2021/2024 has redemptions from May 1, 2024 to December 15, 2024, and the subscription price is SEK 140.20 each. The programs have been taken into account in calculating the number of shares after dilution. Upon full subscription of remaining warrants, the program provides a maximum of 544,500 new B shares.

Further information about Nolato's shares can be found on pages 42–43. Up-to-date information about the share price and shareholders is always available at www.nolato.com.

Corporate governance

Basic information about the company's governance, Board of Directors and management can be found on pages 44–54 and constitutes Nolato's Corporate Governance Report.

Remuneration guidelines

The guidelines for the remuneration of senior executives agreed on at the latest annual general meeting are summarized in Note 27 on pages 86–87. This note also explains what happens if these executives resign or are dismissed by the company. The guidelines can be read in full on Nolato's website, www.nolato.com/en/corporate-governance. These guidelines are also essentially the same as the Board's proposals for guidelines for the remuneration of senior executives proposed to the 2022 annual general meeting.

Parent Company

The Parent Company Nolato AB, which has no operating activities, is a holding company which carries out joint Group management functions and financial and accounting functions.

Sales totaled SEK 69 million (69). Profit after financial income and expense was SEK 687 million (508).

Proposed appropriation of profits

The profit at the disposal of the annual general meeting is as follows (SEKm):

Retained earnings	1,622
Profit for the year	862
Total	2,484

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

Dividend to shareholders of	
SEK 1.90 per share	512
To be carried forward	1,972
Total	2,484

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.

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 Medical Solutions, we see opportunities for sustained growth by investing in new projects and customer relationships. For Integrated Solutions, we will carry on extending our offering into related products with our integrated solutions. Industrial Solutions is able to continue expanding into new markets and growing through acquisitions.

We are continuing to explore acquisition opportunities, primarily within Medical Solutions, but also bolt-on acquisitions on the technology side to enable us to expand our customer offering.

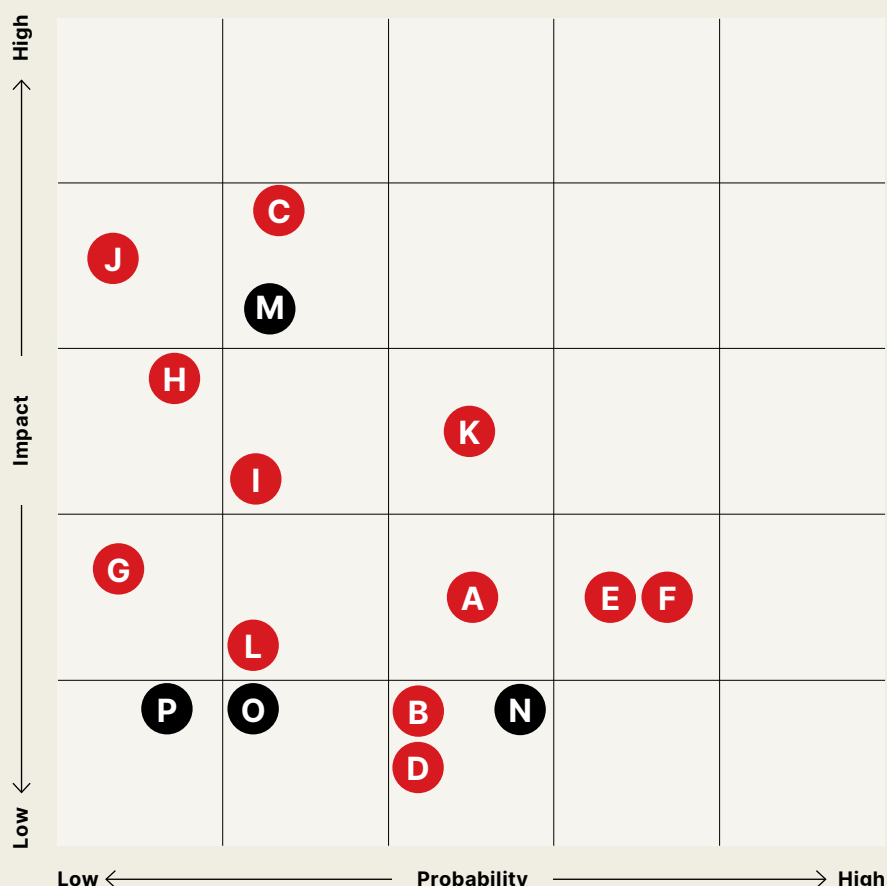
However, Nolato does not provide any earnings forecast because as a supplier, the company conducts operations that are highly dependent on its customers' internal decisions and commercial performance. Factors among customers that we cannot influence in the short term, such as postponed or cancelled projects, higher or lower sales volumes and longer or shorter product lifespan, 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 carry on developing Nolato. We will continue to grow by working even more closely with our customers to ensure we satisfy their demands and requirements.

Potential risks in the organization

An important aspect of Nolato's strategic planning is identifying potential risks in the organization, assessing their likelihood and any consequences and minimizing 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 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 organization, 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 continuous improvement at all levels through regular 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 and disruptions
- I Legal risks
- J Product liability risk
- K Sustainable development risks
- L Pandemic

Financial risks

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

Operational risks	Risk exposure	Risk management
A Business cycle risk The risk that an economic downturn could have a significant impact on Nolato's performance and earnings.	Medical Solutions and Integrated Solutions' operations have a fairly low sensitivity to economic and business cycle fluctuations, while Industrial Solutions' 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.
B Subcontractor risk The risk that changes at customers could have a significant negative impact on Nolato's performance and earnings.	As a subcontractor, Nolato is highly dependent on customers' internal decisions and commercial performance. Factors among customers that we cannot influence include postponed or cancelled projects, higher or lower sales volumes and longer or shorter product lifespans.	By means of active and close contact with customers we endeavor to identify changes at an early stage and adapt our resources.
C Customer dependence The risk that changes at individual customers could have a significant negative impact on Nolato's performance and earnings.	Dependence on individual customers is lowest in Industrial Solutions, whose market is made up of a large number of customers. Medical Solutions also has good risk diversification across a large number of customers, while Integrated Solutions has fewer customers. One VHP customer accounts for roughly three-quarters of the business area's sales.	We are endeavoring to broaden our customer base and offering within Integrated Solutions.
D Supplier dependence The risk of a supplier being unable to deliver to Nolato on time or at the right quality.	If a significant, strategic supplier fails to fulfil its undertakings we could face problems supplying on time and at the right quality to our customers.	For input goods and machinery, this risk is limited by the fact that there are a number of alternative suppliers. In terms of components for system products, the choice of supplier is usually made in consultation with Nolato's customer.
E Raw material price risk The risk of an important raw material increasing in price and having a significant negative effect on various projects. In Nolato, this mainly applies to various plastic raw materials.	Quantities of plastic raw material in our production vary from business area to business area. For Integrated Solutions, which also has other input materials, the plastic raw material only accounts for around 5–10% of the selling price, while the corresponding figure is around 20–25% for Medical Solutions and 25–30% for Industrial Solutions.	We endeavor to include price adjustment clauses in supply agreements that cover an extended period of time. Product lifespan within Integrated Solutions is short, which limits the risk in this business area.
F Energy cost risk The risk of the cost of energy rising and having a significant negative impact on profitability. Within Nolato this mainly applies to the purchase of electricity.	Nolato primarily uses electrical energy in production. In 2021, energy costs totaled SEK 212 million, of which 95% related to electricity.	The risk of negative effects from rising electricity prices is mitigated by the Group entering into fixed price agreements for 20–80% of electricity requirements for the next four to 12 quarters.
G Production risks The risk of significant supply delays and/or quality issues.	As a subcontractor, 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. Just over 95% of production units are certified in accordance with ISO 9001. Most are also certified in accordance with industry-specific standards such as ISO/TS 16949 (automotive) and ISO 13485 (medical technology).
H Property damage and disruptions The risk of a negative impact on earnings and customer confidence as a result of a fire, explosion, natural disaster, damage to machinery, etc.	Major property damage to a building or production equipment can lead to production losses that could impact the Group's profit. Our base technologies are in place at most of the Group's production units, making it possible to relocate production from one affected unit to another unit in the event of disruptions and consequently mitigate the effects of the damage.	All units must follow Nolato's risk management manual to achieve the specified level of risk and thereby reduce the risk of significant damage and create strong security of supply. The risk manual also provides guidelines for the Group's property insurance. External risk engineers inspect the production units based on a rolling schedule to verify that risks are being managed in line with the manual.
I Legal risks The risk of significant disputes with different external stakeholders.	Legal risks can primarily 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 authorized to enter into.
J Product liability risk The risk of faults in a product manufactured by Nolato leading to significant financial claims on the Group.	Design liability for products and components usually lies with customers. Nolato's risk is therefore limited solely to manufacturing faults.	The Group follows an advanced concept involving competent staff, quality assurance systems and checklists. In many cases, in-line monitoring takes place using automated vision systems. Just over 95% of production units are certified in accordance with ISO 9001. Most are also certified in accordance with industry-specific standards such as ISO/TS 16949 (automotive) and ISO 13485 (medical technology).
K Sustainable development risks The risk of significant environmental damage, which could lead to costs or have a negative impact on Nolato's reputation.	Nolato's operations do not involve any significant environmental impact through a risk of emissions to air, water and land. There are no known pollutants of land and groundwater at Nolato's plants. Hazardous substances (asbestos) are present in buildings and equipment to a very limited extent at a couple of plants. The risk to people and the environment is deemed to be very small.	The production units have the necessary environmental permits and fulfil the requirements of other relevant environmental legislation. All units apart from six companies in recently acquired Nolato GW are certified in accordance with ISO 14001. Nolato GW will achieve certification before year-end 2023. Regular risk assessments are carried out to identify new environmentally related risks and/or costs. Regular assessments are carried out of the risk of ground contamination and other environmental damage in connection with company acquisitions.

Operational risks	Risk exposure	Risk management
The risk of climate change affecting the Group's operations.	None of the Group's units are exposed to extreme weather conditions or flooding. The units in Beijing are located in an area with limited access to water.	The Group is proactive about cutting greenhouse gas emissions from production plants and products. Scenario analyses have been initiated into how Nolato is impacted by physical climate change, political decisions and legislation. Nolato has begun applying TCFD guidelines in relation to these issues (page 119). Climate-related risks are taken into account when carrying out acquisitions and supplier assessments.
The risk of lost business due to customers' interest in greater use of bio-based and recycled polymer raw materials not being satisfied. The risk of lost business through society being more cautious about plastic products.	Nolato makes polymer products that are primarily based on fossil raw materials. The use of fossil raw materials contributes to climate change. Our range includes products with both long and short lifespans. There is a risk of products with short lifespans ending up littering the environment.	Our range also includes a number of products that have an environmental benefit, for example through reduced weight and lower content of fossil raw materials. The Group is stepping up its efforts within environmentally sustainable product development to reduce the risk of losing business and to contribute to sustainable development, for example by increasing the proportion of recycled or bio-based raw materials.
The risk of the Group's costs increasing significantly or of negative publicity owing to events relating to employees, respect for human rights, business ethics or other areas related to social responsibility.	Nolato has large units in Sweden, Hungary, the UK, Switzerland, the US and China. The majority of our employees operate outside Sweden. The concentration in Asia brings a heightened risk in areas such as working conditions and business ethics (corruption). There is always a risk of failure to apply sound business principles, irrespective of where operations are pursued. The materiality analysis therefore gives business ethics a very high priority.	All major units are wholly owned by Nolato, which facilitates the Group's management of sustainable development. Nolato has a significant focus on all units creating good working conditions for employees. Nolato has zero tolerance of bribery, corruption and cartel formation. Nolato's core values and Code of Conduct are continually communicated to staff. Whistle-blowing is applied within the Group. Suppliers are regularly assessed via audits and questionnaires, in which our key suppliers also affirm that they comply with Nolato's Code of Conduct.
L Pandemic The spread of Covid-19 or other global pandemics can have a negative impact on the development of the company's business, position and earnings.	Nolato has operations on three continents and a global pandemic can affect customer behavior and their ability to purchase the Group's products. Furthermore, national regulatory measures such as lockdowns can impact Nolato's production capacity. The same applies to suppliers of goods and services, and customers. However, a global pandemic can increase demand for certain products within Nolato Medical, such as medical diagnostics products.	Nolato's responsibility as an employer is to help reduce the spread of infection and quickly adjust operations to national recommendations and rules that are put in place. Our fundamental approach is to conduct operations in a safe way, primarily via precautionary measures and adapted working procedures. This approach has evolved during 2021 based on our experiences, and has proved effective. In addition to internal work, Nolato can work with suppliers and customers to ensure we are prepared for a future global pandemic.
Financial risks*	Risk exposure	Risk management
M Customer credit risk The risk of a major customer becoming insolvent and being unable to pay for orders made.	In terms of customers within Industrial Solutions and Medical Solutions, this risk is mitigated by sales taking place in a large number of countries to a large number of customers, which diversifies the risk. Integrated Solutions 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 trade receivables amounted to SEK 1,574 million at year-end (all receivables from all customers).	The Group's revenues are mostly derived from medium-sized and large global customer groups, which reduces the risk of credit losses but does not eliminate them. Nolato continually monitors the development of overdue receivables and the financial position of large customers.
N Foreign exchange risk The risk that fluctuations between different currencies will have a significant negative impact on Nolato's performance and earnings. This risk consists of transaction exposure, which derives from buying and selling in different currencies, and translation exposure, which derives from the translation of foreign subsidiaries' assets, liabilities and earnings to Swedish kronor.	Estimated net flows in foreign currency amounted to SEK 352 million at year-end, 52% of which was hedged. This means that SEK 169 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 8 million on Group profit. The Group has SEK 1,594 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 80 million on the net assets in the Group.	Nolato carries out short-term currency hedging for part of the Group's estimated net exposure in foreign currencies in order to even out fluctuations in earnings. See tables in Note 30 on pages 89–90.
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.	At year-end, interest-bearing liabilities amounted to SEK 2,041 million. An increase in the interest rate of one percentage point would result in an increase of SEK 20 million in annual interest expense. At year-end, the Group's financial net liabilities amounted to SEK 593 million, including pension and lease liabilities.	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%.
P Financing and liquidity risk The risk of the Group having problems accessing capital.	Total credit lines granted in the Group amount to SEK 2,900 million (3,295). Of this amount, SEK 600 million matures on April 24, 2022; SEK 900 million on August 6, 2024; SEK 511 million on December 22, 2024, and SEK 678 million on August 6, 2025. Other credit commitments of SEK 211 million (263) mature between 2022 and 2023.	In order to maintain financial flexibility and meet the Group's capital requirements, loan facilities are continually agreed.

*Financial risk management is described in detail in Note 30 on pages 89–92.

Consolidated income statement

SEKm	Note	2021	2020
Net sales	3, 4	11,610	9,359
Cost of goods sold	5, 6	- 9,793	- 7,853
Gross profit		1,817	1,506
Selling expenses	6	- 178	- 138
Administrative expenses	6	- 357	- 293
Other operating income and operating expenses, net	7	51	- 27
		- 484	- 458
Operating profit		1,333	1,048
Financial income	8	133	20
Financial expenses	8	- 65	- 54
		68	- 34
Profit after financial income and expense		1,401	1,014
Tax	9	- 241	- 208
Profit for the year attributable to Parent Company share-holders		1,160	806
Diluted earnings per share, (SEK)	10	4.32	3.02

Consolidated comprehensive income

SEKm	2021	2020
Profit for the year attributable to Parent Company shareholders	1,160	806
Other comprehensive income		
Items that cannot be transferred to profit for the period		
Revaluations of defined benefit pension schemes	41	- 26
Tax attributable to items that cannot be reversed to profit for the period	- 6	4
	35	- 22
Items transferred or that could be transferred to profit for the period		
Translation differences for the year on translation of foreign operations	195	- 139
Changes in the fair value of cash flow hedges for the year	9	- 11
Tax attributable to changes in the fair value of cash flow hedges	- 2	2
	202	- 148
Total other comprehensive income, net	237	- 170
Comprehensive income for the year attributable to Parent Company shareholders	1,397	636

Comments on the consolidated income statement

Net sales

Consolidated sales totaled SEK 11,610 million (9,359). This was a significant 18% increase, adjusted for currency and acquisitions.

Medical Solutions sales totaled SEK 4,067 million (3,089); adjusted for currency and acquisitions, sales grew by 6%. The year generally saw strong demand in most areas, but mainly in diagnostics, in part because of the pandemic. Furthermore, there was a negative impact on volumes for the business area due to postponed operations in the area of surgery.

Integrated Solutions sales totaled SEK 5,226 million (4,068). Adjusted for currency, sales increased by a remarkable 36% on the back of strong growth in both Vaporiser Heating Products (VHP) and EMC.

Industrial Solutions sales totaled SEK 2,324 million (2,205); adjusted for currency and acquisitions, sales grew by 4%. In 2020, demand from automotive industry customers was significantly impacted by production halts for periods of the year. 2021 was also affected by supply chain disruptions, which impacted volumes.

Gross profit

Gross profit totaled SEK 1,817 million (1,506). The cost of goods sold consists of production costs for materials and manufacturing salaries, as well as other production expenses. The gross margin was 15.7% (16.1). Total depreciation/amortization increased and amounted to SEK 472 million (407). This consisted mainly of depreciation of non-current assets in production, which is included in the cost of goods sold in the income statement at SEK 433 million (387). Other depreciation/amortization primarily relates to amortization of intangible assets arising in connection with acquisitions. The increase in depreciation is due to the investments made by the Group over the past few years to expand production capacity, with higher investments than depreciation, and the full-year effect of the acquisition of GW Plastics, which was consolidated as of September 1, 2020.

Other operating income and operating expenses, net

There was a net change to income of SEK 51 million in 2021 compared with a cost of SEK 27 million in 2020, which is primarily due to a positive non-recurring item of SEK 50 million relating to a remitted loan in the US, along with the fact that the previous year had acquisition expenses of SEK 27 million. Net currency effects declined with losses of SEK 19 million (29), together with a reduction in state subsidies received in China of SEK 13 million (23).

Operating profit

Operating profit totaled SEK 1,333 million (1,048). The increase in profit was largely due to growth in all business areas and the margin improvement for Industrial Solutions. Excluding non-recurring items, profit increased to SEK 1,283 million (1,079). Profit for the year includes a positive non-recurring item of SEK 50 million, which relates to a remitted loan. In the previous year, there were non-recurring expenses of SEK -14 million for the closure of a UK business and acquisition expenses of SEK -17 million. These non-recurring items were recognized at Group level and have consequently not affected the profit of the business areas.

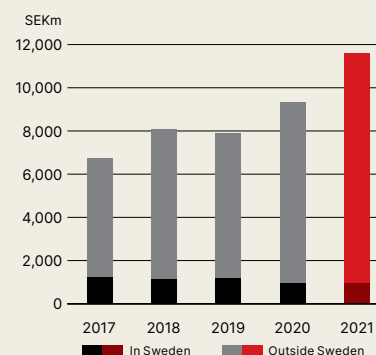
Net financial income/expense

Net financial income/expenses amounted to SEK 68 million in 2021 (-34). Excluding a positive non-recurring item of SEK 115 million, which arose from the revaluation of a contingent consideration concerning the acquisition of GW Plastics, net financial items amounted to SEK -47 million, a decline of SEK 13 million attributable to interest expenses of SEK 6 million and net negative currency effects of SEK 7 million.

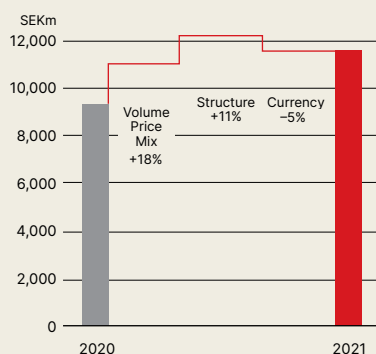
Profit after tax

Profit after tax totaled SEK 1,160 million (806), and diluted earnings per share rose to SEK 4.32 (3.02). Excluding non-recurring items, diluted earnings per share were SEK 3.70 (3.12). The effective tax rate was 17.2% (20.5). Excluding non-recurring items, the tax rate was 19.5%.

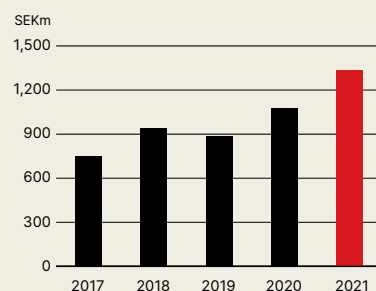
Sales



Change in sales



Operating profit (EBIT)



Consolidated balance sheet

SEKm	Note	2021	2020
Assets			
Non-current assets			
Non-current intangible assets	11	2,234	2,093
Property, plant and equipment	12	2,581	2,049
Rights of use	13	287	353
Non-current financial assets	14	2	2
Other non-current receivables		2	1
Deferred tax assets	9	69	50
Total non-current assets		5,175	4,548
Current assets			
Inventories	15	1,340	826*
Trade receivables	14	1,574	1,254
Current tax assets		49	32
Other current assets	16	468	308*
Other current financial assets	14	1	27
Cash and cash equivalents	14	1,448	1,487
Total current assets		4,880	3,934
Total assets		10,055	8,482
Shareholders' equity and liabilities			
Equity attributable to Parent Company shareholders			
Share capital		135	134
Other capital contributed		488	392
Other reserves	18	213	11
Retained earnings, (incl. profit for the year)		3,932	3,162
Total shareholders' equity		4,768	3,699
Non-current liabilities			
Provisions for pensions and similar obligations	20	247	274
Non-current financial liabilities	13, 19	1,588	1,217
Deferred tax liabilities	9	254	223
Other provisions	21	86	93
Total non-current liabilities		2,175	1,807
Current liabilities			
Trade payables	19	1,463	930
Current tax liabilities		101	42
Other current financial liabilities	13, 19	211	944
Other current liabilities	22	1,337	1,060*
Total current liabilities		3,112	2,976
Total liabilities		5,287	4,783
Total liabilities and shareholders' equity		10,055	8,482

* At December 31, 2020, inventories were reclassified by SEK -284 million and other current assets by SEK +82 million, a net total of SEK -202 million of total assets, which also reduced other current liabilities.

Comments on the consolidated balance sheet

Assets

Non-current assets grew to SEK 5,175 million (4,548), mainly as a result of increased investment in expanding production capacity, but also partly because of a weakening in the Swedish krona. For intangible non-current assets and goodwill, the currency effect amounts to SEK 146 million, while for property, plant and equipment the currency effect is SEK 124 million.

Current assets increased by SEK 946 million. The balance sheet item 'Inventories' increased by SEK 514 million, partly due to the currency effect of a weaker Swedish krona, with a cash flow-related increase of SEK 423 million. The balance sheet item 'Trade receivables' increased by SEK 320 million, but by SEK 218 million in terms of cash flow. Working capital requirements rose due to higher sales and an increase in committed stock to prevent any disruptions to deliveries. Cash and cash equivalents declined by SEK 39 million, amounting to SEK 1,448 million (1,487).

Shareholders' equity

Shareholders' equity increased as a result of comprehensive income for 2021 of SEK 1,397 million, which consists of profit after tax and currency effects from translation differences and the revaluation of defined benefit pension schemes, as well as warrants in the incentive program of SEK 97 million.

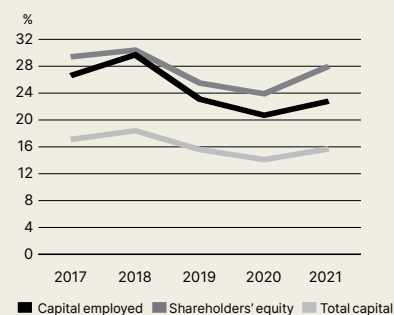
Furthermore, dividends paid of SEK 428 million have reduced shareholders' equity. The return on shareholders' equity was 28.0% (23.9) and the increase was due to higher post-tax earnings compared with the previous year.

Liabilities

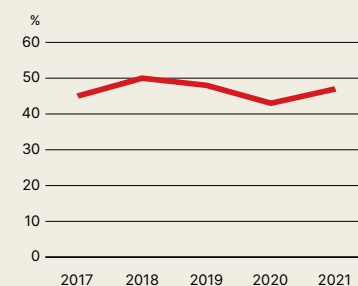
Non-interest-bearing liabilities and provisions increased, amounting to SEK 3,246 million (2,366), largely due to trade payables and other current liabilities increasing as a result of higher sales and because of the weaker Swedish krona. The average total working capital requirement in relation to sales was 3.7% (3.6). The return on capital employed amounted to 22.8% (20.7) and the higher return is primarily due to the improvement in earnings.

Interest-bearing liabilities and provisions declined to SEK 2,041 million (2,417), with a revaluation of the contingent consideration for the acquisition of GW Plastics accounting for a decline of SEK 115 million. Nolato has also amortized interest-bearing liabilities to credit institutions by net SEK 306 million. Interest-bearing assets amounted to SEK 1,448 million (1,487), which means that net financial debt totaled SEK 593 million (930) including pension and lease liabilities. Nolato has long-term credit agreements amounting to just over SEK 2 billion.

