

## Translation of CEO's address to the 2023 Annual General Meeting

Esteemed shareholders,

Since we met here a year ago, the operating environment has been challenging, to say the least. Global conditions have changed dramatically due to increasing trade barriers, the pandemic, Russia's invasion, rising geopolitical tensions, logistics disruptions, an energy crisis, inflation, rising interest rates and a faltering world economy.

There are two ways to respond to this situation: Either to take measures that are effective in the short term to maintain performance, or to think long-term, enhance our competitiveness and focus on meeting customers' needs in the best way. We have opted for the latter. It is ingrained in Nolato to win the marathon rather than putting all our efforts into a sprint.

So our focus in 2022 was to get through these difficulties together with our customers. Living up to our objective of being a long-term partner by prioritizing customer relationships ahead of short-term gains. Working hard in close cooperation with customers to reduce total costs and ensure production is even more efficient. Enhancing our innovation and expertise in offering sustainable end-to-end solutions that maximize business benefits for customers.

The difficulties of the past year have been a wake-up call for many who manufacture solely in China, making them realize how vulnerable their supply chain is. More and more businesses are realizing they need to change tack, not put all their eggs in one geographical basket, and start manufacturing closer to their markets.

This is ideal for Nolato, as for many years we have had a structure based on a smart combination of global and local.

We now have around 30 of our own design and production units on three continents: Asia, Europe and North America. Each of these units can individually handle customer needs from concept to finished product, while also being based on the same core values and technology.

This makes it easy for Nolato's customers to manufacture locally in different locations simultaneously, while coordinating production globally.

The units are organized into three customer-oriented and solution-focused business areas, which endeavor to fulfil Nolato's vision of being *the customer's first choice of innovative partner in sustainable design and production*. Each business area has its own decision-making powers – and its own *responsibility* – relating to how it supports customers' view of Nolato as a reliable partner that combines expertise and experience with an innovative approach, takes responsibility and actively contributes to sustainable development.

The performance of the three business areas varied slightly over the year, but remained within the parameters of their previous familiar patterns:

Integrated Solutions, which specializes in consumer electronics and shielding and heat dissipation systems, has always been our most volatile business area. This was also the case in 2022, with sales falling sharply. This was because this business area's largest customer experienced reduced demand after the invasion of Ukraine and switched to a strategy of using parallel suppliers. One might think this is a problem for us. But it's not always positive when a customer achieves phenomenal success and becomes too dominant as this customer has become. We have, in fact, now gained better balance in this business area and have greater capacity to actively continue expanding the business to new customers in consumer electronics, automotive and renewable energy.

The Medical Solutions business area has experienced continual strong growth since it was formed in 1997, and this growth also continued in 2022. Its annual sales are now around SEK 5 billion. This business area specializes in working with customers in the medtech, pharmaceutical and diagnostics segments. Our ambition is to further strengthen global expansion through continued strategic investments in greater customer value.

Industrial Solutions also increased its sales and strengthened its market position, despite the challenging business climate. This business area specializes in customers in sectors such as automotive, hygiene, gardening and domestic appliances. In this area, customer

relationships, production efficiency, circular solutions and global coordination of local production are important building blocks for our success.

As you have no doubt noticed from this quick overview of our business areas, all three have their own, customer-oriented expertise. While the Group is based on shared technologies and values, it is in the convergence of these areas of expertise and Nolato's globally local presence that the potential for maximum customer value can be found. Our design and production units are therefore increasingly becoming multi-purpose facilities, which under one roof, but using separate flows, can work with customers across a number of business areas. Cross-fertilization in what we call 'One Nolato' allows us to generate synergies that help develop and expand our end-to-end offering as a global, high-tech partner.

A good example of this cross-fertilization is the strategic cooperation between Integrated Solutions and Industrial Solutions on design and production for customers in consumer electronics. This cooperation makes it possible to expand and deepen our customer offering, both technically and geographically. We can also better meet growing demand in Industrial Solutions for end-to-end solutions, including the integration of electronics.