Return



Equity/assets ratio



Changes in consolidated shareholders' equity

SEKm	Attributable to Parent Company shareholders					
	Share capital	Other capital contributed	Hedging reserves	Translation reserves	Retained earnings	Total shareholders' equity
Opening balance, January 1, 2020	133	298	1	158	2,376	2,966
Profit for the year					806	806
Other comprehensive income for the year			-9	-139	-22	-170
Comprehensive income for the year			-9	-139	784	636
Warrants exercised in incentive program	1	94				95
Warrants included in incentive program					2	2
Closing balance, December 31, 2020	134	392	-8	19	3,162	3,699
Opening balance, January 1, 2021	134	392	-8	19	3,162	3,699
Profit for the year					1,160	1,160
Other comprehensive income for the year			7	195	35	237
Comprehensive income for the year			7	195	1,195	1,397
Warrants exercised in incentive program	1	96				97
Warrants included in incentive program					3	3
Dividend for 2020					-428	-428
Closing balance, December 31, 2021	135	488	-1	214	3,932	4,768

Consolidated cash flow statement

SEKm	Note	2021	2020
	25		
Operating activities			
Operating profit		1,333	1,048
<i>Adjustments for items not included in cash flow:</i>			
Depreciation/amortization and impairment		397	333
Amortization of right-of-use assets according to IFRS 16 Leases		75	75
Provisions		1	7
Capital gain from sale of property, plant and equipment		- 1	- 5
Unrealized exchange rate differences		- 101	- 292
Other items		- 46	17
Pension payments		- 6	- 5
Interest received		19	20
Interest paid		- 44	- 36
Realized exchange rate differences		- 22	18
Income tax paid		- 203	- 123
Cash flow from operating activities before changes in working capital		1,402	1,057
Cash flow from changes in working capital			
Changes in inventories		- 423	- 41
Changes in trade receivables		- 218	- 12
Changes in trade payables		441	- 6
Other changes in working capital		26	166
		- 174	107
Cash flow from operating activities		1,228	1,164
Investing activities			
Acquisition of non-current intangible assets		- 6	- 5
Acquisition of property, plant and equipment		- 776	- 368
Business combinations, excluding cash and cash equivalents		—	- 1,348
Sale of property, plant and equipment		—	26
Cash flow from investing activities		- 782	- 1,695
Cash flow before financing activities		446	- 531
Financing activities			
Borrowings	25	60	860
Repayment of loans	25	- 366	- 227
Warrants paid for in incentive program		3	2
Warrants exercised in incentive program		97	95
Dividend paid		- 428	—
Cash flow from financing activities		- 634	730
Cash flow for the year		- 188	199
Cash and cash equivalents, opening balance		1,487	1,362
Exchange rate difference in cash and cash equivalents		149	- 74
Cash and cash equivalents, closing balance		1,448	1,487

Comments on the consolidated cash flow statement

Cash flow from operating activities

Cash flow before investments amounted to SEK 1,228 million (1,164). Changes in working capital had an impact of SEK –174 million (107) on cash flow. The increase in profit made a positive contribution, while working capital requirements rose due to higher sales and an increase in committed stock to prevent any disruptions to deliveries.

Cash flow from investing activities

Net investments affecting cash flow totaled SEK 782 million (347, excluding acquisitions). Investments in property, plant and equipment largely comprised machinery and equipment as well as construction in progress, but also to a lesser extent investments in buildings and land in connection with new construction and extensions to factories. Net investments affecting cash flow excluding acquisitions and disposals are allocated between the Group's business areas as SEK 487 million (226) for Medical Solutions, SEK 36 million (21) for Integrated Solutions and SEK 259 million (100) for Industrial Solutions. For Medical Solutions and Industrial Solutions, investments have mainly consisted of expanded production capacity for new customer projects, primarily in machines and other technical installations, but also to some extent in buildings. Integrated Solutions investments consisted mainly of technology initiatives, expansion of EMC production and investments in the replacement of machinery.

Investments (net)	2021	2020
Non-current intangible assets	6	5
Buildings and land	67	19
Machinery and equipment	227	161
Construction in progress	482	162
Total investments	782	347

Affecting cash flow, excluding acquisitions and disposals.

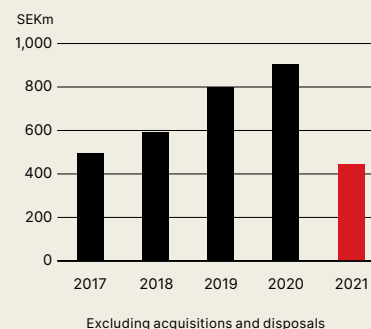
Cash flow after investing activities

Cash flow after investments was SEK 446 million (905 excluding acquisitions of businesses). Including acquisitions of businesses, cash flow amounted to SEK 446 million (–531).

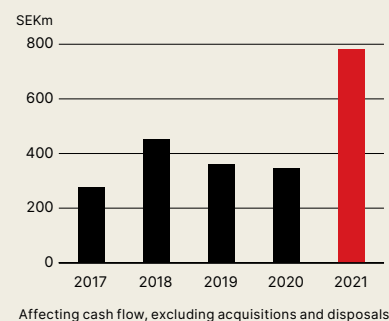
Cash flow from financing activities

Financing activities describe the Group's financing and dividends to shareholders, and totaled a net amount of SEK –634 million (730). This consists of net amortized borrowings of SEK –306 million (633 net raised borrowings), dividends paid totaling SEK –428 million (0) and warrants paid for/exercised under the incentive program of SEK 100 million (97).

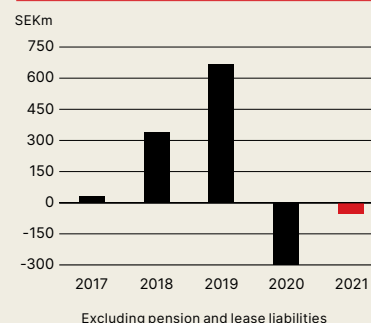
Cash flow after investments



Investments



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



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, pharmaceuticals, consumer electronics, telecom, automotive products, hygiene and other selected industrial sectors.

The Parent Company Nolato AB, company registration number 556080-4592, is a limited company with its registered office in Båstad municipality, Sweden. The company's head office address is Nolato AB, Nolatovägen 32, 269 78 Torekov, Sweden.

Nolato's B shares are listed on Nasdaq Stockholm Exchange in the Large 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.

In order to make the text clearer and easier to read, accounting policies and estimates and judgements have been moved to the beginning of each note. Any accounting policies that do not relate to a specific note can be found in this note.

New IFRS standards and interpretations which have not yet been applied

IASB and the IFRS Interpretations Committee have issued new standards and statements that apply to financial years starting January 1, 2022, or later. There are no plans for the early application of new or amended standards for future application.

None of the standards or interpretations published by IASB are expected to have a material impact on the Group or Parent Company's financial statements.

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 from 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 recognized 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.

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.

For all of the Group's subsidiaries, control exists via 100% ownership.

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 recognized 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 unrealized 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 recognized 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 recognized as translation differences for the year under 'Other comprehensive income'.

Note 3 Operating segments

Accounting policies

Each operating segment is defined as business activities from which income can be generated or expenses incurred, whose operating earnings are regularly monitored by the Group's Chief Operating Decision Maker (CODM) and for which separate financial information is available. In Nolato's case, CODM is defined as Group management, which determines how resources are to be allocated between the different segments and that also makes regular assessments of earnings. The Group's internal reporting covers three segments: Medical Solutions, Integrated Solutions and Industrial Solutions.

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 recognized 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 that 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 non-current intangible assets arising through business combinations, property, plant and equipment, inventories and trade receivables. Liabilities assigned to operating segments include all operating liabilities, mainly trade payables 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.

Information on operating segments

Medical Solutions develops and manufactures complex product systems and components for medical devices, the pharmaceutical industry and diagnostics. The market consists of large, global customers, featuring demanding development work, long product lifespans and stringent requirements in terms of quality, traceability and safety. Medical Solutions enjoys a solid global position on the three continents Europe, North America and Asia. Development and production take place in Sweden, Hungary, the US, the UK, Switzerland, Poland, Ireland, Mexico and China. A more detailed presentation of the business area can be found on pages 30–33.

Integrated Solutions business is divided into two sectors: consumer electronics and EMC & Thermal. Consumer electronics comprises selected electronics products, in which Nolato designs, develops and produces advanced components, subsystems and ready-packaged products. EMC & Thermal develops techniques and materials for shielding of electronics to achieve electromagnetic compatibility and heat dissipation of electronics. The market consists of a few large, global companies with high technological demands, extremely short development times and quick production start-ups. Integrated Solutions enjoys a strong position with selected customers. Development and production are conducted in China, Malaysia, Hungary, the US and Sweden. A more detailed presentation of the business area can be found on pages 34–37.

Industrial Solutions develops and manufactures components and product systems for customers in the automotive industry, hygiene, packaging, gardening/forestry, domestic appliances, furniture and other selected industrial segments. The market is fragmented and diversified, with a large number of customers and a large number of suppliers. Industrial Solutions has a strong position in the Nordic region and parts of Central Europe. Development and production are carried out in Sweden, Hungary, Romania, Switzerland, Mexico and the US. A more detailed presentation of the business area can be found on pages 38–41.

	Medical Solutions		Integrated Solutions		Industrial Solutions		Group adjustment, Parent Company		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
External sales	4,067	3,089	5,219	4,065	2,324	2,205	—	—	11,610	9,359
Internal sales	—	—	7	3	—	—	–7	–3	—	—
Net sales	4,067	3,089	5,226	4,068	2,324	2,205	–7	–3	11,610	9,359
Profit										
Operating profit (EBITA)	457	402	671	548	208	168	33	–52	1,369	1,066
Amort. of intang. assets arising from acq.	–27	–11	–1	–2	–8	–5	—	—	–36	–18
Operating profit	430	391	670	546	200	163	33	–52	1,333	1,048
Financial income									133	20
Financial expenses									–65	–54
Tax expenses for the year									–241	–208
Profit for the year									1,160	806
Receivables and liabilities										
Segments' assets	5,185	4,576	1,823	1,238	2,179	1,881	–669	–767	8,518	6,928
Unallocated assets									1,537	1,554
Total assets	5,185	4,576	1,823	1,238	2,179	1,881	–669	–767	10,055	8,482
Segments' liabilities	948	1,072	2,022	1,196	446	428	–464	–637	2,952	2,059
Unallocated liabilities									2,335	2,724
Total liabilities	948	1,072	2,022	1,196	446	428	–464	–637	5,287	4,783
Other information										
Investments (capitalized)	484	2,115	42	42	252	422	—	—	778	2,579
Depreciation/amortization and impairment	249	193	73	44	160	151	1	—	483	388
Significant items, other than depr./amort./impairment with no offsetting payments, impairment and provisions	3	–12	–1	–1	10	–16	—	—	12	–29

Cash flow from operations, allocated by segment

	2021				2020			
	Medical Solutions	Integrated Solutions	Industrial Solutions	Total	Medical Solutions	Integrated Solutions	Industrial Solutions	Total
Cash flow from operating activities before changes in working capital	680	733	361	1,774	584	610	315	1,509
Changes in working capital	- 228	143	- 96	- 181	124	- 149	133	108
Cash flow from operating activities	452	876	265	1,593	708	461	448	1,617
Unallocated items ¹⁾				- 365				- 453
Total cash flow from operations				1,228				1,164

Cash flow from investing activities, allocated by segment

	2021				2020			
	Medical Solutions	Integrated Solutions	Industrial Solutions	Total	Medical Solutions	Integrated Solutions	Industrial Solutions	Total
Acquisition of non-current assets ²⁾	- 487	- 36	- 260	- 783	- 247	- 21	- 106	- 374
Sale of non-current assets	—	—	1	1	21	—	6	27
Business combinations, excl. cash and cash equivalents				—				- 1,348
Group elimination, Parent Company				—				—
Cash flow from investing activities	- 487	- 36	- 259	- 782	- 226	- 21	- 100	- 1,695

¹⁾ For 2021, the Group's change in working capital was SEK -174 million and, allocated by business area according to the above, it was SEK -181 million. The difference of SEK -7 million is included in the SEK -365 million. Other unallocated items consist chiefly of operating profit of SEK 32 million (with the Parent Company accounting for the majority), unrealized exchange rate differences of SEK -101 million, income tax paid at SEK -203 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 -12 million (29).

Information about geographic markets

In the Nordic region, the rest of Europe, Asia and North America, the Group manufactures and sells products from all three business areas.

	Sweden		Other Nordic countries		Rest of Europe		North America		Asia		Other countries		Group	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
External sales	909	971	206	209	5,632	4,401	2,083	1,225	2,587	2,388	193	165	11,610	9,359
Assets	1,903	2,172	—	—	2,309	1,869	3,204	2,695	2,639	1,746	—	—	10,055	8,482
Average no. of employees	1,130	1,096	—	—	1,518	1,368	1,102	555	4,919	3,702	—	—	8,669	6,721
Investments (capitalized)	137	135	—	—	397	315	211	2,050	33	79	—	—	778	2,579

Note 4 Sales

Accounting policies

The Nolato Group's revenue is essentially derived from the sale of serially manufactured products and product systems within polymers such as plastic, TPE and silicone, which have been produced through development work and the creation of production equipment in partnership with our customers. Our customers maintain control over the products following delivery, which is when invoicing occurs with appropriate payment terms, see Note 14, with the average period of credit being 44 days. Jointly developed production equipment, which largely consists of tooling, is essentially owned by customers and invoiced to the customer in advance or over a period of time based on expenses incurred.

Nolato's customer contracts normally have entirely separate performance commitments with regard to delivery of serially manufactured products, which accounted for 92% of net sales in 2021, and development work and the creation of production equipment, which is considered to be a smaller separate performance commitment and is invoiced to the customer prior to the possible start of serial production. The products are primarily entirely customized and the design and drawings are owned by the customer. Nolato normally assumes manufacturing

responsibility, while the customer normally assumes design responsibility.

To give Nolato an idea of future production, customers often submit forecasts. These forecasts are often indicative and not binding for the customer. Nolato mainly uses the forecasts for planning with regard to input materials and machinery capacity, and begins production upon receipt of a purchase order from the customer. Nolato invoices at the agreed price (transaction price) after delivery and once control has been transferred to the customer. The inventory turnover rate for completed products is very high. Agreed prices are continually adjusted, partly because Nolato compensates for changes in the price of raw materials.

Nolato does not submit any information about outstanding performance commitments, as there are no unfulfilled performance commitments on completion of purchase orders received. Nolato has no significant contracts with an original anticipated term of more than one year, in which customers commit to buying more than continually placed purchase orders.

Allocation of income

	2021				2020			
	Total	Medical Solutions	Integrated Solutions	Industrial Solutions	Total	Medical Solutions	Integrated Solutions	Industrial Solutions
Sweden	914	117	29	768	971	154	12	805
Rest of Europe	5,839	1,998	2,638	1,203	4,611	1,824	1,678	1,109
North America	2,083	1,668	154	261	1,225	853	152	220
Asia	2,588	153	2,352	83	2,390	122	2,204	64
Other countries	193	131	53	9	165	136	22	7
Elimination internal sale	- 7				- 3			
Total revenue from contracts with customers	11,610	4,067	5,226	2,324	9,359	3,089	4,068	2,205

The above table essentially covers products transferred following delivery.

For 2021, the Group has an increased provision for anticipated credit losses on trade receivables and contract assets, with SEK 11 million recognized in the cost of goods sold.

Contract balances

	2021	2020
Trade receivables	1,574	1,254
Opening balance for contract assets relating to development work and development of production tooling	151	90
Reclassification from inventories	—	82
Recognized in income during the year	- 165	- 89
Additional during the year	229	64
Reclassification to contract liabilities	- 17	7
Currency effects	10	- 3
Closing balance for contract assets relating to development work and development of production tooling (see also Note 16)	208	151
Opening balance for contract liabilities relating to development work and development of production tooling	315	239
Reclassification from inventories	—	- 202
In new companies on acquisition	—	247
Recognized in income during the year	- 250	- 111
Additional during the year	261	144
Reclassification to contract assets	- 17	10
Currency effects	29	- 12
Closing balance for contract liabilities relating to development work and development of production tooling (see also Note 22)	338	315

The Group recognizes development work and development of production tooling per main product and customer as a net amount, either as a contract asset or contract liability.

Note 5 Research and development

	2021	2020
Development expenditure for customer-specific products	751	562

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 under cost of goods sold. Nolato normally invoices the customer for these costs prior to serial production of the product and it is regarded as a lesser separate undertaking.

Note 6 Expenses allocated by type of cost

	2021	2020
Material costs	5,467	4,291
Employee benefits	1,865	1,546
Social security contributions	293	280
Employee pensions	143	112
Energy costs	212	156
Other costs	1,895	1,548
Depreciation/amortization and impairment	472	407
Total	10,347	8,340
Depreciation/amortization is included in operating expenses as follows:	2021	2020
Software	5	4
Customer relationships	36	18
Buildings and land improvements	116	111
Machinery and other technical facilities	286	242
Equipment, tools, fixtures and fittings	29	32
Total non-current assets	472	407
Trade receivables (- reduced provision/+ increased provision) for anticipated bad debt losses	11	- 19
Total	483	388
Depreciation/amortization has been allocated as follows:	2021	2020
Cost of goods sold	444	368
Selling expenses	36	18
Administrative expenses	3	2
Total	483	388

Note 7 Other operating income and operating expenses

	2021	2020
Other operating income		
Capital gain from sale of property, plant and equipment	1	5
State subsidy received in China	13	23
Remitted government loan in the US	50	—
Other	6	1
Total	70	29
Other operating expenses		
Effect of exchange rate on operating receivables/liabilities	- 19	- 29
Acquisition expenses	—	- 27
Total	- 19	- 56
Other operating income and operating expenses, net	51	- 27

Note 8 Financial income and expenses

Accounting policies

Financial income consists of interest income on invested funds measured at amortized cost. Profit from the disposal of a financial instrument is recognized 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 primarily consist of interest expenses on loans measured at amortized cost and other borrowing costs such as commitment fees and credit charges relating to the Group's credit agreements.

	2021	2020
Interest income	19	20
Interest expenses	- 28	- 22
Foreign exchange gains and losses, net	- 23	- 16
Other financial income	114	—
Other financial expenses	- 14	- 16
Net financial income/expense	68	- 34
<i>Recognized as:</i>		
Financial income	133	20
Financial expenses	- 65	- 54
Net financial income/expense	68	- 34

Total net financial income/expense per category of financial instrument

	2021				2020			
	Interest income	Interest expenses	Foreign exchange gains/losses, net	Other	Interest income	Interest expenses	Foreign exchange gains/losses, net	
Derivatives used to hedge intra-group loans	—	—	- 38	—	—	—	13	
Bank deposits	19	—	—	—	20	—	—	
PRI pension liability	—	- 2	—	—	—	- 3	—	
Borrowings and lease liabilities	—	- 26	—	—	—	- 19	—	
Liquidation of subsidiaries	—	—	—	- 1	—	—	—	
Revaluation of previous provision for liability for contingent consideration on acquisition in the US	—	—	—	115	—	—	—	
Supplier financial agreements	—	- 7	—	—	—	- 9	—	
Other financial assets/liabilities	—	- 7	15	—	—	- 7	- 29	
Total	19	- 42	- 23	114	20	- 38	- 16	

Note 9 Tax

Accounting policies

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

All companies in the Group calculate income taxes in accordance with the tax rules and regulations that apply in the countries in which the profit is taxed.

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, at the balance sheet date. Current tax also includes adjustments for current tax attributable to previous periods.

Provision has been made in the Group for taxes on subsidiaries' taxable profits for the financial year, which may be allocated to the Parent Company next year. Provision for any coupon tax for anticipated dividends is made in the Parent Company once the dividend is recognized as a receivable from a Group company. However, no provisions have been made for tax that may arise on allocation of the remaining distributable profits in foreign subsidiaries as these may be distributed tax-free, or because the Group does not intend to allocate any internal dividends in the foreseeable future.

Deferred tax is calculated using the balance sheet method, taking temporary differences between recognized 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 arising on initial recognition of assets and liabilities that are not business combinations which, at the time of the transaction, affect neither recognized 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 realized or settled. Deferred tax is calculated using the application of the tax rates and tax rules that have been decided, or decided in practice, at the balance sheet date.

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

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.

Estimates and judgements

Management is required to make significant judgements when calculating tax liabilities and tax assets and for deferred tax for provisions and receivables. This process involves an assessment of the Group's exposure to current tax and the establishment of temporary differences created by various tax and accounting rules.

Management looks in particular at the likelihood that deferred tax assets may be offset against any surplus in future taxation.

Deferred tax assets are recognized to the extent that management deems it likely that sufficient taxable surplus will be available to permit recognition of such assets.

Recognized in the income statement

	2021	2020
Current tax expenses		
Tax expenses for the period	- 245	- 167
Adjustment for tax attributable to previous years	3	1
	- 242	- 166
Deferred tax income/expense		
Deferred tax in relation to temporary differences	1	- 42
Total recognized tax expense	- 241	- 208
Reconciliation of effective tax		
	2021	2020
Profit before tax	1,401	1,014
Tax according to applicable Parent Company tax rate	- 289	- 217
Effect of other tax rates for foreign Group companies	25	23
Non-deductible expenses	- 17	- 17
Non-taxable income	30	4
Tax attributable to previous years	3	- 7
Effect of change in tax rates	- 2	—
Effect of non-capitalized deficits arising during the year	6	6
Standard interest on tax allocation reserve	- 1	—
Tax reduction for investments in non-current assets in Sweden	4	—
Recognized effective tax	- 241	- 208

Swedish corporation tax amounted to 20.6% (21.4) and the effective tax rate was 17.2% (20.5). Excluding non-recurring items, the effective tax rate was 19.5%.

Recognized in the balance sheet

	Deferred tax assets		Deferred tax liabilities		Net	
	2021	2020	2021	2020	2021	2020
Non-current intangible assets	—	—	82	82	- 82	- 82
Property, plant and equipment	47	38	150	124	- 103	- 86
Inventories	22	19	7	4	15	15
Trade receivables	3	1	—	—	3	1
Provisions for pensions	37	43	1	2	36	41
Tax allocation reserves	—	—	61	59	- 61	- 59
Other	50	35	46	41	4	- 6
Loss carry-forwards	3	3	—	—	3	3
Tax assets/liabilities	162	139	347	312	- 185	- 173
Offsetting	- 93	- 89	- 93	- 89	—	—
Tax assets/liabilities, net	69	50	254	223	- 185	- 173

Unrecognized deferred tax assets

Deferred tax assets have not been recognized in the Group in relation to loss carry-forwards totaling SEK 20 million (66). Loss carry-forwards of SEK 0 million (24) relate to the business in India, and in China of SEK 20 million (42), and it is unlikely that it will be possible to use them against future taxable gains. The company in India was liquidated in 2021.

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

	Balance at Jan. 1, 2020	Recognized in profit for the year	Recognized in other comprehen- sive income	Business acquisitions	Business disposals	Balance at Dec. 31, 2020
Non-current intangible assets	- 23	1	—	- 60	—	- 82
Property, plant and equipment	- 54	- 21	—	- 11	—	- 86
Inventories	11	- 3	—	7	—	15
Trade receivables	5	- 4	—	—	—	1
Provisions for pensions	39	- 2	4	—	—	41
Tax allocation reserves	- 50	- 9	—	—	—	- 59
Other	17	- 6	2	- 19	—	- 6
Loss carry-forwards	3	—	—	—	—	3
Total	- 52	- 44	6	- 83	—	- 173

	Balance at Jan. 1, 2021	Recognized in profit for the year	Recognized in other comprehen- sive income	Business acquisitions	Business disposals	Balance at Dec. 31, 2021
Non-current intangible assets	- 82	—	—	—	—	- 82
Property, plant and equipment	- 86	- 17	—	—	—	- 103
Inventories	15	—	—	—	—	15
Trade receivables	1	2	—	—	—	3
Provisions for pensions	41	1	- 6	—	—	36
Tax allocation reserves	- 59	- 2	—	—	—	- 61
Other	- 6	12	- 2	—	—	4
Loss carry-forwards	3	—	—	—	—	3
Total	- 173	- 4	- 8	—	—	- 185

Tax attributable to other comprehensive income

	2021	2020
Deferred tax attributable to provisions for pensions (PRI)	- 6	4
Deferred tax on currency forwards	- 2	2
Total	- 8	6

Note 10 Earnings per share

	2021	2020
Profit for the year attributable to Parent Company shareholders	1,160	806
Average number of ordinary shares outstanding	268,491,580	266,311,680
Basic earnings in kronor per share (SEK)	4.32	3.03
Non-recurring items*	- 165	25
Profit for the year attributable to Parent Company shareholders after adjustment for non-recurring items	995	831
Basic earnings in kronor per share excluding non-recurring items (SEK)	3.71	3.12
	2021	2020
Dilutive shares from Series 2017/2020 Incentive Program (exercise price SEK 48.51 per share; total 1,962,000 warrants)	—	42,220
Dilutive shares from Series 2018/2021 Incentive Program (exercise price SEK 50.20 per share; total 1,935,000 warrants)	287,451	207,060
Dilutive shares from Series 2020/2023 Incentive Program (exercise price SEK 92.88 per share; total 287,500 warrants)	485	—
Average number of shares after dilution	268,779,516	266,560,960
Diluted earnings in kronor per share (SEK)	4.32	3.02
Diluted earnings in kronor per share excluding non-recurring items (SEK)	3.70	3.12

* 2021: Non-recurring items for a remitted loan that had a positive impact on operating profit of SEK 50 million, and revaluation of provision for liability for contingent consideration on acquisition in the US that affected profit after financial items by SEK 115 million, which had a total impact on post-tax profit of SEK 165 million. These non-recurring items were recognized at Group level and have consequently not affected the profit of the business areas.

* 2020: Non-recurring item for closure of production facility at Nolato Jaycare in the UK, which had a negative effect on operating profit of SEK -14 million, and tax effects of SEK +3 million, as well as acquisition costs for GW Plastics Inc. of SEK -17 million and tax effects of SEK +3 million, which impacted post-tax profit by a total amount of SEK -25 million. These non-recurring items were recognized at Group level and have consequently not affected the profit of the business areas.

Basic earnings per share are calculated by dividing profit for the year attributable to Parent Company shareholders by the average number of ordinary shares outstanding during the period.

When calculating diluted earnings per share, the average number of shares outstanding during the period is adjusted for all potential dilutive ordinary shares. Shares from incentive programs are considered to be dilutive if the closing price was in the money at the end of the period, and the average closing price of Nolato's B share during the year has exceeded the exercise prices in the respective incentive program.

Incentive Program 2016/2021

The warrants in Series 2016/2019 (total 2,406,000) have been exercised to subscribe for shares in 2019.

The warrants in Series 2017/2020 (total 1,962,000) have been exercised to subscribe for shares in 2020.

The warrants in Series 2018/2021 (total 1,935,000) have been exercised to subscribe for shares in 2021.

Incentive Program 2019/2024

The warrants in Series 2020/2023 (total 287,500) can be exercised to subscribe for shares as of May 1, 2023, up to and including December 15, 2023.

The warrants in Series 2021/2024 (total 257,000) can be exercised to subscribe for shares as of May 1, 2024, up to and including December 15, 2024.

Note 11 Non-current intangible assets

Accounting policies

Intangible assets are recognized at original cost less accumulated amortization and impairment. Amortization is applied on a straight-line basis over the useful lives of the assets and is initiated once the asset is put into use.

Useful life is based on historical experience of use of similar assets, area of use as well as other specific attributes of the asset.

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

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 recognized as an intangible asset. Goodwill is not amortized but impairment-tested annually, and is recognized 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 recognized 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.

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. For Medical Solutions and Industrial Solutions, impairment testing has been carried out at segment level (business area level). For Nolato Jabar LLC, impairment testing has been carried out within the EMC & Thermal business unit, which is part of Integrated Solutions.

Customer relationships

The Group's capitalized customer relationships relate to assets acquired through the acquisition of the Cerbo Group, Medical Rubber AB, Nolato Contour Inc. in the US, Nolato Jaycare Ltd in the UK, Nolato Stargard Sp.oz.o in Poland, Nolato Treff AG in Switzerland, Nolato Jabar LLC in the US and Nolato GW Inc. in the US. Straight-line depreciation is applied over the expected useful life, i.e. six to ten years.

Estimates and judgements

An impairment is recognized 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 are consistent 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, Switzerland and the US. These countries are deemed to have largely similar expected inflation, which is consistent 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.

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 behavior, and similar types of products. Thus the risk level for the legal companies has been assumed to be roughly the same.

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 unfavorable 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.

	Software	Tenancy rights	Customer relationships ¹⁾	Goodwill ¹⁾	Total
ACQUISITION COST					
At January 1, 2020	33	4	201	781	1,019
Investments	5	—	—	—	5
Acquisitions	1	—	276	1,090	1,367
Scrapping	- 2	—	—	—	- 2
Translation effects	- 1	—	- 25	- 93	- 119
At January 1, 2021	36	4	452	1,778	2,270
Investments	6	—	—	—	6
Scrapping	- 1	—	—	—	- 1
Translation effects	1	—	39	146	186
At December 31, 2021	42	4	491	1,924	2,461
ACCUMULATED DEPRECIATION/AMORTIZATION					
At January 1, 2020	- 22	- 3	- 142	—	- 167
Depreciation/amortization for the year	- 4	—	- 18	—	- 22
Scrapping	2	—	—	—	2
Translation effects	1	—	9	—	10
At January 1, 2021	- 23	- 3	- 151	—	- 177
Depreciation/amortization for the year	- 5	—	- 36	—	- 41
Scrapping	1	—	—	—	1
Translation effects	—	—	- 10	—	- 10
At December 31, 2021	- 27	- 3	- 197	—	- 227
Carrying amount at December 31, 2020	13	1	301	1,778	2,093
Carrying amount at December 31, 2021	15	1	294	1,924	2,234

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

Goodwill is allocated to Group segments as follows:

	2021	2020
Medical Solutions	1,489	1,374
Industrial Solutions	400	372
Integrated Solutions		
EMC & Thermal	35	32
Total	1,924	1,778

Assumptions for establishing the discount rate

	Medical Solutions		Industrial Solutions		EMC & Thermal	
	2021	2020	2021	2020	2021	2020
Risk-free rate, %	1.28	0.83	1.08	0.80	0.89	0.27
Tax rate, %	19.5	19.7	16.4	15.8	21.7	21.3
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, %	9.6	9.1	10.2	9.8	10.5	9.7

Note 12 Property, plant and equipment

Accounting policies

Property, plant and equipment are recognized within the Group at acquisition cost after accumulated depreciation according to plan and any impairment.

The principle of componentization is applied for the depreciation of property, plant and equipment. This means that each component of an item of property, plant and equipment with a significant acquisition cost in relation to the asset's combined cost must be depreciated separately. Depreciation is applied on a straight-line basis and calculated based on the assets' original acquisition cost.

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 economic benefits are expected from using 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.

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 molding machines	8–10 years
Automated assembly equipment	3–5 years
Other machinery	5–10 years
IT	3 years
Other equipment, tools, fixtures and fittings	5–10 years

Estimates and judgements

Useful life is based on the estimated period of time for which the asset generates income and is largely based on historical experience of the use of similar assets and technological development.

Property, plant and equipment is tested for impairment if an event occurs or circumstances change that indicate that it will not be possible to recover the carrying amount.

	Buildings and land	Machinery and other technical facilities	Equipment, tools, fixtures and fittings	Construction in progress and advance payments	Total
ACQUISITION COST					
At January 1, 2020	857	3,081	334	67	4,339
Investments	19	156	31	191	397
In new companies on acquisition	211	253	3	72	539
Sales/disposals	– 2	– 80	– 15	—	– 97
Reclassifications	4	92	15	– 111	—
Translation effects	– 53	– 130	– 12	– 14	– 209
At January 1, 2021	1,036	3,372	356	205	4,969
Investments	67	212	15	470	764
Sales/disposals	—	– 90	– 7	—	– 97
Reclassifications	28	186	25	– 239	—
Translation effects	46	171	11	18	246
At December 31, 2021	1,177	3,851	400	454	5,882
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At January 1, 2020	– 370	– 2,150	– 254	—	– 2,774
Depreciation/amortization for the year	– 39	– 242	– 29	—	– 310
Sales/disposals	1	60	14	—	75
Translation effects	9	74	6	—	89
At January 1, 2021	– 399	– 2,258	– 263	—	– 2,920
Depreciation/amortization for the year	– 43	– 286	– 27	—	– 356
Sales/disposals	—	90	7	—	97
Translation effects	– 7	– 109	– 6	—	– 122
At December 31, 2021	– 449	– 2,563	– 289	—	– 3,301
Carrying amount at December 31, 2020	637	1,114	93	205	2,049
Carrying amount at December 31, 2021	728	1,288	111	454	2,581

Note 13 Leases

Accounting policies

All components, with the exception of property tax in Sweden, have been deemed to be a lease component. Exemptions to not recognize short-term leases and low-value assets have also been applied.

The discount rate is based on high-quality mortgage bond yields in Sweden, with reference to the term of leases, which for foreign companies are then adjusted for differences between 10-year government bond yields of Sweden and foreign countries.

The largest asset class for leases is property, such as production plants and offices.

Leases consist mainly of rental contracts for production premises, primarily in China, the UK, Sweden and the US. They are in some cases restricted by index clauses and/or such terms that may provide entitlement to extend or acquire the leased items.

Carrying amounts per asset class in rights of use

	Buildings	Leasehold	Other equipment	Total
ACQUISITION COST				
At January 1, 2020	321	15	11	347
Additional lease liabilities for the year	111	—	7	118
In new companies on acquisition	64	—	—	64
Other revaluations of IFRS 16 lease liabilities	- 10	—	- 5	- 15
Translation effects	- 26	—	—	- 26
At December 31, 2020	460	15	13	488
Additional lease liabilities for the year	8	—	—	8
Other revaluations of IFRS 16 lease liabilities	- 45	—	- 2	- 47
Translation effects	36	—	—	36
At December 31, 2021	459	15	11	485
ACCUMULATED DEPRECIATION				
At January 1, 2020	- 69	—	- 4	- 73
Depreciation for the year	- 72	—	- 3	- 75
Other revaluations of IFRS 16 lease liabilities	3	—	3	6
Translation effects	7	—	—	7
At December 31, 2020	- 131	—	- 4	- 135
Depreciation for the year	- 73	—	- 2	- 75
Other revaluations of IFRS 16 lease liabilities	26	—	2	28
Translation effects	- 16	—	—	- 16
At December 31, 2021	- 194	—	- 4	- 198
Carrying amount at December 31, 2020	329	15	9	353
Carrying amount at December 31, 2021	265	15	7	287

Carrying amounts in the consolidated balance sheet for lease liabilities and changes during the year

	2021	2020
Opening balance	358	277
Other revaluations of IFRS 16 lease liabilities	- 19	- 9
Additional IFRS 16 lease liabilities for the year	8	182
Repayments	- 77	- 79
Translation effects	25	- 13
At December 31	295	358
Long-term financial lease liability	238	287
Short-term financial lease liability	57	71
Total financial lease liability	295	358

Maturity structure for lease liabilities

	2021	2020
Matures 2021	—	68
Matures 2022	65	73
Matures 2023	44	40
Matures 2024	36	34
Matures 2025	25	—
Matures 2026 (2025) and after	125	143
Total financial lease liability	295	358

Carrying amounts for leases in the consolidated income statement

	2021	2020
Amortization of rights of use	- 75	- 75
Interest expenses on lease liabilities	- 9	- 9
Lease expenses for short-term leases	- 2	- 3
Lease expenses for low-value assets	- 2	- 1
Total in consolidated income statement	- 88	- 88

Note 14 Financial assets

Accounting policies

Financial assets are recognized in the balance sheet when the Group becomes a party to the commercial terms and conditions of the instrument. Financial instruments are initially recognized at fair value, which normally corresponds to the acquisition cost. Transaction costs are included in the initial valuation for financial assets not measured at fair value via profit or loss. Common purchases and sales of financial assets are recognized on the settlement date.

Trade receivables are recognized at the first reporting date at their transaction price (according to the definition in IFRS 15) and subsequently at amortized cost. Recognition of expected credit losses is carried out at an amount corresponding to the expected credit losses for the remaining term. Term refers to the maximum contract period during which the Group is exposed to credit risk. For cash and cash equivalents, the carrying amount is considered to correspond to fair value.

Effects of IFRS 16 on consolidated income statement

	2021	2020
Cost of goods sold	83	82
EBITDA (increase in performance indicator)	83	82
Amortization in cost of goods sold	- 75	- 75
EBITA/EBIT (increase in performance indicator)	8	7
Interest expenses	- 9	- 9
Profit after financial income and expenses (reduction in performance indicator)	- 1	- 2
Tax	—	1
Profit after tax (reduction in performance indicator)	- 1	- 1
Effect on basic earnings per share (SEK)	—	—

Effects of IFRS 16 on consolidated cash flow statement

	2021	2020
Operating profit	8	7
<i>Adjustments for items not included in cash flow:</i>		
Depreciation/amortization	75	75
Interest paid	- 9	- 9
Cash flow from operating activities before changes in working capital	74	73
Other changes in working capital	—	—
Cash flow from operating activities	74	73
Cash flow from financing activities	- 74	- 73
Cash flow for the period	—	—

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.

Derivatives are categorized as held for trading, unless they are intended for hedge accounting, and are measured at fair value via profit or loss. Derivatives intended for hedge accounting are measured at fair value via other comprehensive income. The fair value of derivatives is based on listed market prices. Financial assets are removed from the balance sheet once the contractual rights to cash flows have ceased or been transferred, and when the risks and benefits associated with ownership of the financial asset have in all significant respects been transferred.

Financial assets per category 2021

	Amortized cost	Fair value via other comprehensive income	Derivatives – identified for hedge accounting	Derivatives at fair value via profit or loss	2021 Total
Non-current financial assets ¹⁾		2			2
Trade receivables	1,574				1,574
Other current financial assets (see Note 30)			—	1	1
Cash and cash equivalents	1,448				1,448
Carrying amount	3,022	2	—	1	3,025
Fair value	3,022	2	—	1	3,025

¹⁾The holding concerns 20,000 shares in Arenabolaget i Ängelholm AB (Catena Arena). The value relates to the original transaction price (new share issue).

Cash and cash equivalents and credit rating

	Amortized cost
Moody's: A2	12
Moody's: A3	16
Standard & Poor's: AAA	30
Standard & Poor's: AA+	12
Standard & Poor's: AA-	26
Standard & Poor's: A+	1,257
Standard & Poor's: A	67
Standard & Poor's: BBB+	26
Other (credit rating not available)	2
	1,448

Financial assets per category 2020

	Amortized cost	Fair value via other comprehensive income	Derivatives – identified for hedge accounting	Derivatives at fair value via profit or loss	2020 Total
Non-current financial assets ¹⁾		2			2
Trade receivables	1,254				1,254
Other current financial assets (see Note 30)			11	16	27
Cash and cash equivalents	1,487				1,487
Carrying amount	2,741	2	11	16	2,770
Fair value	2,741	2	11	16	2,770

¹⁾ The holding concerns 20,000 shares in Arenabolaget i Ängelholm AB (Catena Arena). The value relates to the original transaction price (new share issue).

Financial assets categorized at amortized cost have determinable payments and are not listed on any marketplace. The category includes investments for which the Group expects to regain principally the entire initial investment, such as trade receivables and bank deposits. 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.

	2021	2020
Trade receivables	1,594	1,263
Deduction: Provision for expected credit losses	– 20	– 9
Carrying amount	1,574	1,254

The average period of credit in 2021 was 44 days (45). Trade receivables as a percentage of sales amounted to 13.6% (13.4%). During the year, the Group reversed SEK 0 million (19) of provisions for expected credit losses at the start of the year. Provisions for the year totaled SEK 11 million (0). The credit quality of trade receivables not due and not impaired, and of other financial receivables is deemed to be good.

Trade receivables

	Total	Not due	Due ≤ 15 days	Due 16–30 days	Due 31–60 days	Due > 60 days
Expected gross amount	1,594	1,350	146	45	25	28
Expected credit losses	– 20	– 16	– 1	—	—	– 3
December 31, 2021	1,574	1,334	145	45	25	25
Expected gross amount	1,263	1,097	82	31	28	25
Expected credit losses	– 9	– 6	—	—	—	– 3
December 31, 2020	1,254	1,091	82	31	28	22

Note 15 Inventories

Accounting policies

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.

Estimates and judgements

The acquisition cost of inventories may need to be adjusted if the acquisition cost exceeds the net market value. The net market value is defined as the selling price after deductions for completion costs and selling expenses. The underlying assumptions used to establish the net market value of inventories can constitute an uncertainty factor. Since actual selling prices and selling expenses are not known at the time the assumption is made, management's assumption is based on current prices and cost levels. Adjustments to the net market value include assessments of technical and commercial obsolescence, which are conducted individually for each subsidiary. When assessing commercial obsolescence, risk factors include turnover rate and age.

	2021	2020
Raw materials and supplies	697	380
Products in manufacturing	165	122
Finished goods and goods for resale	478	324
Total	1,340	826

During the year, the Group impaired inventories by SEK 64 million (30). Impairment losses for the year are included in Cost of goods sold in the income statement.

During the year, reversed impairment losses recognized in Cost of goods sold totaled SEK 44 million (54). The reversal of previously impaired stocks is due to the fact that these items could be sold or were no longer deemed obsolete. At December 31, 2020, inventories were reclassified by SEK -284 million under *Products in manufacturing*.

Note 16 Other current assets

	2021	2020
Other receivables	206	100
Prepaid expenses	42	48
Accrued income	12	9
Contract assets relating to development work and development of production tooling (see also Note 4)*	208	151
Closing balance	468	308

* Inventories have been reclassified to contract assets for the year 2020, which have increased by SEK 82 million to a total of SEK 151 million.

Note 17 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.:

	2021	2020
Share capital	135	134
Other capital contributed	488	392
Translation reserve	214	19
Hedging reserves	- 1	- 8
Retained earnings, incl. profit for the year	3,932	3,162
Total capital attributable to Parent Company shareholders	4,768	3,699

The Group has an incentive program; Incentive Program 2019/2024, which could result in dilution of the number of shares by 287,500 in 2023 and 257,000 in 2024. The maximum total number of dilutive shares consequently amounts to 544,500 shares. Further information can be found in Note 27.

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 2021 is shown below.

	2021		2020	
	Financial targets	Outcome	Financial targets	Outcome
EBITA margin	>10%	11.8%	>10%	11.4%
Cash conversion	>75%	35.0%	>75%	87.0%
Equity/assets ratio	>35%	47.0%	>35%	44.0%

The Board's dividend proposal shall take into consideration Nolato's long-term development potential, financial position and investment needs. The Board's dividend policy means that the Board shall intend to propose a dividend that corresponds on average to at least 50% of profit after tax. For 2021, the Board proposes a dividend of SEK 1.90 per share (1.60), corresponding to SEK 512 million (428). The pay-out ratio is 51% (53), excluding non-recurring items.

Note 18 Other reserves

	Hedging reserves	Translation reserves	Total
Opening balance, January 1, 2020	1	158	159
<i>Cash flow hedges:</i>			
Loss from fair value measurement during the year	- 11	—	- 11
Tax from fair value measurement	2	—	2
Translation differences	—	- 139	- 139
Closing balance, December 31, 2020	- 8	19	11
Opening balance, January 1, 2021	- 8	19	11
<i>Cash flow hedges:</i>			
Gain from fair value measurement during the year	9	—	9
Tax from fair value measurement	- 2	—	- 2
Translation differences	—	195	195
Closing balance, December 31, 2021	- 1	214	213

Hedging reserves

Hedging reserves include the effective portion of the accumulated net change in fair value of a cash flow hedging instrument attributable to hedged transactions regarding sales and costs of goods which have not yet occurred. Transfers to the income statement of cash flow hedges are recognized as other operating income/expenses.

Translation reserve

The translation reserve includes all exchange rate differences arising on converting financial statements from foreign operations that 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 19 Financial liabilities

Accounting policies

Financial liabilities are recognized in the balance sheet when the Group becomes a party to the commercial terms and conditions of the financial instrument. Financial liabilities are initially recognized at fair value, which normally corresponds to the acquisition cost. Transaction costs are included in the initial valuation for financial liabilities not measured at fair value via profit or loss. Derivatives are recognized at the trading date.

Loans and other financial liabilities, apart from derivatives, are measured at amortized cost, which is calculated using the effective interest method. For financial

liabilities that are hedging instruments used for hedge accounting, the carrying amount is adjusted for gains or losses attributable to the hedged risks.

Financial liabilities are removed from the balance sheet once they have been settled.

Fair value has been provided as a disclosure for financial liabilities and with regard to non-current liabilities has been calculated using valuation techniques, primarily via discounted cash flows based on observable market information (Level 2). For current liabilities, carrying amount is deemed to be a good approximation of fair value.

		2021		2020	
		Carrying amount	Fair value	Carrying amount	Fair value
Year of maturity					
Non-current financial liabilities					
Bank loan in CHF (fixed rate)	2022	—	—	5	5
Bank loan in CHF (fixed rate)	2023	5	5	6	6
Bank loan in CHF (variable rate) ¹⁾	2024	542	521	—	—
Bank loan in USD (fixed rate) ²⁾	2025	678	563	614	487
Bank loan in USD (fixed rate)	N.A.	—	—	49	49
Contingent consideration GW Plastics Inc. (USD)	2022	—	—	174	174
Contingent consideration GW Plastics Inc. (USD)	2023	124	124	82	82
Lease liabilities (see Note 13)		238	238	287	287
Subtotal of non-current financial liabilities		1,587	1,451	1,217	1,090
Current financial liabilities					
Trade payables	2021–2022	1,463	1,463	930	930
Bank loan in CHF (fixed rate) ¹⁾	2022	—	—	509	501
Bank loan in CHF (fixed rate)	< 12 months	7	7	1	1
Bank loan in USD (fixed rate)	2022	—	—	245	245
Bank loan in USD (variable rate)	2022	—	—	78	78
Bank loan in USD (variable rate)	2022	36	36	13	13
Bank loan in SEK (variable rate)	< 3 months	60	60	—	—
Contingent consideration GW Plastics Inc. (USD)	2022	47	47	9	9
Derivatives identified for hedge accounting, at fair value via other comprehensive income (see Note 30)		4	4	18	18
Derivatives at fair value via profit or loss		1	1	—	—
Lease liabilities (see Note 13)		57	57	71	71
Subtotal of current financial liabilities		1,675	1,675	1,874	1,866
Total		3,262	3,126	3,091	2,956

¹⁾ Comprises financing and also hedging instruments for hedging of net investment in foreign business, concerning Nolato Treff AG. This loan carries a fixed rate of interest until August 6, 2023, and is not being amortized. The fair value has been calculated using the current fixed interest rate and discounting has been applied for the remaining payment flows in CHF up until maturity on August 6, 2023. The discounted value in CHF has then been revalued according to the exchange rate at the balance sheet date.

²⁾ As of September 2021 comprises financing and also hedging instruments for hedging of net investment in foreign business, concerning the US. This loan carries a fixed rate of interest until August 6, 2025, and is not being amortized. The fair value has been calculated using the current fixed interest rate and discounting has been applied for the remaining payment flows in USD up until maturity on August 6, 2025. The discounted value in USD has then been revalued according to the exchange rate at the balance sheet date.

Interest-bearing liabilities

At year-end, the Group's interest-bearing liabilities excluding pension liability and lease liabilities amounted to SEK 1,499 million (1,785). The average interest rate was 1.22% (1.21). The average remaining fixed-interest term is 25 months (27).

Terms and repayment periods

Total credit lines granted in the Group amount to SEK 2,900 million (3,295). Of this amount, SEK 600 million matures on April 24, 2022; SEK 900 million on August 6, 2024; SEK 511 million on December 22, 2024, and SEK 678 million on August 6, 2025. Credit facilities totaling SEK 2,689 million are conditional upon normal covenants. These include requirements in terms of financial KPIs for the Group, including net debt in relation to operating profit before depreciation/amortization (EBITDA). At December 31, all loan conditions were met.

Other credit lines of SEK 211 million (263) mature between 2022 and 2023, according to the table above. Pledged assets for other credit facilities amount

to SEK 80 million (75) and concern property mortgages in the Group's subsidiary in Switzerland, as well as a company mortgage of SEK 90 million (82) in the Group's subsidiary in the US. 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.

Additional disclosures regarding financial risk management and hedge accounting are provided in Note 30 Financial risk management.

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 that is not included in Level 1.
Level 3:	Based on input data that is not observable in the market.

Note 20 Provisions for pensions and similar obligations

Accounting policies

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 of 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 regarding PRI in Sweden are unfunded. These PRI obligations are recognized in the balance sheet as provisions.

For defined benefit schemes, the projected unit credit method is used to calculate the net present value of defined benefit obligations and costs regarding service during the financial year. Unless there have been significant changes to the most important assumptions in the calculation, such as discount rate and inflation, calculations are carried out on a quarterly basis. The schemes are always recalculated annually.

Independent actuaries are used for these calculations and the estimation of obligations and costs involving assumptions. The Group's undertakings are measured at the present value of expected future payments using a discount rate equal to the interest rate of top-rated housing bonds (Sweden) and corporate bonds (Switzerland) with a maturity equal to that of such undertakings.

Revaluations mainly arise in the event of changes to actuarial assumptions and experience-based adjustment, which is the difference between actuarial assumptions and actual outcome. They are recognized directly in other comprehensive income and never restated in profit or loss. For all defined benefit schemes, the actuarial cost, which is charged to earnings, comprises costs relating to service during the financial year, net interest expense and, where appropriate, the cost of service during previous periods, reductions and adjustments. Any cost relating to service during previous periods is recognized immediately. Net interest expenses are classified as financial expenses. Other costs are allocated to the businesses based on the employee's position in the organization, within manufacturing, sales or administration.

The above-mentioned accounting policies for defined benefit schemes are only applied in the consolidated statements. Subsidiaries continue to use a local calculation for pension provisions and pension costs in their respective local annual accounts.

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 2021 financial year, the company had no access to any information that would enable it to recognize this scheme as a defined benefit scheme. The ITP pension scheme (supplementary pensions for salaried employees), which is insured by Alecta, is thus recognized as a defined contribution scheme.

Estimates and judgements

The significant assumptions used to calculate the obligations and costs vary according to the economic factors that reflect conditions in the countries where the defined benefit schemes are located and are adjusted to reflect market conditions on the calculation date. However, changes in market and economic conditions may mean that the actual costs and obligations generated by the scheme differ substantially from the estimations.

Assumptions are made when estimating obligations and costs, and the most sensitive assumptions may vary between the schemes but primarily concern discount rate, pension indexing, future salary increases and assumptions regarding lifespan. These assumptions are determined separately for each scheme. The discount rate for schemes in Sweden is based on the return on housing bonds, which have maturities that are consistent with the maturity of the obligation. Correspondingly in Switzerland, the return on high quality AA-classified corporate bonds is used. Pension indexing is mainly relevant for retired members of the scheme and is attributable to changes linked primarily to inflation. Assumptions regarding salary increases are relevant for active members of the scheme and reflect previous experience of long-term changes, forecasts for future changes to terms and conditions and anticipated inflation. Assumptions about lifespan reflect the anticipated lifespan of members of the scheme and are determined based on the mortality table applicable to each scheme.

	2021	2020
Net present value of defined benefit pension schemes in Sweden	158	157
Net present value of pension scheme in Switzerland	89	116
Other pension schemes	—	1
Total	247	274

Defined benefit pension schemes

In Sweden there is a defined benefit pension scheme (PRI) in which employees are entitled to remuneration after leaving their position based on their final salary and vesting period.