Most of Nolato's business aims to help customers by supporting them in the development phase with expertise in polymer technologies and materials, sustainable solutions, design, and advanced project management, and then manufacturing products as efficiently as, and in the most environmentally sustainable way, possible.

As Nolato's business mission states: *We create added value for customers, shareholders and employees through detailed knowledge of each customer's requirements, early involvement in their projects, advanced project management and highly efficient production.*

Our mission also states that we should focus strongly on a circular economy and sustainability. This is something close to my own heart and that is increasingly important for Nolato. In fact, Nolato's sustainability approach goes back decades. For instance, this is what our 'Nolato's Basic Principles' document said in 1995: *Environmental impact should be minimized as much as possible. We should be a good neighbor and role model with regard to*

*the environment. We should aim for the materials in our products and processes to be adapted to a circular economy.*

This still applies very much today, almost 30 years on. One difference is that today's sustainability work is much more precise, planned and quantified. We now have a detailed sustainability strategy that is integrated into our overall strategy for profitable growth.

Nolato now operates in many different parts of the world and cultures, which requires increasingly stringent standards on clear guidelines on ethics, integrity, respect for people, sound working relationships and good labor conditions. We have an advantage in that Nolato owns all its production units, which means we are not dependent on third parties and can instead set our own targets and monitor them.

It is pleasing that customers have now started to prioritize sustainability issues in conjunction with developing new products and, moreover, have started wanting to pay for this. It is increasingly clear that sustainable design isn't just a cost but also a profitable investment in the market and the future. This development means we now are often involved early on in customers' concept phase and provide support by adapting product design to make it more environmentally sustainable. We can select low-carbon alternatives, optimize material weight, use the right type of plastic, examine whether recycled or bio-based materials can be used for the customer's product, and design the product to make it easy to recycle when it reaches the end of its useful life.

In our own environmental efforts, energy efficiency improvements and the purchase of fossil-free electricity are key to us achieving our emissions targets. Over the past 10 years, energy consumption in relation to sales has decreased by 52%. Combined with us now purchasing the majority of our global electricity needs from renewable sources, this has cut carbon dioxide emissions by around 90%!

As our sustainability work is now much more precise, planned and quantified, Nolato has signed up to the Science Based Targets Initiative. This is a cooperation framework between the UN and three other international organizations, aimed at setting emissions targets that are consistent with scientific recommendations for achieving the Paris Agreement targets.

Our membership commits us to tracking emissions throughout our value chain and reporting the financial aspects, feasibility, and effects of our environmental targets in detail. This work has begun and includes not only our own environmental impact but also emissions generated in the rest of the value chain; for example, by suppliers and customers.

We have developed our own model to minimize the environmental impact of the products we develop and manufacture for our customers. Eco-Design, as we call this model, is based on a circular economy, i.e. on reusing and recycling as much as possible in a constant cycle. The model comprises six strategic areas, each of which are key to the performance of the product. This includes the choice of raw materials, the product's design, how it is manufactured, how the product's various parts are assembled, how it is used and can best be recycled.

Nolato is a vital link between suppliers of materials and customers' products, giving us a key position in the transition to lower climate impact. We therefore have a strategic role, not only in customers' transition but also throughout the value chain.

I am approaching the end of this address. But I'd first like to say that I am proud of how Nolato's employees have handled the challenges of the past year. It confirms the strength of our decentralized business model and the strong sense of responsibility throughout the organization. But I'd also like to emphasize that I do not underestimate these continued challenges. Nolato's operating environment will remain complex, and it is important that we chart the correct course through difficult waters and storms.

Greater competitiveness, lower total costs, increased efficiency and a stronger market position mean that Nolato is equipped to meet these continued challenges. We have a solid position as a global strategic partner on three continents, a good financial position and are a reliable and skilled partner. And this is especially appreciated by customers during turbulent times.

Thank you.