In Switzerland, the Group has a defined benefit funded pension scheme in a Swiss pension fund. The fair value of the pension assets is established in accordance with Level 1: according to prices listed on an active market for the same instrument.

Fair value of the defined benefit pension schemes:

	2021	2020
Opening balance	273	245
Benefits vested during the period	10	7
Interest expenses	2	3
Benefits redeemed	—	—
Pension payments	-6	-5
Exchange rate effect	9	-3
Actuarial gain (-)/loss (+)	-41	26
Total	247	273

Amounts recognized in the balance sheet for the pension scheme in Switzerland:

	2021	2020
Net present value of pension commitments, funded pension scheme	421	408
Fair value of pension assets	-332	-292
Net debt, funded pension scheme*	89	116

* The net present value of expected net debt for 2022 is SEK 93 million (balance sheet date rate at Dec. 31, 2021).

Categories of pension assets for pension scheme in Switzerland (Level 1):

	2021	2020
Cash and cash equivalents	1.7%	2.8%
Shares	29.4%	28.6%
Bonds	45.3%	44.8%
Property funds	20.0%	19.6%
Other investments	3.6%	4.2%

The amounts recognized in the income statement during the year for pension schemes are as follows:

	2021	2020
Expenses related to service during the financial year	10	7
Interest expense	2	3
Expense for special employer's contribution	2	2
Total expense for defined benefit pension schemes	14	12
Expense for defined contribution schemes	117	89
Expense for special employer's contribution	13	11
Total pension expense	144	112

Costs relating to defined benefit pension schemes are recognized in the income statement as follows:

	2021	2020
<i>Amounts charged to operating profit:</i>		
Cost of goods sold	4	5
Administrative expenses	1	1
<i>Amounts charged to financial expenses:</i>		
Interest expenses	2	3
Total	7	9

Costs relating to defined benefit pension schemes are recognized in other comprehensive income as follows:

	2021	2020
Actuarial gains (+)/losses (-)	41	- 26
Deferred income tax	- 6	4
Total	35	- 22

Key actuarial assumptions on the balance sheet date for defined benefit pension schemes in Sweden (weighted average):

	2021	2020
Discount rate	1.80%	1.10%
Inflation	2.20%	1.50%
Future annual salary increases	3.10%	2.75%
Employee turnover	5.00%	5.00%
Lifespan	DUS 14	DUS 14
Duration regarding pension commitments (years)	17.0	18.0

Key actuarial assumptions on the balance sheet date for pension scheme in Switzerland:

	2021	2020
Discount rate	0.20%	0.10%
Interest on pension credits	1.00%	1.00%
Inflation	0.50%	0.50%
Future annual salary increases	1.00%	1.00%
Future annual pension increases	0.00%	0.00%
Duration regarding pension commitments (years)	16.6	17.9

Sensitivity analysis (net present value of pension commitment in balance sheet):

	Sweden 2021	Switzerland 2021
Discount rate +0.5%	- 13	- 30
Discount rate -0.5%	14	35
Inflation +0.5%	11	4
Inflation -0.5%	- 10	- 4
Salary increase +0.5%	4	6
Salary increase -0.5%	- 3	- 5

Pension commitments within Alecta in Sweden

Charges for the year for pension insurance policies held with Alecta totaled SEK 8 million (8). Alecta's surplus can be allocated to policyholders and/or insured parties. At December 31, 2021, Alecta's surplus, in the form of the collective funding ratio, amounted to 172% (148). 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 21 Other provisions

Accounting policies

In general, a provision is recognized when there is a commitment resulting from a past event, where it is likely that an outward flow of resources will be required to settle the commitment and a reliable estimation of the amount can be made. Provisions are made at an amount that is the best estimate of that required to settle the existing obligation at the balance sheet date, and the timing of the settlement is uncertain.

Provisions for product guarantees and customer claims represent management's best estimation of future cash flows required to settle the obligations.

Estimates and judgements

Management is required to make significant judgements when establishing the need for, and amount of provisions. Since there is a degree of uncertainty in estimates regarding future events that are outside the Group's control, the actual outcome may differ significantly.

Provisions for product guarantees and customer claims are based on management's best estimation of the future cash flows required to settle obligations, even if the timing of the settlement is uncertain. Nolato does not normally take on full product responsibility, as we are largely a subcontractor of subcomponents for our customers. Nolato has manufacturing responsibility for subcomponents supplied and customer claims may arise over time.

Provisions for:

	2021	2020
Restoration of rental property	15	17
Special employer's contribution acc. to IAS 19 for PRI pension liability	16	16
Special employer's contribution regarding endowment insurance	6	7
Product guarantees and customer claims	48	52
Other	1	1
Amount at year-end	86	93

Note 22 Other current liabilities

	2021	2020
Customer advances, products	1	1
Contract liabilities relating to development work and development of production tooling (see also Note 4)*	338	315
Other current liabilities	137	96
<i>Accrued expenses and deferred income</i>		
Salary liabilities	181	190
Social security contributions	71	86
Deliveries of goods received, not invoiced	329	179
Energy costs	22	20
Claims	91	44
Maintenance	27	28
Tooling	4	8
Machinery and spare parts	34	16
Other items	102	77
Subtotal of accrued expenses and deferred income	861	648
Total	1,337	1,060

* Inventories have been reclassified to contract assets for the year 2020, which have declined by SEK 202 million to a total of SEK 315 million.

Note 23 Pledged assets and contingent liabilities

Accounting policies

If an obligation fails to meet the criteria for recognition in the balance sheet, it may be treated as a contingent liability to disclose. Such obligations derive from past events and such events will only be confirmed by one or more uncertain future events that are not entirely within the Group's control occurring or not occurring. Contingent liabilities also include existing obligations where an outward flow of resources is unlikely, or where it is not possible to produce a sufficiently reliable estimation of the amount.

Pledged assets

	2021	2020
Property mortgages in Switzerland	80	75
Company mortgage	90	82

Contingent liabilities

	2021	2020
Guarantee commitments, FPG/PRI	2	2

Note 24 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 27.

There are no other significant known transactions with related parties.

Note 25 Cash flow

The following subcomponents are included in cash and cash equivalents:

	2021	2020
Cash and bank balances	1,388	1,010
Credit balance on Group account in Parent Company	60	477
Total cash and cash equivalents reported in the cash flow statement	1,448	1,487

Unutilized credit

At the balance sheet date, unutilized credit within the Group stood at SEK 1,572 million (1,775).

Acquisition of businesses, excluding cash and cash equivalents

In 2020, Nolato acquired US-based GW Plastics Inc. The purchase price paid was SEK 1,442 million and cash and cash equivalents acquired totaled SEK 94 million.

Reconciliation of liabilities attributable to financing activities

	2021	2020
Opening balance for non-current and current financial liabilities	2,161	974
<i>Changes affecting cash flow</i>		
Borrowings	60	860
Repayment of loans	- 366	- 227
<i>Changes not affecting cash flow</i>		
Translation effects	83	- 48
Other revaluations and additional IFRS 16 lease liabilities for the year, see Note 13	- 11	173
Financial liabilities on acquisition of GW Plastics Inc.	—	146
Contingent consideration GW Plastics Inc. acquisition	—	265
Revaluation of contingent consideration GW Plastics Inc. acquisition	- 115	—
Change in derivatives	- 13	18
Closing balance for non-current and current financial liabilities	1,799	2,161

Note 26 Events after the end of the financial year

The situation that has arisen and escalated in Eastern Europe since February 2022, and its impact on global geopolitics, is, of course, also having an effect on Nolato's business and its customers. It is not currently possible to foresee the extent of this or how long it is likely to continue, nor is it possible to quantify its effects on the Group.

No other significant events have occurred since the end of the period, but owing to Covid-19 Nolato is operating in an environment that at the time of this report's publication is affecting the Group in various ways.

Note 27 Remuneration of senior executives

Salaries and other remuneration of Nolato's Board, CEO and Group management

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. Senior executives are individuals who, together with the President and CEO, constitute Group management. In 2021, Group management comprised six individuals, in addition to the President and CEO. These are CFO Per-Ola Holmström, President of Medical Solutions Johan Iverberg, President of Integrated Solutions Jörgen Karlsson, President of Industrial Solutions Johan Arvidsson, Group Procurement Director Camilla Magnusson and Head of Sustainability Glenn Svedberg. For further information, see page 54.

Any assignment taken on by individual Board members on behalf of the company in addition to Board work is remunerated at market rates. Assignments should be documented in agreements specifying the type of assignment and agreed remuneration. Remuneration is paid in arrears on completion of the assignment.

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.

Variable remuneration

Variable remuneration paid to the President and CEO and other senior executives is based on the outcome of profit and return on capital employed. The maximum outcome is 50% of base salary for the CEO and 30–40% for other senior executives. At the same time, the relevant profit center must report positive earnings. In 2021, the outcome for the President and CEO was 50% of base salary (41) and for senior executives it was 12–40% of base salary (18–40).

Participants in Nolato's incentive programs are offered the opportunity to receive remuneration corresponding to half of the participant's warrant premiums and the income tax charged on such remuneration, provided that the participant's employment at the Group does not cease before three years have elapsed.

Incentive Program 2016/2021

An extraordinary general meeting of December 5, 2016, approved the issue of up to 7,980,000 share warrants in three different series: Series 2016/2019, Series 2017/2020 and Series 2018/2021, with 2,660,000 warrants in each series, granting the right to subscribe for as many B shares. Each warrant consequently entitles the holder to subscribe for one (1) new B share. The warrants were transferred to some 20 individuals on Nolato's management team on market terms, at a price established based on estimated market value for the warrants, applying the Black & Scholes valuation model.

Incentive Program 2016/2021 – Series 2016/2019

Total subscribed warrants amounted to 2,406,000 and all have been exercised to subscribe for shares in 2019.

Incentive Program 2016/2021 – Series 2017/2020

Total subscribed warrants amounted to 1,962,000 and all have been exercised to subscribe for shares in 2020.

Incentive Program 2016/2021 – Series 2018/2021

Total subscribed warrants amounted to 1,935,000 and all have been exercised to subscribe for shares in 2021.

Incentive Program 2019/2024

The ordinary general meeting of May 8, 2019, approved the issue of up to 7,980,000 share warrants in three different series: Series 2019/2022, Series 2020/2023 and Series 2021/2024, with 2,660,000 warrants in each series, granting the right to subscribe for as many B shares. Each warrant consequently entitles the holder to subscribe for one (1) new B share. The warrants are transferred to some 20 individuals on Nolato's management team on market terms, at a price established based on estimated market value for the warrants, applying the Black & Scholes valuation model. The maximum dilution effect of all of the incentive programs' three series is expected to amount to a total of approximately 3% of share capital and 1.6% of votes (calculated based on the number of existing shares), assuming full subscription and full exercise of all warrants.

Incentive Program 2019/2024 – Series 2019/2022

It was decided not to implement this part of the program.

Incentive Program 2019/2024 – Series 2020/2023

Total subscribed warrants amounted to 287,500 and the price per warrant was SEK 7.10. The subscription price for a B share is SEK 92.88. The warrants can be exercised to subscribe for shares as of May 1, 2023, up to and including December 15, 2023.

Incentive Program 2019/2024 – Series 2021/2024

Total subscribed warrants amounted to 257,000 and the price per warrant was SEK 9.93. The subscription price for a B share is SEK 140.20. The warrants can be exercised to subscribe for shares as of May 1, 2024, up to and including December 15, 2024.

Pensions

The retirement age for the President and CEO and other senior executives is 65. The President and CEO's pension premium amounted to 35% (30) of pensionable salary, and follows a defined contribution pension scheme. Variable remuneration does not qualify as pensionable income.

Other senior executives have defined contribution pension schemes. For 2021, the average pension premium was 24% of base salary (24). Variable remuneration does not qualify as pensionable income.

Severance pay

The President and CEO and other senior executives shall provide a notice period of six months. In the event of termination by the company, a notice period of 12–24 months applies. Any other income that is received during the notice period shall be deducted from the salary and other remuneration payable during the notice period. 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.

Gender distribution of Board members and Group management

	2021		2020	
	Men	Women	Men	Women
Parent Company Board including CEO	8	2	7	3
Group management including CEO	6	1	5	—

Remuneration of the Board, President and CEO and other senior executives in Group management

SEK thousand	Base salary/ Director's fee ¹⁾	Variable remuneration ²⁾	Other benefits ³⁾	Pension premiums	Other remuneration ⁴⁾	Total
Remuneration and other benefits in 2021						
Chairman of the Board, Fredrik Arp	825					825
Board member, Tomas Blomquist	250					250
Board member, Sven Boström	250					250
Board member, Lovisa Hamrin	285					285
Board member, Åsa Hedin	310					310
Board member, Erik Lynge-Jorlén	250					250
Board member, Lars-Åke Rydh	340					340
President and CEO, Christer Wahlquist	5,160	2,952	101	1,806	532	10,551
Vice President, Per-Ola Holmström	3,060	1,441	98	1,050	104	5,753
Other senior executives in Group management (5 people) ⁶⁾	12,737	3,046	214	2,693	358	19,048
Total	23,467	7,439	413	5,549	994	37,862

SEK thousand	Base salary/ Director's fee ¹⁾	Variable remuneration ²⁾	Other benefits ³⁾	Pension premiums	Other remuneration ^{4) 5)}	Total
Remuneration and other benefits in 2020						
Chairman of the Board, Fredrik Arp ⁵⁾	445				150	595
Board member, Sven Boström	215					215
Board member, Lovisa Hamrin	215					215
Board member, Åsa Hedin	262					262
Board member, Erik Lynge-Jorlén	215					215
Board member, Lars-Åke Rydh	285					285
Board member, Jenny Sjö Dahl	215					215
President and CEO, Christer Wahlquist	4,560	2,789	134	1,387	107	8,977
Vice President, Per-Ola Holmström	2,940	1,436	130	1,023	84	5,613
Other senior executives in Group management (3 people)	10,648	3,182	176	2,255	194	16,455
Total	20,000	7,407	440	4,665	535	33,047

¹⁾ Including remuneration for committee work. According to AGM decision regardless of payment period.

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

³⁾ 'Other benefits' primarily 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 has invoiced SEK 0 thousand (150) for other agreed services in accordance with a decision by the AGM. Fees received have compensated for social security contributions.

⁶⁾ Addition of two members to Group management as of June 1; Camilla Magnusson (Group Procurement Director) and Glenn Svedberg (Head of Sustainability).

Note 28 Information on remuneration of auditors

The company's auditing firm received remuneration as follows:

SEK thousand	2021	2020
EY		
Auditing	4,842	4,564
Taxation assignments	258	—
Other assignments	17	5,052
Total	5,117	9,616

Auditing relates to reviewing the annual accounts and financial statements, 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.

Remuneration of other auditing firms for auditing assignments amounted to SEK 1,228 thousand (802).

Note 29 Average no. of employees

	2021		2020	
	Number	Of which men	Number	Of which men
Parent Company in Sweden				
Nolato AB, Torekov	10	70%	9	67%
Subsidiaries in Sweden				
Nolato Cerbo AB, Trollhättan, Sweden	153	70%	145	70%
Nolato Gota AB, Götene, Sweden	214	76%	201	77%
Nolato Lövepac AB, Skånes Fagerhult, Sweden	54	61%	47	60%
Nolato MediTech AB, Hörby, Sweden	313	60%	295	66%
Nolato MediTor AB, Torekov, Sweden	100	52%	104	53%
Nolato Plastteknik AB, Gothenburg, Sweden	99	76%	123	70%
Nolato Polymer AB, Torekov, Sweden	106	81%	96	79%
Nolato Silikonteknik AB, Hallsberg, Sweden	81	64%	76	63%
	1,120	67%	1,087	68%
Subsidiaries abroad				
Avenue Mould Solutions Ltd, Ireland	76	79%	26	77%
Cerbo France Sarl, France	1	0%	1	0%
GW Plastics (Dongguan) Ltd, China	233	52%	80	54%
GW Plastics Hong Kong Ltd, China	4	100%	—	—
GW Plastics Mexicana, S. de R.L de C.V., Mexico	120	61%	36	36%
GW Plastics San Antonio, Inc., United States	101	68%	27	70%
GW Plastics Tucson, Inc., United States	142	61%	46	57%
GW Silicones, Inc., United States	41	27%	12	75%
Lövepac Converting Ltd, China	50	52%	62	48%
Lövepac Technology (Shenzhen) Co., Ltd, China	112	38%	81	46%
Nolato Contour, Inc., United States	297	64%	291	58%
Nolato EMC Kft, Hungary	36	36%	25	48%
Nolato GW, Inc., United States	335	66%	111	61%
Nolato Hungary Kft, Hungary	741	46%	724	48%
Nolato Jabar LLC, United States	66	67%	68	66%
Nolato Jaycare Ltd, UK	151	84%	145	83%
Nolato (Malaysia) SDN BHD	71	55%	115	52%
Nolato Medical Device Co. Ltd, China	60	57%	52	58%
Nolato Mobile Comm. Polymers (Beijing) Ltd, China	3,610	48%	2,690	49%
Nolato Romania Srl, Romania	55	40%	56	41%
Nolato Silikonteknik (Beijing) Co., Ltd, China	250	56%	179	57%
Nolato Stargard Sp.zo.o., Poland	125	22%	127	21%
Nolato Technology (Dongguan) Co., Ltd, China	4	100%	—	—
Nolato Technology (Suzhou) Co., Ltd, China	525	46%	407	46%
Nolato Treff AG, Switzerland	333	60%	264	69%
	7,539	51%	5,625	51%
	8,669	53%	6,721	54%

Note 30 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, organization 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 centralized 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 centralization involves significant economies of scale, a lower financing cost and better internal controls and management of the Group's financial risks. Within the framework of the financial policy, there is the opportunity to utilize foreign exchange and fixed income instruments. During the year, trading was only carried out in currency derivatives.

Market risk – foreign exchange risk

The Group is exposed to exchange rate fluctuations in future payment flows attributable to both contracted and anticipated commercial undertakings, as well as loans and investments in foreign currency – transaction exposure. The Group's financial statements are also affected by translation effects when translating the earnings and net assets of foreign subsidiaries into Swedish kronor – translation exposure.

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. trade receivables and trade payables, and

the foreign exchange risk in anticipated and contracted payment flows.

In 2021, Nolato's sales to countries outside Sweden accounted for 92% (90) of total sales. The largest flow currencies for the Swedish units were EUR and USD. The China-based 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 50 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 counter value exceeding SEK 3 million. The consolidated income statement includes exchange rate differences in a net amount of SEK –19 million (–29) 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 –23 million (–16) in net financial income/expense.

At the end of 2021, the Group had the following currency hedges in relation to anticipated payment flows in CNY, EUR, GBP and USD for 2021. The derivatives used are forwards 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 unutilized are detailed in the table below.

Currency forward contracts

SEKm	2021					2020				
	Nominal value	Fair value	Average rate	Recognized in profit	Recognized in other comprehensive income	Nominal value	Fair value	Average rate	Recognized in profit	Recognized in other comprehensive income
Hedging for intra-group loans										
CHF sold for SEK (Q4)	64	65	9.9095	—	—	—	—	—	—	—
EUR sold for SEK (Q4)	98	98	10.3026	—	—	—	—	—	—	—
GBP sold for SEK (Q4)	69	71	11.8794	– 2	—	66	66	11.2118	—	—
USD sold for SEK (Q4)	1,049	1,050	9.0065	– 37	23	549	534	8.3752	13	—
Total	1,280	1,284		– 39	23	615	600		13	—
Hedging for anticipated dividends										
CNY sold for USD (Q2)	—	—	—	—	18	231	213	7.0919	—	– 18
Total	—	—		—	18	231	213		—	– 18
Cash flow hedges EUR										
EUR sold for SEK (Q1)	11	11	10.0808			3	3	10.4271		
EUR sold for SEK (Q2)	13	13	10.1857			9	9	10.3774		
EUR sold(+)/purchased(–) for SEK (Q3)	7	7	10.1862			– 7	– 7	10.2967		
EUR sold(+)/purchased(–) for SEK (Q4)	14	14	10.3026			– 2	– 2	10.3113		
Total	45	45		—	—	3	3		—	—
Cash flow hedges USD										
USD sold for SEK (Q1)	54	53	8.8156			46	52	9.3432		
USD sold for SEK (Q2)	39	39	8.8409			34	37	8.9646		
USD sold for SEK (Q3)	30	29	8.9345			24	26	8.7038		
USD sold for SEK (Q4)	15	15	9.0331			11	11	8.4779		
Total	138	136		– 5	– 9	115	126		4	7

Gains and losses in other comprehensive income in relation to currency forward contracts at December 31, 2021, will be transferred to the income statement at various dates within one year of the balance sheet date.

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

SEKm	12-month estimated net flows	Total hedges	Percentage	Average rate
EUR	70	45	64%	10.1965
USD	282	138	49%	8.8722
Total	352	183	52%	

The contracts are included at fair value in the balance sheet, and the change in value is recognized in other comprehensive income. When the contracts are realized, the accumulated change in value is booked to the income statement. In 2021, the effect of the currency derivatives on operating profit was SEK –5 million (4).

Transaction exposure at year-end (cash flow hedges)

SEKm	12-month unhedged estimated net flows	Exchange rate change	Impact on earnings
EUR	25	+/- 5%	+/- 1
USD	144	+/- 5%	+/- 7
Total	169		+/- 8

At the end of the year, the Group had SEK 169 million in unhedged estimated currency flows, including effects from currency hedges. A change in the value of the Swedish krona of +/-5% would have an impact of SEK +/-8 million on profit.

Translation exposure

Foreign exchange risks also exist in the translation of foreign subsidiaries' assets, liabilities and profit into the Parent Company's functional currency. This is known as translation exposure. Nolato's policy is that net investments in shareholders' equity in foreign currency are not normally hedged, but may be in some cases following a separate decision. Translation differences reported in other comprehensive income are detailed in Note 18, 'Other reserves'.

Translation exposure in foreign subsidiaries

SEKm	Net assets	5% increase in value of krona
Nolato Romania, RON	12	- 1
Nolato Holdings UK, GBP	182	- 9
Nolato Automotive Components (Beijing), CNY	- 3	—
Nolato Medical Device (Beijing), CNY	- 13	1
Nolato Mobile Comm. Polymers (Beijing), CNY	729	- 37
Nolato Technology (Dongguan), CNY	- 1	—
Nolato Technology (Suzhou), CNY	102	- 5
Nolato Silikonteknik (Beijing), CNY	25	- 1
Lövepac Converting, CNY	55	- 3
Lövepac Technology (Shenzhen), CNY	- 20	1
Nolato (Malaysia) SDN BHD	26	- 1
Nolato Hungary, EUR	478	- 24
Nolato EMC Hungary, EUR	—	—
Nolato Stargard, PLN	22	- 1
Cerbo France, EUR	—	—
Total	1,594	- 80

The Group has SEK 1,594 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 –80 million on the net assets in the Group. The Group has no exposure in the net assets of Nolato Treff AG or the companies in the US, as any translation effects are evened out by loans in the Parent Company.

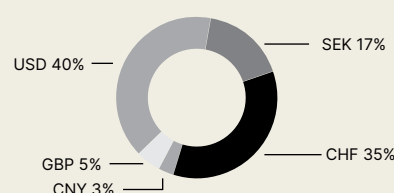
Interest rate risk

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 year-end, interest-bearing liabilities with credit institutions amounted to SEK 1,499 million (1,785). The fixed interest term on the Group's loans and investments determines how quickly interest rate changes affect earnings. 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:

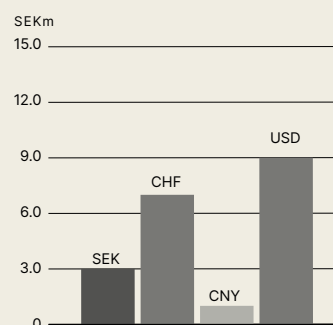
- Up to one year: 35–65%
- More than one year: 35–65%

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

Breakdown of interest-bearing liabilities by currency



Interest rate effect on interest-bearing liabilities at year-end



An increase in the interest rate of one percentage point based on the interest-bearing liabilities at the end of the year would result in additional interest expenses within the Group of SEK 20 million.

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 significant investments and acquisitions.

Total credit lines granted in the Group amount to SEK 2,900 million (3,295). Of this amount, SEK 600 million matures on April 24, 2022; SEK 900 million on August 6, 2024; SEK 511 million on December 22, 2024, and SEK 678 million on August 6, 2025.

Interest-bearing net liabilities at year-end

	Outstanding amount (SEKm)	Future interest during term outstanding	Term out-standing (mths)	Fixed interest period outst. (mths)	Average interest (%)
Interest-bearing liabilities					
Bank loans, USD	- 714	42	41	41	1.8
Bank loans, CHF	- 554	5	19	19	0.7
Bank loans, SEK	- 60		3	3	0.6
Contingent consid. GW Plastics Inc., USD	- 171				—
Lease liability, CHF	- 6				0.6
Lease liability, CNY	- 68				4.3
Lease liability, EUR	- 2				2.5
Lease liability, GBP	- 91				1.8
Lease liability, SEK	- 99				2.1
Lease liability, USD	- 29				4.1
Pension liability, SEK	- 158				1.1
Pension liability, CHF	- 89				0.4
Total	- 2,041	47			1.3
Interest-bearing assets					
Cash and cash equivalents	1,448				1.3
Net financial liabilities	- 593				

As part of the financing of the Group's subsidiaries, the Parent Company has issued internal loans in EUR to Hungary and in GBP to the UK. The repayment of these loans has been hedged according to the table below. Hedge accounting is not applied for these currency hedge contracts.

Subsidiaries	Currency swaps	Selling price	Maturity date
Nolato Hungary Kft, Hungary	EURm 10	10.3026	Dec. 16, 2022
Nolato Holdings UK Ltd, UK	GBPm 6	11.8794	Dec. 16, 2022

At year-end the Group's financial liabilities stood at SEK 3,509 million (3,365). Non-interest-bearing liabilities are attributable primarily to trade payables, with the term outstanding shown in the table below.

Maturity	< 1 month	1-3 months	4-12 months	> 1 year	Total
Trade payables	811	610	39	3	1,463

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 3,025 million (2,921) at the balance sheet date. The exposure comprises the carrying amount of all financial assets.

Credit risk (SEKm)

	2021	2020
Trade receivables	1,574	1,254
Other receivables	2	2
Derivatives	1	27
Cash and cash equivalents	1,448	1,487
Total	3,025	2,770

Trade receivables are continually analyzed at operating level within the Group. Trade receivables 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 analyzed.

The Nolato Group has entered into ISDA contracts (International Swaps and Derivatives Association, Inc.) with essentially all of these financial institutions. An ISDA contract is classified as an enforceable netting arrangement. One function of an ISDA contract is that it allows the Nolato Group to calculate credit exposure on a net basis, i.e. the difference between the Group's claims and liabilities per counterparty. The agreement between the Group and the counterparty enables net payment of derivatives when both parties choose this method. In the event of failure to pay by either party, the counterparty is able to choose to pay net. Transactions are undertaken within set limits and credit exposure per counterparty is continually analyzed. At the balance sheet date, the Group had derivative assets of SEK 1 million (27) and derivative liabilities of SEK 5 million (18) included in enforceable netting arrangements.

Hedge accounting

The Group applies hedging to reduce risks attributable to volatility in balance sheet items and future cash flows, which would otherwise affect profit or loss. A distinction is made between cash flow hedging, fair value hedging and hedging of net investments in foreign operations, based on the nature of the hedged item.

Derivatives that constitute effective financial hedges, but that either do not qualify for hedge accounting according to IFRS 9 or that the Group chooses not to apply hedge accounting for, are recognized in the same way as instruments held for trading. In such cases, changes to the fair value of financial hedges are recognized immediately in profit or loss as financial income or expense, or in operating profit depending on the nature of the hedged item.

Cash flow hedging

Hedge accounting has been applied to derivative instruments that effectively counteract variations in the cash flow from forecast sales. Changes in the fair value of such derivative instruments identified as hedging instruments and that satisfy the criteria for hedging of future cash flows are recognized in hedging reserves in shareholders' equity via other comprehensive income.

Hedging of net investments

Hedge accounting has been applied to financial instruments that effectively counteract the Group's exposure to effects arising on conversion of the net assets of Nolato Treff AG and operations in the US into the Parent Company's functional currency. Gains and losses in hedging instruments that satisfy the requirements for hedging of net investments are recognized in the translation reserve in shareholders' equity via other comprehensive income.

At the balance sheet date, the Group hedged a nominal amount of CHF 55 million (55) of net investment in foreign operations against changes to the CHF/SEK exchange rate. A CHF loan in the amount of CHF 55 million (55) was used as a hedging instrument.

At the balance sheet date, the Group hedged a nominal amount of USD 117 million (0) of net investment in foreign operations against changes to the USD/SEK exchange rate. A USD loan amounting to USD 75 million (0) was used as a hedging instrument.

The result of the hedges amounted to SEK -32 million (18) before tax for 2021 and was recognized directly in the translation reserve via other comprehensive income. During the year, no gains/losses from hedging reserves were reclassified via other comprehensive income to profit or loss to match the reclassification of the accumulated currency translation difference in the hedged subsidiary's equity.

Note 31 Acquisitions**Acquisition of GW Plastics 2020****Description of GW Plastics Inc.**

Nolato has acquired GW Plastics Inc. The company has annual sales equivalent to approximately SEK 1.8 billion, with an estimated EBITA margin of around 7%. The acquisition provides significant volumes and a strong position in North America, offering additional opportunities for growth and underpinning existing core customer relationships. The acquisition means Nolato has a solid global position on the three continents of Europe, North America and Asia. The company has operations in the US, Mexico, China and Ireland.

GW Plastics was founded in 1955 and has established a position as an industry leader specializing in complex injection-molded thermoplastic and silicone solutions with a significant degree of innovation and a high-tech standardized global manufacturing platform. The company's products are mainly used in medical devices and, to a lesser extent, in vehicle systems.

Just over four-fifths of GW Plastics' business is reported under the Medical Solutions business area, with the remainder reported under Industrial Solutions.

Description of the acquisition

Nolato has acquired 100% of the shares in GW Plastics Inc., and obtained controlling influence. The company was acquired on September 1 and was consolidated by Nolato as of the same date. The acquisition was reported using the acquisition method, with the total purchase price being allocated among the assets acquired and liabilities assumed based on their fair values. Fair value was determined using generally accepted principles and methods. The acquisition price for the company, which is debt-free, amounts to approximately SEK 2 billion, including a contingent consideration estimated by Nolato at SEK 0.3 billion. The contingent consideration may amount to a maximum of roughly SEK 0.4 billion. The contingent consideration is based on earnings for the 2020–2022 period. The purchase price was financed via cash payment and the arrangement of a new credit agreement. The acquisition contributed SEK 521 million to the Nolato Group's revenue in 2020 and had a marginal negative effect on the Group's earnings per share (SEK -0.20). The pandemic has led to lower demand in the surgery segment as operations are being postponed, which affected the US business. Differing principles for monitoring of performance in a number of countries compared with Nolato's principles in several areas means that submitting disclosures about the acquired company's earnings for the current reporting period would involve a considerable amount of work, as opposed to if the acquisition had taken place at the beginning of the financial year. Such disclosures have consequently not been submitted. The acquisition analysis of the company has been established and is thus definitive.

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

Acquisition value	1,721
Less fair value of acquired net assets (according to spec. below)	- 631
Goodwill	1,090

Goodwill arising in connection with the transaction consists of synergies that are expected to be achieved primarily as a result of increased sales volumes for the Nolato Group to customers, primarily in the US within the Medical Solutions business area. But also partly by means of lower costs through better purchasing terms from external suppliers, and other involvement at different levels in the Medical Solutions business area and, to some extent, in the Industrial Solutions business area. The goodwill is not tax-deductible according to US tax rules.

Net assets

	Balance sheet at time of acquisition	Adjustment to fair value	Fair value
Non-current intangible assets	—	276	276
Property, plant and equipment	508	—	508
Rights of use	61	—	61
Deferred tax assets	29	—	29
Current assets	753	—	753
Cash and cash equivalents	94	—	94
Provisions	- 1	—	- 1
Other non-current financial liabilities	- 522	—	- 522
Deferred tax liabilities	- 35	- 64	- 99
Other current financial liabilities	- 16	—	- 16
Other current liabilities	- 452	—	- 452
Net assets acquired	419	212	631

Non-current intangible assets in the form of customer relationships are estimated to amount to SEK 276 million and will be amortized for accounting purposes over a period of 10 years. Gross value, fair value and the value expected to be settled for the balance sheet item 'Trade receivables' are all SEK 248 million. Acquisition expenses of SEK 27 million were expensed as other operating expenses.

Cash flow effects

Cash paid, acquisition value	1,442
Less acquired cash and cash equivalents	- 94
Net cash flow from acquisition	1,348

Five-year review key performance indicators

	2021	2020	2019	2018	2017
Performance indicators according to IFRS¹⁾					
Operating profit (EBIT) (SEK million)	1,333	1,048	887	941	749
Diluted earnings per share after tax (SEK)*	4.32	3.02	2.66	2.74	2.17
Performance indicators (alternative performance measures)¹⁾					
Reversal of amortization of intangible assets arising in connection with acquisitions	36	18	8	8	14
Operating profit (EBITA) (SEK million)	1,369	1,066	895	949	763
Performance indicators per share (alternative performance measures)¹⁾					
Profit after tax for the year (SEKm)	1,160	806	703	722	572
Reversal of amortization of intangible assets arising in connection with acquisitions	36	18	8	8	14
Tax on reversal of amortization of intangible assets arising in connection with acquisitions	- 7	- 4	- 2	- 2	- 3
Adjusted profit after tax (SEKm)	1,189	820	709	728	583
Average number of shares after dilution*	268,779,516	266,560,960	264,320,010	263,840,210	263,158,440
Adjusted diluted earnings per share after tax (SEK)*	4.42	3.08	2.68	2.76	2.22
Sales and profit (alternative performance measures)¹⁾					
Net sales (SEK million)	11,610	9,359	7,919	8,102	6,720
Sales growth (%)	24	18	- 2	21	51
Profit after financial income and expenses (SEK million)	1,401	1,014	857	921	731
Profit for the year (SEK million)	1,160	806	703	722	572
Cash flow (alternative performance measures)¹⁾					
Cash flow from operations (SEK million)	1,228	1,164	1,160	1,045	773
Investing activities (SEK million)	- 782	- 1,695	- 453	- 398	- 277
Cash flow after investing activities (SEK million)	446	- 531	707	647	496
Cash flow from operating activities per share, before dilution (SEK)*	4.58	4.37	4.38	3.97	2.94
Cash flow after investing activities excluding acquisitions and disposals per share, before dilution, (SEK)*	1.66	3.40	3.02	2.25	1.89
Cash conversion (%)	35	87	88	60	66
Financial position (alternative performance measures)¹⁾					
Total assets (SEK million)	10,055	8,684	6,134	5,156	4,752
Shareholders' equity (SEK million)	4,768	3,699	2,966	2,592	2,159
Interest-bearing liabilities and provisions (SEK million)	- 2,041	- 2,417	- 1,219	- 794	- 822
Financial net debt (-)/net assets (+), excluding pension and lease liabilities (SEK million)	- 51	- 298	666	341	31
KPIs (alternative performance measures)¹⁾					
Return on total capital before tax (%)	15.7	14.3	15.6	18.4	17.1
Return on capital employed before tax (%)	22.8	20.7	23.1	29.7	26.6
Return on operating capital before tax (%)	27.1	29.2	31.0	40.0	32.1
Return on net shareholders' equity (%)	28.0	23.9	25.5	30.4	29.4
EBITA margin (%)	11.8	11.4	11.3	11.7	11.4
Profit margin (%)	12.1	10.8	10.8	11.4	10.9
Equity/assets ratio (%)	47	43	48	50	45
Debt/equity ratio (times)	0.4	0.7	0.4	0.3	0.4
Interest coverage ratio (times)	34	28	25	40	56
Average number of employees	8,669	6,721	5,941	6,449	7,249

¹⁾ Nolato presents certain financial measures in this report that are not defined according to IFRS. Nolato considers that these measures provide valuable supplementary information for investors and company management, as they enable an assessment of trends and the company's performance. Since not all companies calculate financial measures in the same way, these are not always comparable to measures used by other companies. These financial measures should not therefore be regarded as substitutes for measures defined according to IFRS. For definitions of financial measures, see page 95.

* The Group has an incentive program – Incentive Program 2019/2024. For further information, see Note 27.

Alternative performance measures

SEKm unless otherwise specified	2021	2020
Operating profit (EBITDA)	1,805	1,456
Non-recurring items	- 50	31
Adjusted operating profit (EBITDA)	1,755	1,487
Operating profit (EBIT)	1,333	1,048
Reversal of amortization of intangible assets arising in connection with acquisitions	36	18
Operating profit (EBITA)	1,369	1,066
Non-recurring items	- 50	31
Adjusted operating profit (EBITA)	1,319	1,097
EBITA margin (%)	11.8	11.4
Adjusted EBITA margin (%)	11.4	11.7
Profit after financial income and expense	1,401	1,014
Non-recurring items	- 165	31
Adjusted profit after financial income and expenses	1,236	1,045
Profit margin (%)	12.1	10.8
Adjusted profit margin (%)	10.6	11.2
Profit after tax	1,160	806
Non-recurring items	- 165	31
Tax on non-recurring items	—	- 6
Adjusted profit after tax	995	831
Cash flow after investments, excl. acquisitions and disposals	446	905
Non-recurring items (affecting cash flow)	—	36
Adjusted cash flow after investments, excluding acquisitions and disposals	446	941
Operating profit (EBIT)	1,333	1,048
Non-recurring items	- 50	31
Adjusted operating profit (EBIT)	1,283	1,079
Cash conversion (%)	35	87

Including a non-recurring item in operating profit of SEK 50 million for the full year 2021 and SEK 115 million in profit after financial items in Q4 2021 and the full year 2021, which affected profit after tax by SEK 165 million. These non-recurring items were recognized at Group level and have consequently not affected the profit of the business areas.

Including a non-recurring item in operating profit of SEK -31 million for the full year 2020, and tax effects of SEK +6 million, which have affected profit after tax by SEK -25 million. This non-recurring item has been recognized at Group level and has consequently not affected the profit of the business areas.

	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019
SEKm unless otherwise specified									
Profit after financial income and expenses, rolling 12 mths	1,401	1,238	1,183	1,078	1,015				
Financial expenses, rolling 12 mths	43	44	44	41	38				
Adjusted profit after financial exp., rolling 12 mths	1,444	1,282	1,227	1,119	1,053				
Total capital at end of period	10,056	9,542	8,784	9,191	8,482	8,899	6,638	6,630	6,134
Average total capital, past five quarters	9,211	8,980	8,399	7,968	7,357				
Return on total capital (%)	15.7	14.3	14.6	14.0	14.3				
Adjusted profit after financial exp., rolling 12 mths	1,444	1,282	1,227	1,119	1,053				
Capital employed at end of period	6,809	6,318	5,984	6,479	6,116	6,167	4,514	4,480	4,184
Average capital employed, past five quarters	6,341	6,213	5,852	5,551	5,092				
Return on capital employed (%)	22.8	20.6	21.0	20.2	20.7				
Operating profit (EBIT), rolling 12 mths	1,333	1,281	1,232	1,122	1,048				
Capital employed at end of period	6,809	6,318	5,984	6,479	6,116	6,167	4,514	4,480	4,184
Cash and bank balances at end of period	- 1,448	- 1,400	- 1,248	- 1,563	- 1,487	- 1,438	- 1,906	- 1,333	- 1,362
Operating capital at end of period	5,361	4,918	4,736	4,916	4,629	4,729	2,608	3,147	2,822
Average operating capital, past five quarters	4,912	4,786	4,324	4,006	3,587				
Return on operating capital (%)	27.1	26.8	28.5	28.0	29.2				
Profit after tax, rolling 12 mths	1,160	985	939	855	806				
Shareholders' equity at end of period	4,768	4,280	3,951	4,025	3,699	3,653	3,353	3,220	2,966
Average shareholders' equity, past five quarters	4,145	3,922	3,736	3,590	3,378				
Return on shareholders' equity (%)	28.0	25.1	25.1	23.8	23.9				

Definitions – IFRS measures

› Earnings per share

Earnings for the period that are attributable to the Parent Company's owners divided by the average number of shares outstanding.

› Operating profit (EBIT)

Earnings before interest and taxes.

Definitions – Alternative performance measures

Nolato presents certain financial measures in this report that are not defined according to IFRS. Nolato considers that these measures provide valuable supplementary information for investors and company management, as they enable an assessment of trends and the company's performance. Since not all companies calculate financial measures in the same way, these are not always comparable to measures used by other companies. These financial measures should not therefore be regarded as substitutes for measures defined according to IFRS.

› Average number of shares

The average basic number of shares comprises the Parent Company's weighted average number of shares outstanding during the period. After dilution, a weighted average of the shares that may be issued under the ongoing share warrant program is added if they are in the money, but only insofar as the average listed share price for the period exceeds the subscription price of the warrants.

› Adjusted earnings per share

Profit after tax, excluding amortization 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.

› Debt/equity ratio

Interest-bearing liabilities and provisions divided by shareholders' equity.

› EBITA margin

Operating profit (EBITA) as a percentage of net sales.

› Equity/assets ratio

Shareholders' equity as a percentage of total capital as per the balance sheet.

› Interest coverage ratio

Profit after financial income and expenses, plus financial expenses, divided by financial expenses.

› Net financial liabilities/net financial assets

Interest-bearing assets less interest-bearing liabilities and provisions.

› Operating profit (EBITDA)

Earnings before interest, taxes, depreciation and amortization.

› Operating profit (EBITA)

Earnings before interest, taxes and amortization of intangible assets arising from acquisitions.

› Profit margin

Profit after financial income and expenses as a percentage of net sales.

› Return on total capital

Profit after financial income and expenses, plus financial expenses, as a percentage of average total capital as per 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 divided by average shareholders' equity.

Some of the items reported relate to future events and actual outcomes may differ materially. In addition to those factors explicitly commented on, other factors may also materially affect the actual outcome, such as economic conditions, exchange rates and interest rate levels, political risks, competition and pricing, product development, commercialization and technical difficulties, supply problems and customer credit losses.

A few specialist terms used within the Nolato Group

› Cleanroom

A room with extremely strict requirements in terms of the absence of dust particles, in some cases even minimization of bacteria, etc. Used by Nolato when producing medical technology components and mobile phone components.

› Dip molding

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.

› Extrusion

This is a method for continuously manufacturing products in strands, such as medical tubing.

› Haptic technology/haptics

Designing a surface so that a function or cosmetic effect can be felt.

› Injection molding

A method for the production of polymer components. The material is injected under high pressure into a mold in which the component is made.

› Injection blow molding

Production technique whereby a container is first injection-molded and then inflated so that a receptacle is formed. Injection blow molding is used by Nolato in the production of pharmaceutical packaging.

› Polymer materials

Materials such as plastic, silicone, rubber and thermoplastic elastomers (TPEs).

› 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.

Parent Company income statement

SEKm	Note	2021	2020
Net sales	2	69	69
Selling expenses	6, 12	– 8	– 6
Administrative expenses	3, 6, 12	– 57	– 57
Other operating income	4	10	14
Other operating expenses	5	– 38	– 40
	12	– 93	– 89
Operating loss		– 24	– 20
Revenue from investments in Group companies	7	690	516
Financial income	8	74	32
Financial expenses	9	– 53	– 20
		711	528
Profit after financial income and expense		687	508
Appropriations	10	255	180
Tax	11	– 80	– 53
Profit for the year		862	635

Parent Company comprehensive income

SEKm	2021	2020
Profit for the year	862	635
<i>Items transferred or that could be transferred to profit for the period</i>		
Exchange rate difference on monetary item regarding overseas net investment	4	—
Comprehensive income for the year	866	635

Parent Company balance sheet

SEKm	Note	2021	2020
Assets			
Non-current assets			
Property, plant and equipment		1	1
Total non-current assets		1	1
Non-current financial assets			
Investments in Group companies	13	1,994	1,982
Receivables from Group companies	16	1,825	1,549
Other non-current receivables		2	2
Total non-current financial assets		3,821	3,533
Total non-current assets		3,822	3,534
Current assets			
Receivables from Group companies		1,096	706
Other receivables		1	2
Prepaid expenses and accrued income		7	13
Total current assets		1,104	721
Cash and bank balances		60	477
Total assets		4,986	4,732
Shareholders' equity and liabilities			
Shareholders' equity			
<i>Restricted equity</i>			
Share capital (269,377,080 shares)	14	135	134
Statutory reserve		488	392
Total restricted equity		623	526
<i>Unrestricted equity</i>			
Translation reserve		—	– 4
Retained earnings		1,622	1,415
Profit for the year		862	635
Total unrestricted equity		2,484	2,046
Total shareholders' equity		3,107	2,572
Untaxed reserves	19	285	269
Provisions			
Deferred tax liabilities	11	17	9
Other provisions	17	6	7
Total provisions		23	16
Non-current liabilities			
Liabilities to credit institutions	15	1,220	614
Liabilities to Group companies	16	55	55
Total non-current liabilities		1,275	669
Current liabilities			
Trade payables		2	9
Liabilities to credit institutions	15	50	832
Liabilities to Group companies		183	327
Other liabilities		41	16
Accrued expenses and deferred income	18	20	22
Total current liabilities		296	1,206
Total liabilities and shareholders' equity		4,986	4,732

Parent Company changes in shareholders' equity

SEKm	Restricted equity		Unrestricted equity		Total shareholders' equity
	Share capital	Statutory reserve	Translation reserve	Retained earnings	
Opening balance, Jan. 1, 2020	133	298	- 4	1,415	1,842
Profit for the year			—	635	635
Other comprehensive income for the year			—		—
Comprehensive income for the year			—	635	635
Warrants exercised in incentive program	1	94			95
Closing balance, Dec. 31, 2020	134	392	- 4	2,050	2,572
Opening balance, Jan. 1, 2021	134	392	- 4	2,050	2,572
Profit for the year			—	862	862
Other comprehensive income for the year			4		4
Comprehensive income for the year			4	862	866
Warrants exercised in incentive program	1	96			97
Dividend for 2020				- 428	- 428
Closing balance, Dec. 31, 2021	135	488	—	2,484	3,107

Parent Company cash flow statement

SEKm	Note	2021	2020
Operating activities			
Operating loss		- 24	- 20
Adjustments for items not included in cash flow		4	37
Dividends from subsidiaries		233	200
Interest received		74	32
Interest paid		- 23	- 12
Realized exchange rate differences		- 104	18
Income tax paid		- 51	- 9
Cash flow from operating activities before changes in working capital		109	246
Changes in working capital			
Changes in operating receivables and operating liabilities		- 21	591
Cash flow from operating activities		88	837
Investing activities			
Acquisition of non-current intangible assets		- 1	—
Shareholders' contribution		- 12	- 571
Cash flow from investing activities		- 13	- 571
Cash flow before financing activities		75	266
Financing activities			
Borrowings	15	50	860
Repayment of loans	15	- 323	—
Change in long-term intra-Group transactions		- 108	- 1,202
Dividend paid		- 428	—
Group contribution received		220	240
Warrants exercised in incentive program		97	95
Cash flow from financing activities		- 492	- 7
Cash flow for the year		- 417	259
Cash and cash equivalents, opening balance		477	218
Cash and cash equivalents, closing balance*		60	477

* Credit balance on Group account in Parent Company.

Notes to the Parent Company financial statements

Note 1 Accounting and valuation policies

The Parent Company's annual accounts have 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 accounts 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:

Investments in Group companies

Investments in subsidiaries are recognized in the Parent Company in accordance with the cost method. 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. Impairment testing occurs annually by comparing the Parent Company's recorded acquisition costs with the subsidiaries' net worth, including their long-term earning capacity.

Classification and presentation 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.

IFRS 16 Leases

IFRS 16 rules are not applied for legal entities, which are instead subject to the rules in RFR 2 p. 2–5. The Parent Company recognizes lease payments as costs on a straight-line basis over the term of the lease. Expensed lease payments during the year amounted to SEK 773 thousand (770). Over the next three years, lease payments will amount to a total of approx. SEK 979 thousand.

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 recognized when the right to receive the dividend is established. Any anticipated dividend is recognized as receivables from Group companies and as revenue from investments in Group companies (see Note 7).

Financial instruments

The Parent Company applies the section on IFRS 9 Financial Instruments in RFR 2 according to point 2. Outstanding derivative instruments at December 31, 2021, are described in Note 30 of the consolidated statements.

Employee benefits

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 recognized as defined contribution schemes, which means that premiums paid are charged to the income statement. Charges for the year to Alecta totaled SEK 450 thousand (395). 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 recognized in the income statement when they arise.

Recognition of income taxes

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

Group contributions for legal entities

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

Note 2 Purchasing and sales between Parent Company and subsidiaries

	2021	2020
Sales of services to subsidiaries	69	69
Purchase of services from subsidiaries	23	24

Note 3 Information on remuneration of auditors

The company's auditing firm has received remuneration:

SEK thousand	2021	2020
EY		
Auditing	652	677
Taxation assignments	46	—
Other assignments	—	5,049
Total	698	5,726

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.

Note 4 Other operating income

	2021	2020
Effect of exchange rate on operating receivables/liabilities	10	14

Note 5 Other operating expenses

	2021	2020
Effect of exchange rate on operating receivables/liabilities	3	5
Costs for personnel who are not employed by the Parent Company and their overheads	35	35
Total	38	40

Note 6 Personnel

Average no. of employees

	2021		2020	
	Number	Of which men	Number	Of which men
Nolato AB, Torekov	10	70%	9	67%

Employee benefits expense

	2021	2020
Salaries and remuneration	28	26
Pension expenses, defined contribution schemes	5	5
Social security contributions	11	9
Total	44	40

There are 7 (5) senior executives at the Parent Company. Expensed remuneration and benefits for senior executives at the Parent Company during the year totaled SEK 35 million (31), of which SEK 7 million (7) relates to bonuses. Of the Parent Company's pension expenses, SEK 2 million (1) 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

	2021		2020	
	Men	Women	Men	Women
Board members	7	2	6	3
President and CEO	1	—	1	—
Other senior executives	5	1	4	—

Note 7 Revenue from investments in Group companies

	2021	2020
Dividend received from Group companies	233	200
Anticipated dividend from Group companies	461	316
Liquidation earnings from Group companies	- 4	—
Total	690	516

Note 8 Financial income

	2021	2020
Interest income, Group companies	74	32

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

Note 9 Financial expenses

	2021	2020
Interest expenses, credit institutions	16	10
Other financial expenses	6	3
Exchange rate differences	31	7
Total	53	20

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

Note 10 Appropriations

	2021	2020
Group contributions received	271	220
Reversal of tax allocation reserve	69	—
Provision for tax allocation reserve	- 85	- 40
Total	255	180

Note 11 Tax**Recognized in the income statement**

	2021	2020
Current tax expense (-)/income (+)		
Tax expenses for the period	- 71	- 49
	- 71	- 49
Deferred tax expense (-)/income (+)		
Deferred tax in relation to temporary differences	- 9	- 4
Total recognized tax expense	- 80	- 53

Reconciliation of effective tax

The tax rate applicable for income tax is 20.6% (21.4%).

	2021	2020
Profit before tax	942	688
Tax according to applicable Parent Company tax rate	- 194	- 147
Coupon tax on anticipated dividends	- 23	- 16
Non-deductible expenses	- 4	- 3
Non-taxable income	141	113
Recognized effective tax	- 80	- 53
Deferred tax recognized in the balance sheet	2021	2020
Other provisions	1	1
Other	- 18	- 10
Total	- 17	- 9

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

	Balance at Jan. 1, 2020	Recognized in profit for the year	Recognized in shareholders' equity	Balance at Dec. 31, 2020
Other provisions	2	- 1	—	1
Other	- 7	- 3	—	- 10
Total	- 5	- 4	—	- 9

	Balance at Jan. 1, 2021	Recognized in profit for the year	Recognized in shareholders' equity	Balance at Dec. 31, 2021
Other provisions	1	—	—	1
Other	- 10	- 8	—	- 18
Total	- 9	- 8	—	- 17

Note 12 Expenses allocated by type of cost

	2021	2020
Employee benefits expense	- 44	- 40
Consulting expenses	- 7	- 10
Travel expenses	- 1	- 1
Advertising and PR	- 5	- 5
Effect of exchange rate on operating receivables/ liabilities, net	7	9
Costs for personnel who are not employed by the Parent Company and their overheads (charged on)	- 35	- 35
Other costs	- 8	- 7
Total	- 93	- 89

Note 13 Investments in Group companies

	2021	2020
Opening acquisition cost	2,349	1,778
Shareholders' contribution	12	571
Closing accumulated acquisition cost	2,361	2,349
Opening accumulated impairment losses	– 367	– 367
Closing accumulated impairment losses	– 367	– 367
Carrying amount	1,994	1,982

	Participating interest		Carrying amount	
	2021	2020	2021	2020
AB Cerbo Group, Trollhättan, Sweden	100%	100%	268	268
Nolato Cerbo AB, Trollhättan, Sweden	100%	100%		
Cerbo France Sarl, France	100%	100%		
Lövepac Converting Ltd, China	100%	100%	9	9
Lövepac Converting Private Ltd, India		100%		—
Lövepac Technology (Shenzhen) Co., Ltd, China	100%	100%	—	—
Nolato Alpha AB, Kristianstad, Sweden	100%	100%	12	12
Nolato Automotive Components (Beijing) Co. Ltd, China	100%	100%	1	1
Nolato EMC Kft, Hungary	100%	100%	9	9
Nolato Holding USA Inc., United States	100%	100%	571	571
Nolato Contour Inc., United States	100%	100%		
Nolato Jabar LLC, United States	100%	100%		
Nolato GW Inc., United States	100%	100%		
GW Plastics Mexicana, S. de R.L. de C.V., Mexico	100%	100%		
GW Plastics Services, S. de R.L. de C.V., Mexico	100%	100%		
GW Silicones Inc., United States	100%	100%		
GW Plastics San Antonio Inc., United States	100%	100%		
GW Plastics Tucson Inc., United States	100%	100%		
GW Plastics HoldCo Ltd, Ireland	100%	100%		
Avenue Mould Solutions Ltd, Ireland	100%	100%		
GW Plastics Hong Kong Ltd, China	100%	100%		
GW Plastics (Dongguan) Ltd, China	100%	100%		
Nolato Gota AB, Götene, Sweden	100%	100%	129	129
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 Incentive AB, Torekov, Sweden	100%	100%	—	—
Nolato Lövepac AB, Skånes Fagerhult, Sweden	100%	100%	10	10
Nolato (Malaysia) SDN BHD	100%	100%	1	1
Nolato Medical Device (Beijing) Co. Ltd, China	100%	100%	—	—
Nolato MediTech AB, Hörby, Sweden	100%	100%	116	116
Nolato MediTor AB, Torekov, Sweden	100%	100%	9	9
Nolato Mobile Comm. Polymers (Beijing) Ltd, China	100%	100%	91	91
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 Silikonteknik (Beijing) Co. Ltd, China	100%	100%	20	20
Nolato Stargard Sp.oz.o., Poland	100%	100%	21	9
Nolato Technology (Suzhou) Co. Ltd, China	100%	100%	46	46
Nolato Torekov AB, Torekov, Sweden	100%	100%	12	12
Nolato Treff AG, Switzerland	100%	100%	488	488
Carrying amount			1,994	1,982

Note 14 Share capital

The share capital of Nolato AB totals SEK 135 million, divided among 269,377,080 shares. Of these, 27,594,000 are A shares and 241,783,080 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, Dec. 31, 2020	267,442,080	SEK 0.50	SEK 133,721 thousand
Share capital, Dec. 31, 2021	269,377,080	SEK 0.50	SEK 134,689 thousand

Note 15 Borrowings

	Maturity date	2021	2020
Short-term bank loan in CHF (fixed rate)	2021		509
Short-term bank loan in SEK (variable rate)	< 3 months	50	—
Long-term bank loan in CHF (variable rate)	2024	542	—
Short-term bank loan in USD (variable rate)	2021	—	78
Short-term bank loan in USD (fixed rate)	2021	—	245
Long-term bank loan in USD (fixed rate)	2025	678	614
Total		1,270	1,446

Reconciliation of liabilities attributable to financing activities

	2021	2020
Opening balance for non-current and current financial liabilities	1,446	615
<i>Changes affecting cash flow</i>		
Borrowings	50	860
Repayment of loans	- 323	—
<i>Changes not affecting cash flow</i>		
Translation effects	97	- 29
Closing balance for non-current and current financial liabilities	1,270	1,446

Note 16 Receivables and liabilities, Group companies

Receivables from Group companies

At January 1, 2020	441
Change	1,108
At January 1, 2021	1,549
Change	276
At December 31, 2021	1,825

Liabilities to Group companies

At January 1, 2020	55
Change	—
At January 1, 2021	55
Change	—
At December 31, 2021	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 17 Other provisions

	2021	2020
Amount at start of year	7	11
Amounts claimed	- 1	- 4
Amount at year-end	6	7

Relates to future salary tax for endowment insurance.

Note 18 Accrued expenses and deferred income

	2021	2020
Salary liabilities	10	11
Social security contributions	7	8
Other items	3	3
Total	20	22

Note 19 Untaxed reserves

	2021	2020
Provision for tax allocation reserve (taxation year 2016)	—	69
Provision for tax allocation reserve (taxation year 2017)	84	84
Provision for tax allocation reserve (taxation year 2018)	46	46
Provision for tax allocation reserve (taxation year 2019)	30	30
Provision for tax allocation reserve (taxation year 2020)	40	40
Provision for tax allocation reserve (taxation year 2021)	85	—
Total	285	269

Note 20 Contingent liabilities

	2021	2020
Guarantees on behalf of subsidiaries	293	304

Note 21 Related parties

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

When delivering goods and services between Group companies, business terms and conditions and market pricing are applied. The scope of internal invoicing for joint Group services amounts to SEK 69 million (69), 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 74 million (32) and interest expenses of SEK 0 million (0) have arisen in the Parent Company to the extent reported in Notes 8 and 9. Interest on loans receivable and liabilities is calculated on an ongoing basis in line with the market rate. There are no contractually regulated durations. Intra-group receivables at the Parent Company amount to SEK 1,825 million (1,549) and liabilities to Group companies amount to SEK 55 million (55).

During the year, the Parent Company received dividends from subsidiaries totaling SEK 694 million (516), of which SEK 461 million (316) refers to anticipated dividend.

Note 22 Appropriation of profit

Proposed allocation of earnings

	2021	2020
The Board proposes that unappropriated funds:		
Retained earnings	1,622	1,411
Profit for the year	862	635
	2,484	2,046
be allocated as follows:		
Dividend to the shareholders	512	428
To be carried forward	1,972	1,618
	2,484	2,046

Attestation and signatures of the Board

These annual accounts have been prepared in accordance with IFRS international accounting standards as adopted by the EU and provide a true and fair presentation of the operations, financial position and earnings of the Group and the Parent Company, and describe the significant risks and uncertainties faced by the Parent Company and the companies included in the Group.

As indicated below, the annual accounts were approved for issue by the Board on March 17, 2022. 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 May 3, 2022.

Torekov March 17, 2022



Fredrik Arp
Chairman of the Board



Tomas Blomquist
Board member



Sven Boström
Board member



Lovisa Hamrin
Board member



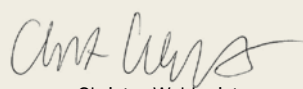
Åsa Hedin
Board member



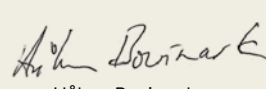
Erik Lyngé-Jorlén
Board member



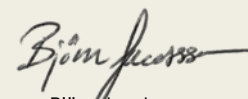
Lars-Åke Rydh
Board member



Christer Wahlquist
President and CEO




Håkan Bovimark
Employee representative



Björn Jacobsson
Employee representative

Our auditor's report was submitted on March 24, 2022
Ernst & Young AB



Joakim Falck
Authorized public accountant

Auditor's report

To the general meeting of the shareholders of Nolato AB (publ), corporate identity number 556080-4592

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Nolato AB (publ) for the year 2021. The annual accounts and consolidated accounts of the company are included on pages 55-102 in this document.

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 2021 and its financial performance and cash flow 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 2021 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Valuation of goodwill and investments in group companies

Description

Goodwill is recognised at SEK 1,924 million and investments in Group companies are recognised at SEK 1,994 million at 31 December 2021. Nolato conducts an annual review and in the event of an indication of impairment, to assure that the carrying amounts do not exceed the estimated recoverable amounts for these assets. Recoverable amounts are determined via a present value computation of future cash flows for each cash generating unit and are based on the anticipated outcome of several factors based on management's business plans and forecasts.

The impairment test for 2021 did not result in any impairment adjustments. As a result of the assessments and key assumptions required when calculating value in use, we have treated valuation of goodwill and investments in Group companies as an area of key audit matters in the audit. A description of the impairment test is detailed under Note 11.

How our audit addressed this key audit matter

In our audit, we have evaluated and audited management's process to establish the impairment test, including by evaluating past accuracy of forecasts and assumptions. With the support of our valuation specialists we have audited the company's model and method for preparing the impairment test. We have evaluated the company's sensitivity analysis and also carried out our own sensitivity analysis of key assumptions and possible influencing factors. With the support of our valuation specialists we have also audited the reasonableness of assumptions regarding discount rates and long-term growth. We have also assessed whether the information disclosed in the financial statements is appropriate.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-54. The remuneration report for the financial year 2021 also constitutes other information. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they 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.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or related safeguards applied.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Report on the audit of the administration and the proposed appropriations of the company's profit or loss

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Nolato AB (publ) for the year 2021 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. 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.

The auditor's examination of the ESEF report

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for Nolato AB for the financial year 2021.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the ESEF report

563a0e21804590b84a96f9ffa7566327509a7f5298aca8d4ce2225ab71ce2130 has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the ESEF report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Nolato AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the Esef report in accordance with Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report,

whether due to fraud or error. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a technical validation of the Esef report, i.e. if the file containing the Esef report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the Esef report has been marked with iXBRL which enables a fair and complete machine-readable version of the consolidated statement of financial performance, financial position, changes in equity and cash flow.

Ernst & Young AB, Box 7850 103 99 Stockholm, was appointed auditor of Nolato AB by the general meeting of the shareholders on the 4 May 2021 and has been the company's auditor since the 29 April 2015.

Torekov 24 March, 2022
Ernst & Young AB



Joakim Falck
Authorized public accountant

Sustainability-related information

KPIs within the area of sustainability (ESG) are presented alongside a materiality analysis, details of stakeholder engagement and sustainability governance, together with a review of Nolato's contribution to the UN Sustainable Development Goals, a summary of the statutory sustainability report, the GRI Index and information related to TCFD.

GOVERNANCE AND MONITORING

Code of Conduct, guidelines and standards

The Nolato Spirit booklet summarizes the Group's core values, Code of Conduct and policies and explains how they relate to the business model. Since 2010 Nolato has been a signatory to the UN Global Compact, a framework document that comprises 10 principles on the environment, human rights, labor conditions and the combatting of corruption. These ten principles are incorporated into The Nolato Spirit. Nolato's long-term targets are linked to the UN Sustainable Development Goals introduced by the UN in 2015. In this way, the Group is contributing to the 2030 Agenda for Sustainable Development. Nolato's sustainability work is reported in accordance with the Swedish Act on Sustainability Reporting by Large Companies, Global Reporting Initiative (GRI) guidelines, the Carbon Disclosure Project (CDP) and the UN Global Compact (Communication on Progress; COP).

Nolato's units are certified to the international standards ISO 14001 (environment), ISO 9001 (quality management) and, where applicable, to industry-specific ISO standards. The Group also works with standards relating to health and safety and energy management. The ISO 26000 social responsibility standard provides guidance for our overarching sustainable development efforts.

Zero tolerance on ethical issues

Nolato has zero tolerance of bribery, corruption and cartel formation. The Group works continuously on managing and monitoring the methods used by the units to conduct business, based on the guidelines in Nolato Spirit. Managers and employees in marketing, purchasing and sales receive training on matters relating to corruption, cartel formation and sound business ethics.

These matters are complex for a global company, and the perception of normal business principles varies between countries and cultures. The Group uses the following methods for governance and monitoring of business ethics:

- The Code of Conduct applies to all employees and Group company management teams are responsible for conveying the values in their organization and for checking compliance.
- The Group continually monitors costs, expenditure and income.
- Nolato pays particular attention to ethical issues in relationships with business partners. Standard business practice must be observed in each individual country, but if business principles do not comply with Nolato's Code of Conduct, we must refrain from doing business or take alternative relevant actions.
- Using the Global Compact checklists, annual evaluations are carried out to examine what action is taken by Group companies to prevent corruption.

No incidents relating to corruption or inadequate business ethics were recorded in 2021. The guidelines in Nolato's Code of Conduct also apply to suppliers and other business partners. Completed assessments revealed that our suppliers satisfied Nolato's requirements.

Whistleblowing

Compliance with our Code of Conduct is followed up via internal controls. Employees are encouraged to report suspected breaches to their managers or other management representatives. If reporting to a manager is not possible, or if the matter is not taken seriously, there are opportunities to use the company's whistleblowing function anonymously to highlight suspected breaches, for external assessment. Nolato does not tolerate reprisals against individuals who have in good faith forwarded complaints or suspicions of breaches of the Code of Conduct. No reports for further investigation were received in 2021.

Organization, responsibility and follow-up

Sustainability issues are managed in a methodical way and they are integrated into both strategic planning and our day-to-day operations.

We have established long-term Group targets and follow-up indicators in key areas. These activities are followed up via dialogue with the companies' management and through internal and external audits.

As a member of the Group's sustainability committee, a representative on Nolato's Board of Directors has overall responsibility for aspects pertaining to sustainability, including carbon footprint. Matters relating to strategy, risks, monitoring, sustainability reporting, sustainability risks associated with acquisitions and dialogues with investors are managed at Group level. Operational responsibility for sustainable development is delegated to the CEOs of the Group companies, and each production facility has a coordinator for environmental and health and safety work.

All units that have been part of the Group for the majority of the period in question are obliged to collect sustainability data internally. Along with the sustainability report, we also carry out an in-depth analysis of compliance with legislation, target outcomes and performance and KPI development during the year.

Strategy

Nolato's sustainable development strategy includes the following areas:

- Resource-efficient production methods and the development of products with a low environmental impact create opportunities for Nolato and its customers. Nolato can contribute to sustainable development by presenting sustainable solutions relating to choice of raw materials, product design, production technologies and transportation.
- Preventive measures, risk analysis and investments in modern technology reduce both risks and costs. Issues relating to energy and carbon dioxide emissions are particularly prioritized and are subject to long-term targets. Regarding the use of materials, we aim to increase the percentage of recycled plastic raw material and the use of bioplastics.

– Using ISO standards and concepts such as lean manufacturing, Medical Excellence and 5S, Nolato creates a systematic approach to, and credibility for its sustainability work.

– We involve our employees through a safe, gender-equal and stimulating work environment. Sustainability work should be a factor that encourages new employees to apply to the company.

– Nolato is a good corporate citizen and reliable business partner through the company's application of sound business principles and good ethics. Preventing corruption is an important aspect of this work and something we have undertaken in accordance with the principles of the UN Global Compact.

The Group works with a detailed climate strategy, which includes:

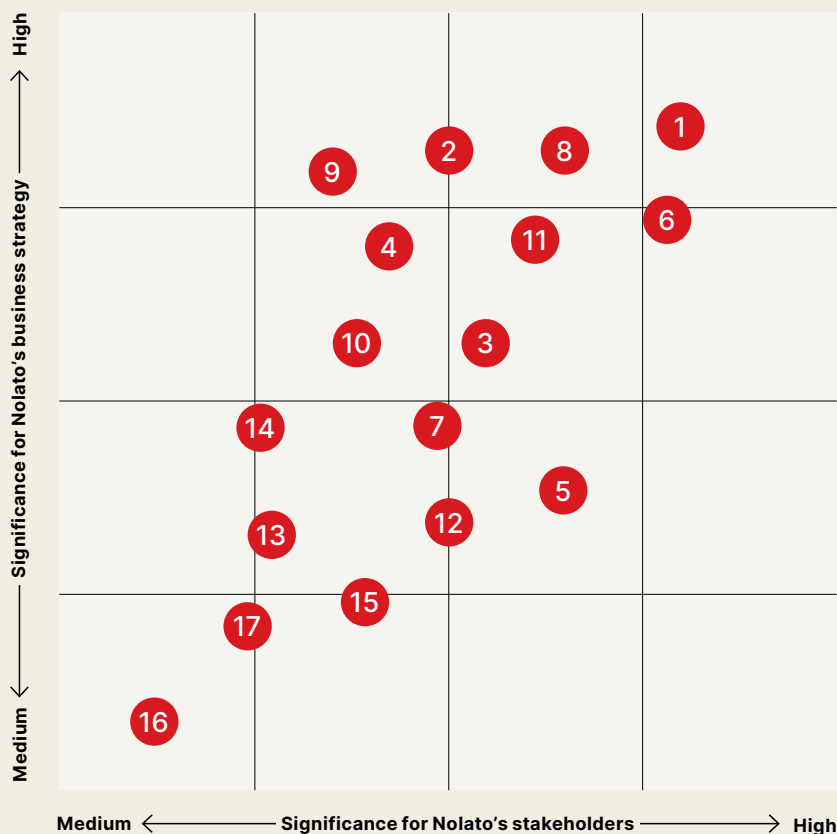
– Measures to reduce carbon dioxide emissions from energy usage, for example improved energy efficiency, the phasing out of fossil fuels, installation of solar panels and increased purchasing of fossil-free electricity.

– Development of products with a lower carbon footprint, such as greater use of bio-based and recycled raw materials, along with strategic partnerships with suppliers on materials and processes.

– Analysis of how climate change may impact facilities, manufacturing processes and business models, for example via scenario and risk analyses.

Key areas

The materiality analysis communicates issues that are significant to Nolato's stakeholders and the Group's business strategy. The analysis forms the basis of our priorities, targets and action plans, and sustainable development reporting. Climate-related issues (energy usage, cutting carbon dioxide emissions, climate adaptations) and plastics have gained importance compared with last year's analysis. The heading 'Plastics in a life cycle perspective' hides the bigger question of the use of plastics in society, particularly plastics made from fossil-based raw materials (crude oil) and that have a short lifespan. It is an issue that is of major concern for the Group's customers, and Nolato is devoting an increasing amount of resources to developing products that contain bio-based or recycled raw materials, and that can contribute to a circular economy. Furthermore, it has become increasingly important to communicate products' sustainability performance to our customers, for example via carbon footprint or life cycle assessments (LCA).



- 1 Customer requirements in relation to sustainable development
- 2 Sound business ethics
- 3 Attractive employer
- 4 Legal requirements in relation to sustainable development
- 5 Sustainability issues in developing countries
- 6 Plastics in a life cycle perspective
- 7 Suppliers' sustainability work
- 8 Energy and carbon emissions

- 9 Safe and stimulating working environment
- 10 Gender equality, human rights
- 11 Investor requirements
- 12 Community engagement
- 13 Environmental impact of transportation
- 14 Sustainability issues in connection with acquisitions
- 15 Emissions to air and water, waste
- 16 Disruption in surrounding area (noise, odor)
- 17 Use of chemical products

Value for stakeholders

Nolato interacts with stakeholders, who bring 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 and long-standing commercial relationships, as well as events over the past financial year.

Stakeholder engagement is carried out in multiple ways and includes performance reviews with employees, customer satisfaction surveys, analyst meetings, discussions with investors and cooperation with customers, suppliers and contractors.

Overview of stakeholder issues in 2021

Stakeholder	Key issues, requirements and expectations	Value created
Customers	Many customers impose requirements for a code of conduct and certified environmental management systems. Other requirements concern the phasing out of hazardous chemical substances and for sustainability issues to be implemented into the supply chain. There was an increased interest in products containing bio-based and/or recycled raw materials during the year. The Group's sustainability work is regularly evaluated by our customers.	With expertise in polymer materials, technical support and continual development, we boost our customers' competitiveness on their markets. Nolato is convinced that an ambitious approach to sustainable development strengthens relationships with our customers. In 2021, customer surveys and audits were carried out at 23 plants (14). Group companies received positive feedback about their efforts. The operations in China and Malaysia are certified as Sony Green Partners.
Employees	It is important for Nolato to retain and develop its employees and to attract new talent. Key areas for employees include health, safety, financial remuneration, personal development, social conditions and sound business ethics.	The accident rate was 5.2 lost work cases (LWC)/million hours worked (5.2), which was persistently low from an industrial perspective. The number of training hours totaled 262,600 (200,500). 3,163 (2,093) employees participated in performance reviews. Surveys relating to wellbeing in our workplaces comprised an important aspect of our improvement efforts. The Employee Care Program was further developed in China. During the year, Nolato paid SEK 2,301 million (1,936) in wages to employees.
Suppliers	Nolato endeavors to maintain long-term, transparent relationships with its suppliers. The aim is to ensure the right quality, financial stability and sustainable development for both parties. Suppliers expect consistent and clear requirements.	Suppliers have been informed of Nolato's Code of Conduct and we expect them to share the Group's values. Approximately 500 (240) evaluations were conducted via a new digital platform. The number of audits on site was higher than in previous years. Suppliers met the Group's requirements to a satisfactory degree. In 2021, Nolato paid its suppliers a total of SEK 8,356 million (6,344).
Shareholders	Growth and dividends are at the core of value creation for our shareholders. The integration of sustainability issues into our business strategy reduces risk and creates business opportunities. Developing environmentally sustainable products, resource-efficient production and investments in environmental technology will help Nolato maintain its competitiveness.	Integration of sustainable development in strategies and day-to-day work created value for shareholders. Use of the sustainability report allowed shareholders and potential investors to evaluate the Group's sustainability work. Dividends totaling SEK 428 million (0) were paid to shareholders.
Society	Community engagement is part of Nolato's culture and something that is expected by local communities where the Group operates. As a global company, we are expected to undertake measures that contribute to national and global sustainable development goals.	Nolato is a signatory to the UN Global Compact, and work with the Sustainable Development Goals continued. At a local level, the Group worked with nationally funded research projects, schools and universities, and contributed in the areas of health care, education, sport and culture. Nolato's tax expense for 2021 amounted to SEK 241 million (208).
Authorities	Satisfying legal obligations within the area of sustainable development is a basic requirement for Nolato's businesses.	There were no significant breaches of laws or regulations in 2021.

ENVIRONMENTAL RESPONSIBILITY

Technologies and environmental aspects

The manufacture of products in polymer materials is associated with a number of significant environmental aspects. Some examples include the use of materials (plastics, silicone rubber, metals), chemicals (solvents, lacquer, paints), energy and water. Emissions of greenhouse gases and solvents (VOC), along with the occurrence of various types of waste, are other key environmental issues. Indirect environmental aspects relating to products, packaging and transportation are also significant. In the Group, the ISO 14001 environmental management system is the most important tool in efforts to systematically reduce our environmental impact.

Environmental legislation

Nolato's companies are subject to extensive legal

requirements relating to the environment.

This concerns both overarching legislation and specific terms for each business. We use ISO 14001 to identify applicable legislation and our companies implement the relevant measures. From a strategic perspective, it is important to evaluate the risks and opportunities of future legislation, and the Group does this by participating in networks and through regular contact with various authorities.

All production units in Sweden apart from one are obliged to provide notifications pursuant to the Swedish Environmental Code. Most of 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 the majority of the Group's net sales. Routine updates to the environmental permits will be carried out at two plants in 2022. We do not anticipate any significant legal or financial consequences as a result of the renewal of these environmental permits.

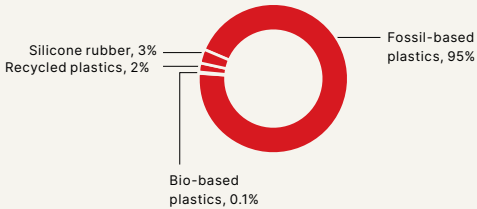
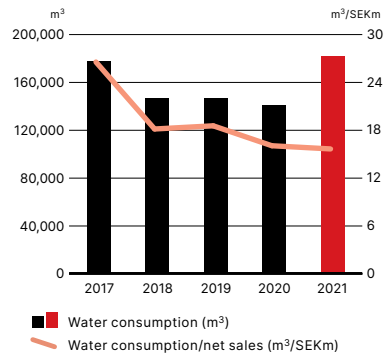
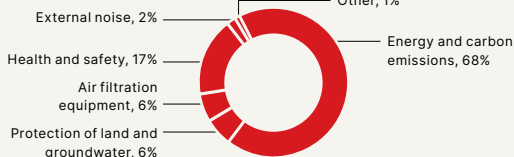
Environmental legislation in the form of EU directives (REACH, RoHS, CLP, WEEE, energy efficiency, sustainability reporting), or other national or international legislation, relate in the main to the Group's operations and products. About half of the units are covered by legislation concerning producer responsibility for packaging. In most cases, regular reports are submitted to the environmental authorities, and the supervisory authorities carry out inspections.

Environmental responsibility outcomes

Area	Target*	Background and outcome for 2021																			
Energy		Energy is consumed by production equipment, lighting, ventilation, cooling, transport, purification facilities and heating. By 2025, the intention is to cut usage by 55% compared with the average for 2011–2012 (GWh/net sales).																			
Energy consumption	<div><div></div><div></div></div>	Energy consumption amounted to 229 GWh (183) in 2021 and the key performance indicator, which places energy use in relation to sales, has shown a declining trend since 2011.	<div><div>Energy consumption</div><table><thead><tr><th>Year</th><th>Total Group energy consumption (GWh)</th><th>Consumption divided by sales (GWh/SEKm)</th></tr></thead><tbody><tr><td>2017</td><td>183</td><td>0.03</td></tr><tr><td>2018</td><td>183</td><td>0.02</td></tr><tr><td>2019</td><td>183</td><td>0.02</td></tr><tr><td>2020</td><td>183</td><td>0.02</td></tr><tr><td>2021</td><td>229</td><td>0.02</td></tr></tbody></table></div>	Year	Total Group energy consumption (GWh)	Consumption divided by sales (GWh/SEKm)	2017	183	0.03	2018	183	0.02	2019	183	0.02	2020	183	0.02	2021	229	0.02
Year	Total Group energy consumption (GWh)	Consumption divided by sales (GWh/SEKm)																			
2017	183	0.03																			
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2021	229	0.02																			
Type of energy		Nolato mainly uses indirect energy in the form of electricity (89%) and district heating (5%). Some units use fuel oil, natural gas and propane (6%) for heating and running purification equipment.	<div><div>Type of energy</div><table><thead><tr><th>Type</th><th>Percentage</th></tr></thead><tbody><tr><td>Electricity</td><td>27%</td></tr><tr><td>Fossil-free electricity</td><td>62%</td></tr><tr><td>Fossil fuels</td><td>6%</td></tr><tr><td>District heating</td><td>5%</td></tr></tbody></table></div>	Type	Percentage	Electricity	27%	Fossil-free electricity	62%	Fossil fuels	6%	District heating	5%								
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Fossil-free energy		Fossil fuels account for approximately 5% (5) and purchased fossil-free electricity for 62% (63) of total energy consumption. 70% of electricity usage consists of fossil-free GO-certified (guarantee of origin) electricity.																			
Energy cost		The cost of energy was approximately SEK 212 million (142).																			

Atmospheric emissions		Nolato's emissions of the greenhouse gas carbon dioxide occur as a result of energy consumption, the production of raw materials and transportation. Our target here is to cut energy-related emissions by 80% by the year 2025. The use of paints, lacquer and so on cause emissions of volatile organic compounds (VOCs).																			
Carbon dioxide	<div><div></div><div></div></div>	In 2021, Nolato's production plants emitted 37,900 tons (36,500) of carbon dioxide, 2,700 tons of which were from direct energy consumption (Scope 1), and 35,400 tons of which were indirect emissions from the production of electricity and district heating in the countries in which we operate (Scope 2).	<div><div>Carbon dioxide emissions</div><table><thead><tr><th>Year</th><th>Total CO2 emissions (tons) (Scopes 1 & 2)</th><th>CO2 emissions/net sales (tons/SEKm)</th></tr></thead><tbody><tr><td>2017</td><td>48,000</td><td>7.5</td></tr><tr><td>2018</td><td>37,000</td><td>4.5</td></tr><tr><td>2019</td><td>34,000</td><td>4.2</td></tr><tr><td>2020</td><td>37,000</td><td>4.0</td></tr><tr><td>2021</td><td>37,900</td><td>3.8</td></tr></tbody></table></div>	Year	Total CO2 emissions (tons) (Scopes 1 & 2)	CO2 emissions/net sales (tons/SEKm)	2017	48,000	7.5	2018	37,000	4.5	2019	34,000	4.2	2020	37,000	4.0	2021	37,900	3.8
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VOCs (volatile organic compounds)		The use of more than 950 tons (390) of paints, lacquer and solvents resulted in emissions of around 55 tons (40) of VOCs. The bulk of these VOC emissions were derived from painting products in Beijing and in the production of breathing bags in Torekov. For the latter, around 13 tons (14) of gaseous ethanol was released into the atmosphere.	<div><div>VOC emissions</div><table><thead><tr><th>Year</th><th>Total VOC emissions (tons)</th><th>VOC/net sales (tons/SEKm)</th></tr></thead><tbody><tr><td>2017</td><td>55</td><td>0.008</td></tr><tr><td>2018</td><td>25</td><td>0.003</td></tr><tr><td>2019</td><td>35</td><td>0.004</td></tr><tr><td>2020</td><td>35</td><td>0.004</td></tr><tr><td>2021</td><td>55</td><td>0.004</td></tr></tbody></table></div>	Year	Total VOC emissions (tons)	VOC/net sales (tons/SEKm)	2017	55	0.008	2018	25	0.003	2019	35	0.004	2020	35	0.004	2021	55	0.004
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2019	35	0.004																			
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2021	55	0.004																			
Other emissions		There are roughly 2.5 tons (2.8) of ozone-depleting substances (F-gases) in air conditioning and other equipment. Minor leakages occurred during the year, which corresponded to 3% of the installed amount. Emissions of sulfur dioxide and nitric oxides remained low and amounted to 1.8 tons (1.8). Emissions of dust and malodorous substances are usually negligible.																			

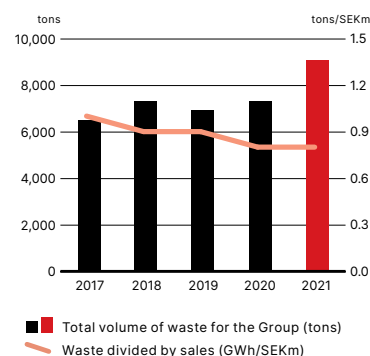
* ● Sustainability target for Nolato. ● Target linked to UN SDGs. For target definitions, see also page 22.

Area	Target*	Background and outcome for 2021	
Raw materials and chemical products		Roughly 57,500 tons (49,500) of polymer materials were used in 2021. More than 97% (98) consisted of plastics and the rest of synthetic rubber. This involves silicone and latex rubber used in medical devices. Other materials used, amounting to around 2,400 tons (1,600) per year, include paints, lacquer, solvents and metals.	Polymer raw materials  <p>Silicone rubber, 3% Recycled plastics, 2% Bio-based plastics, 0.1% Fossil-based plastics, 95%</p>
Hazardous substances	●	The ultimate aim is to phase out hazardous chemical substances. Use of such substances at Nolato is minimal, but there are a few candidates for risk reduction. More than 50 chemicals were either replaced or phased out in 2021.	
Bio-based and recycled raw materials	●	During the year, the amount of recycled plastic totaled roughly 1,440 tons (760), and the use of bio-based plastics amounted to 60 tons (56). The aim is to increase the use of renewable raw materials, thus reducing carbon dioxide emissions (Scope 3) by 5% over the 2020–2025 period (tons/net sales).	
Water		Nolato's facilities use municipal water for purification equipment, some production processes, cleaning, sanitation and cooling.	Water consumption  <p>Water consumption (m³) Water consumption/net sales (m³/SEKm)</p>
Water consumption		In 2021, the company used 178,200 m³ (141,000) of municipal water and 3,300 m³ of water from our own sources.	
Cost of water		Water costs amounted to approximately SEK 3.3 million (2.6).	
Accidents and uncontrolled emissions		There were no cases of accidents or uncontrolled environmental emissions in 2021. One complaint from a local resident was recorded regarding noise levels.	
Compliance with environmental legislation		No significant breaches of environmental legislation were recorded in 2021.	
Transportation		Nolato works continually to reduce the environmental impact of the transportation of goods and business travel. Some of the activities carried out are detailed below.	
Contaminated land		There are no known pollutants of land and groundwater at Nolato's plants.	
Investments		In 2021, Nolato invested SEK 67.8 million (30.3) in measures that directly or indirectly help reduce environmental impact and improve health and safety. Roughly 68% (60) of these investments related to energy and climate measures, primarily more energy-efficient production equipment and infrastructure. Around 17% (16) went on preventive health and safety initiatives.	Investments in environment and health and safety measures  <p>External noise, 2% Health and safety, 17% Air filtration equipment, 6% Protection of land and groundwater, 6% Other, 1% Energy and carbon emissions, 68%</p>

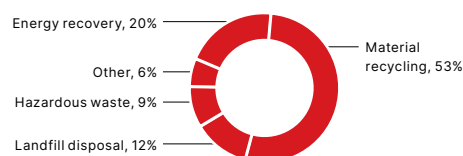
* ● Sustainability target for Nolato. ● Target linked to UN SDGs. For target definitions, see also page 22.

Area	Target*	Background and outcome for 2021
Waste		In absolute figures, the volume of waste increased in 2021. The most significant reason was an increase in the number of production facilities. In relation to sales, the volume of waste is indicating a downward trend over a ten-year perspective.
Waste volume		Approximately 9,100 tons (7,300) of waste was generated in 2021. The majority was recycled externally either as material or energy. The volume of waste sent to landfill rose during the year. This is associated with a higher number of production units in the US, where landfill is a common method for dealing with waste.
Hazardous waste		The volume of hazardous waste totaled 830 tons (630), comprising 9% (9) of the total volume of waste.
Cost of waste		External waste management costs amounted to SEK 11.9 million (8.8).
Costs		Environmental costs amounted to SEK 35.8 million (24.6) and were dominated by operating expenses for purification facilities, waste management, internal administration and fees to authorities and certification companies. During the year, environmental improvement measures generated cost savings of SEK 2.2 million (0.5). Savings arose mainly from more efficient energy consumption.
Environmental management systems	<div> <div></div> <div></div> </div>	<p>ISO 14001 is a key element of our sustainable development strategy and systematic approach, as the environmental audits and certification create confidence among the Group's stakeholders. The objective is for all units to be certified. Acquired companies that are not yet operating in line with ISO 14001 are expected to complete certification within two years. There are other ISO standards that are also important to Nolato.</p> <ul style="list-style-type: none"> – 72% (91) of our units are certified in accordance with ISO 14001. – 67 internal environmental audits (76) were conducted. – The plants were reviewed by external environmental auditors on 21 (20) occasions.

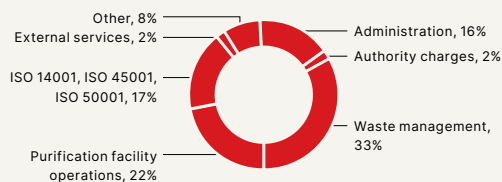
Waste volume



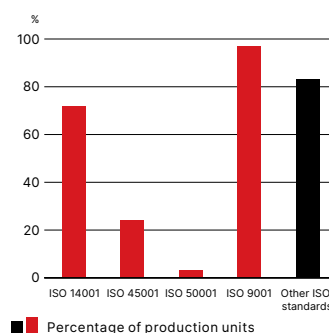
External waste management



Expenses for environment and health and safety measures



Certified management systems



* ● Sustainability target for Nolato. ● Target linked to UN SDGs. For target definitions, see also page 22.

Comments

Energy

Examples of initiatives carried out to improve energy efficiency:

- Smart control systems featuring sensors and variable-frequency control for cooling equipment and pumps.
- Energy audits in accordance with the EU energy efficiency directive have been performed at nine units and are updated over four-year cycles. The audits can result in optimization of ventilation, cooling, lighting and compressed air.
- More energy-efficient equipment and processes involving the replacement of hydraulic injection molding machines with electric or hybrid ones. The dipping robot at MediTor is continuing to make significant energy savings.
- Production planning to gain maximum efficiency from equipment and the turning off of equipment when not in use. Shorter cycle times for injection molding machines reduces energy consumption.
- The certified energy management system (ISO 50001) at the UK unit is highlighting energy efficiency.
- The use of surplus heat from equipment to heat premises and warehouse buildings. The installation of systems for free cooling is reducing energy consumption.
- Lighting is also being replaced with LED bulbs on a large scale. Installation of movement sensors for lighting. Installation of electricity meters at strategic points in buildings.
- Measures to minimize scrap and production reruns, which also reduces energy consumption.
- Training and close monitoring of energy consumption encourages employees to get involved in saving energy.

Greenhouse gas emissions

Countries such as China and the US use coal extensively for electricity production and district heating, causing significant carbon dioxide emissions, which consequently has a clear impact on the Group's carbon footprint. The situation regarding Nolato's carbon footprint is affected by a number of factors, such as the following:

- The businesses in Sweden, the UK and Hungary are reducing indirect carbon dioxide emissions by purchasing fossil-free electricity. To achieve our target of an 80% reduction in emissions by 2025, the purchase of fossil-free electricity needs to increase in the US and China. As an initial step, introduced in 2021, 25 GWh of GO-certified renewable electricity was purchased in China.
- Our carbon footprint is decreasing as a result of measures to boost energy efficiency, including energy audits and the introduction of ISO 50001. The phasing-out of fuel oil and installation of heat pumps or the use of biofuel is also helping reduce our carbon footprint.

– Other measures concern reduced scrap, better waste management, the purchase of more fuel-efficient vehicles, increased use of teleconferences and improved logistics.

– Nolato Jaycare in the UK has signed a national climate change agreement to counteract climate change. The agreement covers energy-intensive industry and, by cutting energy usage, participating companies can receive reduced charges under a system in the UK known as the climate change levy.

Raw materials and chemicals

For a number of the Group's products, the customer requires the polymer to consist of virgin raw materials. This mainly applies to pharmaceutical packaging and medical devices. Some customers are expressing interest in recycled plastic, for example for components for vehicles, furniture and garden equipment, as well as for packaging for dietary supplements. We are also seeing interest in reducing polymer usage in some products, which is beneficial both in terms of cost and environmental impact. Nolato has an express aim of increasing its use of renewable raw materials and recycled raw materials. The proportion of bio-based and recycled plastic raw materials is currently around 2% (2) of total usage.

One environmental aspect that concerns most of the Group's companies is customer requirements for products not to contain certain hazardous chemical substances. In addition, there is continued substantial interest in the issue of conflict minerals (see Glossary and Definitions). Chemical substances that are identified by customers, and/or that have been identified as candidates for risk reduction under REACH chemical legislation are a priority. In practice this means that a number of chemical substances are subject to phasing-out or other risk reduction measures. Some fifty chemical substances were replaced in 2021.

Water issues

Production plants have technical systems in place to reduce water consumption, such as closed cooling water systems for injection molding machines and other equipment. Nevertheless, there are some production processes in which water consumption is high. This mainly applies to the manufacture of latex rubber breathing bags in Torekov, which accounts for around 14% (20) of total water usage. Nolato Beijing has several thousand employees, and this is reflected by the fact that the business accounts for just over 40% (41) of the Group's water consumption. The city of Beijing has been identified as a water shortage area and the company is undertaking a number of measures to reduce its water consumption. Such measures include using campaigns to get staff involved in saving water, identifying leaks, repairing leaking equipment and checking that water is not being used when equipment and premises are not in use.

The amount of pollutants discharged to wastewater is limited and consists mainly of sanitary water. All production units are connected to municipal wastewater treatment plants. Emissions of wastewater are not normally expected to result in any environmental impact.

Waste

From an environmental perspective, it is positive that the percentage of waste disposed of in landfill is decreasing and the percentage being recycled is increasing. This is the result of more demanding legislation in many countries, but ultimately relates to a range of preventive measures introduced at Nolato's facilities. An ISO 14001-based approach, lean manufacturing and 5S are important tools to reduce scrap and the occurrence of waste. Most of the units have targets and plans to reduce scrap.

Transportation

Here are some examples of action taken in recent years:

- Group companies are making use of opportunities for online conferencing, which has seen a significant increase during the global pandemic. Another effect of the pandemic is that many employees have been working from home, which has reduced our carbon footprint from journeys to and from work.
- Central procurement of transport services in Sweden incorporates sustainability criteria, including access to emissions data for CO₂, NOx, SO₂ and other air pollutants.
- At Nolato in China, environmental requirements are imposed on transport firms concerning the use of environmentally certified vehicles. In the UK, the main carrier used is a company registered under the Fleet Operator Recognition Scheme (FORS). This is a scheme that covers legal compliance, safety, efficiency and environmental protection.
- When replacing vehicles and company cars, Nolato chooses models with lower or no fossil fuel consumption, such as hybrids or electric vehicles. The number of charging stations for electric vehicles has been increased at several plants. For local transportation, the use of the bio-based fuel HVO 100 in trucks has risen. Several buses that transport employees to and from the plant in Beijing have been replaced with electric ones.
- Many of the Group's companies are optimizing transportation, including through higher fill ratios in trucks, coordinated transport and environmentally optimized routes. Several companies opt for transport by train or boat as an alternative to truck or air. Other measures that have been implemented include purchasing raw materials from local suppliers, and relocation of product manufacture/assembly to plants that are located close to the customer.

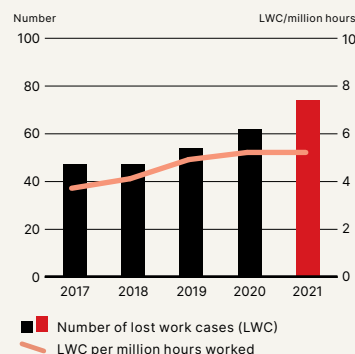
Several production plants measure carbon dioxide emissions from transportation (Scope 3 according to GHG). In 2021, 900 tons (1,300) of carbon dioxide emissions were registered.

SOCIAL RESPONSIBILITY

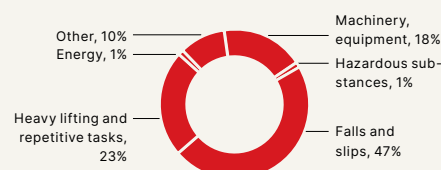
Social responsibility outcomes

Area	Target*	Outcome in 2021
Health and safety	●	The most common causes of occupational accidents were falls and injuries from equipment and machinery. Over a five-year period the accident rate averages 5.2 LWCs per million hours worked (5.2). This is low from an industrial perspective, but additional measures remain to be implemented for all accidents to be ultimately eliminated.
Fatalities		There were 0 fatalities (0) in 2021.
Lost work cases (LWC)		In 2021, there were 74 (62) occupational accidents. One accident (2) was recorded concerning contractors.
Lost work days (LWD)		Occupational accidents resulted in absence totaling 1,041 days (1,219).
Health and safety committees		Formal health and safety committees are in place at all our production plants.
Near misses		Systems for recording near misses have been further developed and during the year 1,211 (1,271) near misses were investigated and corrective and preventive action taken.
Certified health and safety management systems		One aspect of systematic work is the introduction of health and safety management systems (ISO 45001). A total of 7 units (6) are currently certified and a further 4 are planning certification over the next year or so.
Health and safety training		An average of 8.0 hours (9.0) per employee were spent on training courses on the environment and health and safety. New employees were a key target group. Regular training is provided on first aid, chemical health risks, personal protective equipment, hot work, forklift driving, waste management, fire safety, ergonomics and machine safety. Training was carried out at the units regarding protective measures to combat the spread of Covid-19.
Inspections by work environment authorities		With regard to health and safety, 8 (11) units were inspected by occupational environment authorities. No significant discrepancies were identified.
Health and safety legislation breaches		No significant breaches of health and safety legislation were recorded in 2021.
Employees		The average number of employees at Nolato in 2021 was 8,669 (6,721) in 12 countries. Each individual Group company is responsible for managing personnel in accordance with both Group guidelines and the legislation and culture of the country in question.
Collective agreements		All Nolato employees have the right to be represented by trade unions, and to collective agreements. In Sweden and China, the majority of employees are covered by collective agreements. At the units in other countries, there are no unions or collective agreements, and this reflects a normal situation in these countries.
Human rights		No deviations were recorded at the Group's units or at suppliers during the year that could be attributed to human rights violations.
Gender equality and combatting discrimination	●	Gender equality work aims to create an even gender balance in recruitment processes and in career development. Formal equal opportunities plans are in place at 20 of the companies (13), and during the year 17 units (12) introduced measures to promote equality, for example relating to recruitment and employment of people with disabilities. No cases of discrimination were recorded during the year.

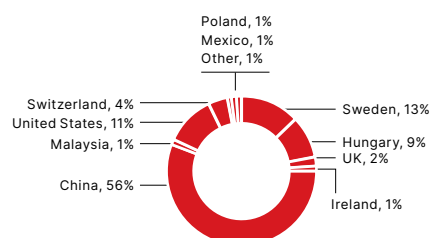
Occupational accidents



Causes of occupational accidents



Employees by country



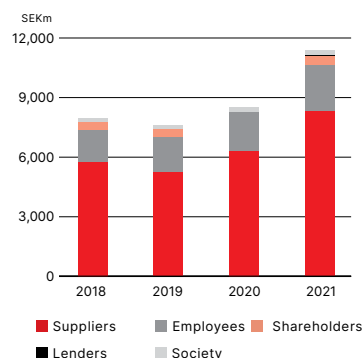
* ● Sustainability target for Nolato. ● Target linked to UN SDGs. For target definitions, see also page 21.

Area	Target*	Outcome in 2021
Gender balance	●	During the year, 47% (46) of Nolato's workforce was female. Of Nolato's Board members, 22% (33) are women, while the corresponding figure for Group management is 14% (0). Of the company's other senior executives, 65 (44) are women, which corresponds to 27% (25).
Training and personal development		In 2021, employees attended a total of around 263,000 hours (200,000) of training, which equates to approximately 30 (36) hours per employee. Nolato carries out special initiatives in China to attract, retain and develop both permanent and temporary employees (Employee Care Program). The program includes activities relating to health, safety, sport, lifestyle and language teaching.
Performance reviews		During the year, 3,116 (2,093) employees participated in performance reviews, career development or other assessments of their own work.
Employee surveys		During the year, employee surveys were conducted at 17 units (12).
Child labor, forced labor		No cases of child labor or forced labor were recorded. This extends to our suppliers as well.

Outcomes for business partners and other stakeholders

Area	Target*	Outcome in 2021
Sound business ethics	●	No cases of bribery, corruption or cartel formation were recorded in 2021.
Whistleblower cases		During the year, 0 cases (0) were reported via the whistleblower system.
Suppliers	●	These reviews did not identify any risks relating to the environment and social responsibility that cannot be managed. A number of areas for improvement were identified.
Customers	●	There are growing requirements on Nolato as a cooperation partner, and customers' monitoring is becoming increasingly efficient. Requirements are making a constructive contribution to the development of Nolato's sustainability work.
Social responsibility		Nolato engages with those local communities where we have operations.
Investors, mass media		Nolato's sustainability work is analyzed regularly by investors and other organizations. Interest has risen significantly in recent years.
Economic value distributed		Nolato generates economic value that is distributed among various stakeholders. These include suppliers (material costs), employees (salaries and benefits), shareholders (dividends), lenders (interest expenses) and society (tax). In 2021, a total of SEK 11,368 million (8,526) was distributed.
Taxes		The effective tax rate was 17.2% (20.5).

Economic value distributed



* ● Sustainability target for Nolato. ● Target linked to UN SDGs. For target definitions, see also pages 21, 23.

Comments

Suppliers

Assessments of suppliers' sustainability measures are extensive and time-consuming. Nolato therefore applies a risk-based model for selecting suppliers for review. The detailed criteria are based on factors such as economic value, new suppliers, suppliers of particularly important raw materials and products that run a higher risk of having a negative impact on product quality, our own employees or production facilities, as well as suppliers exposed to specific risks in the area of sustainable development that are selected for monitoring. A substantial proportion of Nolato's suppliers consist of global groups in the polymer and chemical industry. These types of companies often have well-developed and transparent sustainability activities and the risks are consequently considered to be low. The Group therefore does not carry out detailed assessments of such companies.

Community engagement

Unfortunately in 2021, the global pandemic meant that many study visits and other activities involving the public had to be cancelled. To follow are a few examples of activities that were carried out during the year:

- Nolato provides financial support for schools, health care, sports associations and social activities, and in many cases our involvement is long-term and Group employees contribute in different ways. One example is Nolato EMC in Malaysia, which donated computers to students in families on a low income. The company also donated PPE to staff at a Covid vaccination center.
- Building Hope Together is an initiative that has been ongoing for the past seven years now. It is a long-term commitment to a school in a deprived area about four hours north of Beijing. Over the years, Nolato has contributed computers, warm clothing, printers and toys. In 2021, a new school joined the project (Zhengningbu Central Primary School), and Nolato Beijing donated computers and other equipment, and contributed grants. Nolato Lövepac is now also part of the project.
- A handful of the units were in contact with schools and universities, including through study visits, degree projects, internships and research projects. A number of Nolato's employees teach regularly at universities and technical colleges.
- Nolato has been a member of Nordic Bioplastics Organisation for almost 5 years. Nolato Cerbo is taking part in a Vinnova project on packaging solutions for medical devices in a circular economy. They have also participated in another Vinnova project that aims to raise awareness about bio-based plastics.
- In Hungary, the employment of staff with different types of disability continued. Employment has provided people with visual and hearing impairments with a better quality of life, and they are making an excellent contribution to the company's work. Our units in China, the US and elsewhere also employ people with disabilities.
- Nolato Contour is a member of several networks (universities, business sector) that are keen to encourage young people to enter the manufacturing industry.
- Nolato Beijing encouraged employees to get involved in activities to reduce their carbon footprint. A tree-planting activity was introduced in Beijing in 2021. In practice this involves employees having the opportunity to play the Ant Forest Activity video game. The game has become China's biggest private-sector tree-planting project and has led to more than 120 million trees being planted. Nolato's employees can collect 'green energy points' by reducing their carbon footprint, for instance by taking public transport, not using a car, cycling and having a paper-free day. In the video game, these activities are converted into tree-planting. In 2021, employees contributed to the planting of over 1,000 trees. A specific tree-planting project was implemented in Longshen Industrial Park. Nolato planted 30 trees as part of an inauguration ceremony for the company's own carbon neutrality park.
- Nolato's collaboration with Lund University's (Sweden) International Institute for Industrial Environmental Economics (IIIEE) continued in 2021.

SUSTAINABLE DEVELOPMENT IN A 10-YEAR PERSPECTIVE

In a global industrial company, improvements within sustainable development happen gradually over an extended period of time. The basic technologies and raw materials have been established for a long time, and improvement work therefore needs to focus on the right things, clear goals and follow-up. Adjustments to more sustainable production methods and raw materials involve investments in innovative solutions and the courage to use them. In a ten-year perspective, Nolato can demonstrate progress in a number of significant sustainability areas. This is positive, but there is still much to work on, primarily in terms of dependency on fossil-based raw materials.

Area	Key performance indicators*	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Environment											
Compliance	Number of breaches of environmental legislation (fines, sanctions)	0	0	2	0	2	1	2	0	2	1
Energy	Energy consumption (GWh)	229	183	184	182	188	169	167	163	164	168
	Energy consumption/sales (GWh/SEKm)	0.020	0.021	0.023	0.022	0.028	0.038	0.035	0.038	0.036	0.043
	Purchased fossil-free electricity (% of total electricity use)	70	72	75	62	53	23	16	0	0	0
Carbon emissions	CO ₂ emissions from energy consumption, Scopes 1 & 2 (tons)	38,000	36,500	33,900	36,600	49,000	51,200	57,200	62,400	67,800	65,600
	CO ₂ emissions/sales (tons/SEKm)	3.1	4.1	4.3	4.5	7.3	11.5	12.1	14.7	15.0	16.9
Water	Water consumption (m ³ 000s)	181	141.0	146.7	146.3	177.9	163.7	179.3	170.8	159.3	169.3
	Water consumption/sales (m ³ /SEKm)	15.6	16.0	18.5	18.1	26.5	36.8	37.9	40.3	35.2	43.7
Waste	Waste volume (tons)	9,100	7,300	6,900	7,300	6,500	5,200	5,000	4,400	5,300	5,300
	Waste volume/sales (tons/SEKm)	0.8	0.8	0.9	0.9	1.0	1.2	1.1	1.0	1.3	1.4
Raw materials	Recycled/bio-based plastics (% of total consumption)	2	2	2	2	2	1	1	1	0	4
Management systems	ISO 14001-certified plants (% of total)	72	91	100	95	95	91	95	100	100	86
People											
Employees	Number of employees (average)	8,669	6,721	5,941	6,449	7,249	6,418	7,759	8,020	9,357	8,421
Compliance	Number of breaches of health and safety legislation (fines, sanctions)	0	0	0	0	0	0	0	1	0	0
Health and safety	Occupational accidents (number/million hours worked)	5.2	5.2	4.9	4.1	3.7	5.0	2.3	2.9	2.0	3.9
Diversity	Number of women on Group Board (%)	22	33	30	30	30	22	30	22	30	30
	Percentage of women in local management teams (%)	27	25	25	22	22	20	19	24	24	24
Training	Employee training (hours/employee)	34	36	26	24	47	53	39	29	18	11
Management systems	ISO 45001-certified plants (% of total)	24	27	29	24	27	27	30	26	16	5
Code of Conduct	Reported human rights breaches (number)	0	0	0	0	0	0	0	0	0	0
Economic performance											
	Economic value distributed among stakeholders (SEKm)	11,368	8,526	7,592	7,993	6,530	4,434	4,407	3,610	3,840	3,238
	Tax paid (SEKm)	241	208	154	199	159	515	102	98	89	70

ABOUT THIS SUSTAINABILITY REPORT

A focus on materiality

Nolato's sustainability report for 2021, in accordance with GRI Standards and the Communication on Progress (Global Compact), includes aspects relating to the environment, health and safety, social responsibility and business ethics. Our ambition is for this report, combined with supplementary information, to give our employees and external stakeholders a transparent view of the company's corporate responsibility activities and how these interact with our business activities. All units that were part of the Nolato Group for the 2021 full year are included in the report. Data was contributed by a total of 29 (22) production facilities.

Reporting principles

Each production unit provides quantitative and qualitative information in accordance with Nolato's sustainability reporting form. The head of each company/unit is responsible for assuring the quality of the information submitted. The year's performance is compared and verified against information for previous years. Further quality controls are conducted in connection with interviews and site visits.

Emissions of carbon dioxide (CO₂e), sulfur dioxide (SO₂) and nitric oxides (NOx) from direct energy usage (Scope 1 according to GHG Protocol) are established using conversion factors. These are based on the energy content and quality of the fuels used. Nolato also reports carbon dioxide emissions from indirect energy consumption, which comprises electricity and district heating (Scope 2 according to GHG Protocol). Emissions factors from purchased electricity in different countries are based on data from carbonfootprint.com (2019). Where energy suppliers provide specific information regarding the energy mix, the supplier's calculation model is used. The figure for carbon dioxide emissions in 2020 has been revised downwards. This was due to an error in the reporting system, which meant that some emissions were counted twice. Information about VOC emissions (from solvents) is principally based on mass balance calculations and on data on the efficiency of the purification facilities.

Statutory sustainability report

The company has opted to include its sustainability report in the annual report, in accordance with Chapter 6, Section 11 of the Swedish Annual Accounts Act. The table below gives details of where the statutory information can be found in the annual report.

Area	Page
Business model	16
Policies, framework, stakeholders and material topics	106–108
Environmental responsibility	22, 108–112
Working conditions and social responsibility	21, 113–114
Human rights	21, 113–114
Anti-corruption	23, 114
Risks and risk management	59–61
Diversity on the Board and in management	87, 113–114

GRI STANDARDS

The organization behind GRI (Global Reporting Initiative) has established voluntary comprehensive standards for how companies and other organizations should report their sustainable development activities. Reporting in accordance with GRI should focus on sustainability aspects that are significant to the organization and its stakeholders. It should include both positive and negative aspects. Nolato has decided to report according to GRI Standards. The report has been prepared in accordance with GRI Standards: Core option. The indicators have been adapted in line with the evaluation of the significant sustainability aspects detailed on pages 106–107.

Areas/sustainability topics	GRI disclosures	Pages in annual report
The company's sustainability profile		
Statement from senior decision-maker	102-14	6–7
Nolato's profile incl. business model, overall objectives and governance, as well as risks and opportunities	102-1 – 102-5, 102-7, 102-9 – 102-10, 102-18	10, 12–16, 20, 59–61
Code of Conduct, Group policies, whistleblower policy and external initiatives	102-12 – 102-13, 102-16	11, 18, 20, 106–108
Stakeholder engagement	102-40 – 102-44	108
Reporting profile incl. materiality analysis	102-45 – 102-56	106–107, 117
Management approach (resources, employees, finances)	103-1 – 103-3	20–23, 106–107
Focus areas with sustainability topics according to GRI standards		
Area of activity: Resources		
Materials, chemical substances	301-1 – 301-2, 102-11	22, 110, 112, 116
Energy	302-1, 302-3 – 302-5	22, 109, 112, 116
Water	303-1	110, 112, 116
Emissions, atmospheric emissions	305-1 – 305-7	22, 109, 112, 116
Emissions to water and waste	306-1 – 306-4	111–112, 116
Area of activity: Employees		
Health and safety	403-1 – 403-2	21, 113–114, 116
Training and education	404-1 – 404-3	114, 116
Diversity and equal opportunity	405-1	21, 113–114, 116
Area of activity: Economic performance		
Economic value generated	201-1	114, 116
Compliance		
Anti-corruption	205-2 – 205-3	23, 106, 114
Environmental compliance	307-1	110, 116
Non-discrimination	406-1	113–114, 116
Freedom of association and collective bargaining	407-1	113
Child labor	408-1	114
Forced labor	409-1	114
Suppliers and compliance in the supply chain	308-1, 414-1	23, 114–115
Community engagement		
Participation in local community activities	413-1	114–115

TCFD

The Task force on Climate-related Financial Disclosures (TCFD) is a market-based initiative that was launched in 2017. The aim is to develop recommendations for voluntary and consistent reporting of climate-related financial risks and opportunities. TCFD's guidelines encompass governance, strategy, risk management, metrics and targets. For Nolato, this is specifically about having financial control over how the Group is affected by climate change over time, and how operations are impacted by mechanisms aimed at limiting carbon dioxide emissions. The table below indicates where the central TCFD recommendations are addressed in the annual report. The Group's climate-related work is focused on these areas, but there is still work to do before the recommendations are complied with in full.

Area	TCFD recommendations	References/pages
Carbon emissions: Governance	a) Describe the board's oversight of climate-related risks and opportunities.	CEO statement (6–7). Organization, responsibility and follow-up (106).
	b) Describe management's role in assessing and managing climate-related risks and opportunities.	CEO statement (6–7). Key areas (107). Organization, responsibility and follow-up (106).
Strategy	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	Potential risks in the organization (59–61).
	b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	Strategy (106–107). Products that contribute actively to sustainable development (25).
	c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	The scenario analysis is in the process of being developed, but there are some comments in the section entitled 'Potential risks in the organization' (59–61).
Risk management	a) Describe the organization's processes for identifying and assessing climate-related risks.	Key areas (107). Potential risks in the organization (59–61).
	b) Describe the organization's processes for managing climate-related risks.	Organization, responsibility and follow-up (106). Strategy (106–107). Potential risks in the organization (59–61).
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	Strategy (106–107). Potential risks in the organization (59–61).
Metrics and targets	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	Sustainable development targets (20, 22). About this sustainability report (117). Environmental responsibility (110, 112). Sustainable development in a 10-year perspective (116).
	b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.	Environmental responsibility (110, 112). Sustainable development in a 10-year perspective (116). Scope 3 emissions have been preliminarily calculated but the company is deferring publication of such data.
	c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	Sustainable development targets (20, 22). Environmental responsibility (110, 112). Sustainable development in a 10-year perspective (116).

Supporting TCFD is voluntary, and the scheme is open to all. Around a thousand companies and organizations are officially affiliated with TCFD, and Nolato is now taking the initial steps towards following the guidelines. TCFD outlines four key areas that investors and market operators are keen to be informed about.

– **Governance:** Nolato's Board has assigned one of its members special responsibility for following up sustainability work, including climate-related risks and opportunities. This Board member, the CEO and Head of Sustainability together constitute Nolato's sustainability committee. The Board receives regular updates about how climate work is progressing, and it has ultimate responsibility for the format and implementation of the Group's emissions targets.

– **Strategy:** Climate change creates risks and opportunities for Nolato, and these issues are part of the company's overall sustainable development strategy. If we imagine a scenario in which society decides to make dramatic changes in order to reduce emissions of fossil-based carbon dioxide, the company will be affected by both increased costs (taxes, fees) and various kinds of regulation, such as legislation. The transition towards reducing the Group's carbon footprint is ongoing, but will demand significant resources for many years to

come. And if we also imagine a scenario in which there are significant temperature rises, the Group will be affected by physical risks that will likely impact the entire value chain. Our current risk analyses factor in flooding, extreme weather events and drought. To meet TCFD guidelines, the Group needs to work more on possible scenarios in order to quantify how earning capacity could be affected by these situations.

– **Risk management:** To reduce the risks, the Group is moving away from fossil-based energy. Furthermore, opportunities are being created via the development of products containing bio-based and recycled raw materials. Find out more about risks and risk management on pages 59–61.

– **Metrics and targets:** For many years, the Group has been reporting its carbon dioxide emissions and KPIs on how emissions change over time. A new, ambitious emissions target was introduced for the Group in 2020. These targets are continually evaluated, and the aim is for them to be consistent with the Paris Agreement's ambition to limit global warming to 1.5 degrees.

GLOBAL COMPACT

Ten principles of responsible business conduct

In 2010, Nolato endorsed the UN initiative for responsible business conduct, the Global Compact. The Group consequently joined a global network that now comprises more than 14,000 companies in 160 countries, including 430 in Sweden. Nolato participates as a signatory.

Through the Global Compact, Nolato endorses ten basic principles in the areas of human rights, labor, the environment and anti-corruption. These ten principles are based on various UN conventions, such as the Declaration of Human Rights and the Convention against Corruption. The Sustainable Development Goals presented by the UN in fall 2015 (also referred to as Agenda 2030) are now also connected to the Global Compact. In 2016, Nolato linked its Group targets to the UN Sustainable Development Goals.

Communication on Progress

Organizations that have endorsed the Global Compact must produce an annual Communication on Progress (COP) detailing how they meet the ten principles. We use GRI Standards in order to simplify Communication on Progress, and the table of cross-references below shows which indicators are relevant in the context.



Global Compact	GRI indicators
Human rights	
1. Businesses should support and respect the protection of internationally proclaimed human rights.	103-2, 412-2, 413-1
2. Businesses should make sure that they are not complicit in human rights abuses.	103-2, 414-1
Labor	
Materials, chemical substances	
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	103-2, 102-41, 407-1
4. Businesses should uphold the elimination of all forms of forced and compulsory labor.	103-2, 409-1
5. Businesses should uphold the effective abolition of child labor.	103-2, 408-1
6. Businesses should uphold the elimination of discrimination in respect of employment and occupation.	103-2, 102-8, 406-1
Environment	
7. Businesses should support a precautionary approach to environmental challenges.	103-2, 102-11, 301-1
8. Businesses should undertake initiatives to promote greater environmental responsibility.	103-2, 301-1, 302-4, 302-5
9. Businesses should encourage the development and diffusion of environmentally friendly technologies.	103-2, 301-2, 302-4, 305-5
Anti-corruption	
10. Businesses should work against corruption in all its forms, including extortion and bribery.	103-2, 102-16, 205-2, 205-3

SUSTAINABLE DEVELOPMENT GLOSSARY

Bio-based plastic When the raw material for a plastic raw material is completely or partly derived from renewable sources such as algae, maize, forest raw material, sugarcane or residues from these materials.

Biodegradable When a compound can be broken down biologically (broken down by microorganisms, usually bacteria), it is referred to as biodegradable. This depends entirely on the chemical structure of the polymer. Biodegradable types of plastic present new ways of reusing and recycling. If they are certified compostable (according to international standards), these plastics can be composted in industrial composting facilities.

Carbon dioxide (CO₂) Carbon dioxide is formed in all carbon combustion processes, such as fossil fuel combustion. Emissions of carbon dioxide increase global warming (the greenhouse effect).

CDP The Carbon Disclosure Project is a voluntary system for reporting businesses' carbon footprint. The primary target group is international investors that can refer to information on climate risks when making investment decisions about companies. Nolato has been reporting according to CDP since 2015.

CFCs/HFCs Gases containing chlorofluorocarbons (CFCs), hydrofluorocarbons (HFCs) and compounds containing fluoride have negative impacts on the environment as a result of their ozone-depleting properties and their effect on the climate. These gases are called F-gases because of the fluoride content, and they have been regulated in the EU since 2015 by the F-gas regulation. These gases may be found in cooling and heat pumps, fire protection equipment and circuit breakers.

Chemical recycling Involves chemically breaking down collected plastic waste into its monomers, molecules or other base chemicals. The product can then be reused to make new plastic or to produce other chemicals, or as an alternative fuel.

Circular economy An economy that promotes efficient use of resources as an alternative to the traditional linear 'take-make-dispose' approach to production. The circular economy aims to extract maximum value from each resource that is used, at every stage of its life cycle, to then recycle and reuse its materials at the end of the resource's lifespan.

CLP Classification, Labelling and Packaging is EU legislation that addresses dangers posed by chemical substances and mixtures and how users should be informed about them. These regulations were introduced in 2015.

CO₂ footprint The quantified amount of carbon dioxide (or CO₂ equivalents CO₂e) released into the atmosphere as a result of a specific individual or organization's activities.

CO₂-neutral The amount of carbon dioxide or CO₂e released into the air is equal to the amount of CO₂e that is removed from the air in a specific case.

Code of Conduct Guidelines for Nolato's employees, Board of Directors, suppliers, etc. regarding business ethics, the environment, labor relations and social responsibility.

Conflict minerals Tantalum, tin, gold and tungsten are referred to as conflict minerals if they originate from the Democratic Republic of Congo and neighboring countries. The term arose because of the armed conflicts in the region, where mining operations often contribute to continued conflicts and lead to human rights abuses.

Compostable A product that is compostable is one that can be combined with decomposing, biodegradable material, and gradually be transformed into nutrient-rich material. If something is industrially compostable, it means that it can only be composted at certain temperatures/under controlled conditions, which are created in an industrial environment.

COP Communication on Progress is an annual report submitted to the UN specifying how Nolato operates according to the ten principles of the Global Compact.

CSR/CR Corporate Social Responsibility/Corporate Responsibility is a term that encompasses how companies handle issues concerning the environment, social responsibility, financial responsibility and business ethics. Often used in the same sense as the term 'sustainable development'.

Energy consumption Nolato reports both direct energy consumption (usage of fuel in own energy facilities) and indirect consumption (purchased electricity and district heating).

Energy Efficiency Directive The EU directive that was introduced in 2015 and that, among other things, covers energy audits at large companies. Nolato is subject to the directive and conducts energy audits.

Environmental aspects The parts of an organization's activities, products or services that interact with the environment.

Environment-related costs Costs attributable to measures for preventing, reducing or restoring environmental impact directly caused by the organization's operations. The same applies for costs concerning the occupational environment. These costs include administration, purchase of services externally, authority fees, environmental management system maintenance, waste and external inspections and audits.

Environment-related investments Investments to prevent and reduce the environmental impact of the organization's operations. The same applies for investments to enhance the occupational environment.

ESG Stands for Environmental, Social and Governance. It is also referred to as 'sustainability'.

EU taxonomy The EU's taxonomy (classification system) for environmentally sustainable investments enables investors to identify and compare investments that are essential in achieving a sustainable economy.

5S A Japanese method of organization in the workplace. It involves sorting, systematizing, cleaning, standardizing and ensuring. 5S is an important element of lean manufacturing.

GHG Greenhouse gases. Nolato reports emissions of the greenhouse gas carbon dioxide (CO₂ equivalents) from energy consumption, i.e. Scope 1 and Scope 2 according to the GHG Protocol.

Global Compact A UN initiative for responsible business conduct. Participating organizations undertake to endorse ten fundamental principles in relation to human rights, occupational conditions, the environment and anti-corruption. Nolato became a signatory to the Global Compact in 2010.

GRI The Global Reporting Initiative has established voluntary comprehensive standards for how companies and other organizations should report their sustainability activities.

HVO Hydrotreated vegetable oil. Fossil-free fuel that is largely made from waste and residuals from the food industry.

ISO 9001 International standard relating to quality management systems. Roughly 917,000 organizations (1,300,000 plants) globally are currently certified according to ISO 9001.

ISO 14001 International standard relating to environmental management systems. Roughly 349,000 organizations (570,000 plants) globally are currently certified according to ISO 14001.

ISO 26000 International standard that provides guidance for organizations on how to manage social responsibility issues. This standard was introduced in 2010 and provides the backdrop to Nolato's Code of Conduct. It is not possible to obtain certification in accordance with ISO 26000.

ISO 45001 International standard relating to health and safety. Roughly 190,000 organizations (251,000 plants) globally are currently certified according to ISO 45001.

ISO 50001 An international standard relating to energy management systems. Roughly 20,000 organizations (45,000 plants) globally are currently certified according to ISO 50001.

LCA Life Cycle Assessment is a method of gaining an overview of the total environmental impact of a product throughout its life cycle, from raw material extraction via manufacturing processes and usage, to waste management, including transportation and intermediary energy consumption.

Lean manufacturing A systematic method for the efficient management of resources. Lean manufacturing aims to identify all the factors in a production process that do not create value for the customer.

LWC Occupational accidents causing at least one day's absence (Lost Work Case).

NOx (nitric oxides) Gaseous oxides formed during combustion processes through the oxidation of nitrogen. Harmful to health and the environment and cause acid rain and eutrophication.

Occupational disease A work-related disease is a disease caused by long-term exposure to a particular factor in the occupational environment. Examples are noise, dust and solvents.

Occupational injury A work-related injury is a sudden incident (accident) attributable to work that gives rise to a wound or other injury. Typical injuries in the polymer industry are cuts, falls and injuries caused by heavy lifting and repetitive tasks. Nolato reports occupational injuries as an accident that causes more than one day of absence, called Lost Work Case (LWC). The rate is gauged by the number of occupational injuries per million hours worked.

Polymers Chemical compounds comprising very long chains made up of small, repeating units (monomers). Plastic and rubber are examples of polymer materials.

Post-consumer recycled (PCR) When a material or product has served its purpose and been recycled from waste, it is referred to as 'post-consumer'. Its original purpose may have been transport packaging or household use. The material can then be recycled having reached the end of its useful life as a consumer item. The new product can then be marketed as having 'x-amount' PCR content.

REACH EU chemical legislation for the safer handling of chemicals. Chemical substances must be registered for a certain use and particularly hazardous substances can have restrictions imposed on them.

Recyclable If a material is recyclable, it means that in theory it can be recycled. It does not necessarily mean that the infrastructure is available everywhere to actually recycle a product made from that material. Recyclability for a product is based on the material/materials from which it is made, and whether or not these materials are recyclable.

RoHS EU legislation limiting the use of certain substances that are hazardous to health and the environment.

Scope according to GHG Protocol. Reporting of emissions of greenhouse gases expressed as CO₂ equivalents. Scope 1: Combustion of fossil fuels (petrol, oil and coal), for example production in owned factories or emissions from owned or leased vehicles/machinery. Scope 2: Combustion of electricity, district heating and district cooling. Scope 3: Emissions from purchase of goods and services, for example logistics, flights, taxis, hotel stays and consumption of supplies.

SO₂ (sulfur dioxide) Sulfur dioxide is formed in the combustion of petroleum products. The gas contributes to the acidification of watercourses and soil. Large concentrations are harmful to human health.

Sustainable development Development that "satisfies today's needs without jeopardizing future generations' possibilities to satisfy their needs". Sustainable development encompasses ecological, social and economic sustainability.

Sustainability report Under an EU Directive, the Swedish government has decided that as of 2017 it is mandatory for large companies to publish a sustainability report. The statutory sustainability report should contain the non-financial disclosures required to understand the company's performance, position, results and consequences of its business operations, including information on issues concerning the environment, personnel and social mat-

ters, respect for human rights and the combating of corruption. Nolato's statutory sustainability report is contained in the annual report.

TCFD The Task force on Climate-related Financial Disclosures (TCFD) provides guidance on how to report climate-related financial risks and opportunities.

UN Sustainable Development Goals At the UN summit in 2015, the world's heads of state adopted 17 Sustainable Development Goals and the 2030 Agenda for Sustainable Development. The Sustainable Development Goals and Agenda 2030 aim to eradicate poverty and hunger, ensure the rights of all people are respected, achieve equality and empowerment for all women and girls and ensure lasting protection for the planet and its natural resources. The Sustainable Development Goals are integrated and indivisible, and they balance the three dimensions of sustainable development: economic, social and environmental.

VOC Volatile Organic Compounds. A group of organic compounds that easily vaporize at room temperature. The concentration of volatile hydrocarbons in the air has a negative effect on health and the environment, e.g. it contributes to the formation of ground-level ozone.

Auditor's report on the statutory sustainability statement

To the general meeting of the shareholders of Nolato AB, corporate identity number 556080-4592

Engagement and responsibility

It is the Board of Directors who is responsible for the statutory sustainability statement for the year 2021 on pages 106–122 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 *The auditor's opinion regarding the statutory sustainability statement*. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinions

A statutory sustainability statement has been prepared.

Torekov, March 24, 2022
Ernst & Young AB



Joakim Falck
Authorized Public Accountant

Nolato's history

1938

Nordiska Latexfabriken i Torekov is founded.

1957

First medical device component is manufactured.

1982

The Group changes its name to Nolato, a contraction of the original name.

1984

Nolato shares are listed on the Stockholm Stock Exchange OTC list.

1994

The Group achieves sales of SEK 650 million. Acquisition of companies in Lomma, Sunne, Hallsberg, Gothenburg and Ängelholm in Sweden.

1997

Nolato doubles its sales through the acquisition of Ericsson's plastics factory in Kristianstad, Sweden (mobile phone division).

1998

The first Group company achieves certification under the ISO 14001 environmental management system.

2000

Production starts in Hungary through an acquisition.

2001

Relocation of the mobile phone division to China begins.

2005

Medical Solutions starts production in Hungary.

2006

Sweden-based Medical Rubber is acquired.

2007

Sweden-based Cerbo Group is acquired.

2008

Medical Solutions starts production in China.

2010

Medical Solutions starts production in the US through the acquisition of Contour Plastics.

2011

Industrial Solutions starts production in Romania.

2012

Medical Solutions starts production in the UK through the acquisition of Cope Allman Jaycare.

2013

Sweden-based Nolato Sunne is sold.

2014

Integrated Solutions establishes own production in Malaysia.

2016

Treff AG in Switzerland and Grizzly Medical in Poland are acquired.

2018

Sweden-based Hertila is sold.

2019

Integrated Solutions acquires US-based Ja-Bar Silicone Corporation.

2020

Nolato acquires US-based GW Plastics.



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