

Interim report January-September 2023

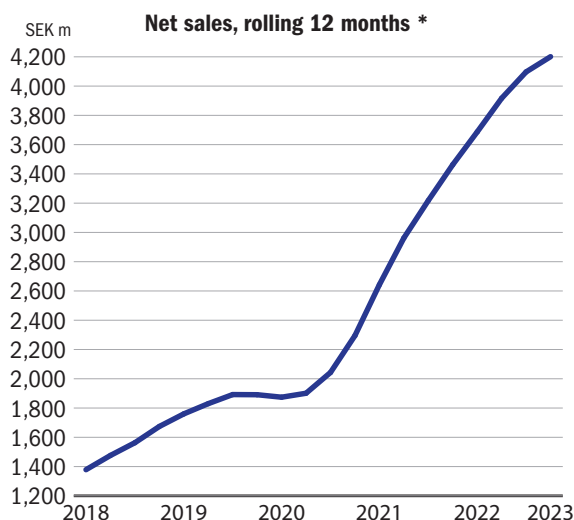
NOTETM
YOUR MANUFACTURING PARTNER

Financial performance July-September

- Sales increased by 11% to SEK 1,034 (930) million. Adjusted for acquisitions and currency effects, organic growth was 3%. Underlying organic growth was 8% (adjusted for extraordinary sales in the third quarter of 2022).
- Operating profit increased by 63% to SEK 94 (57) million. Adjusted for a SEK 30 million provision for doubtful debt in the previous year, adjusted operating profit for the corresponding period was SEK 87 million.
- The operating margin widened by 2.9 percentage points to 9.1% (6.2%). Adjusted for doubtful debt in the previous year, the adjusted operating margin was 9.1% (9.4%).
- Profit after financial items was up by 67% to SEK 80 (47) million.
- Profit after tax rose by 63% to SEK 65 (40) million, corresponding to SEK 2.24 (1.37) per share.
- Adjusted for acquisition-related payments made in the period, operating cash flow after investments was SEK 34 (-39) million. Total cash flow after investments, including acquisitions, amounted to SEK -57 (-59) million, or SEK -1.97 (-2.04) per share.

Financial performance January-September

- Sales increased by 19% to SEK 3,163 (2,649) million. Adjusted for acquisitions and currency effects, organic growth was 8%. Underlying organic growth was 13% (adjusted for extraordinary sales in the first three quarters of 2022).
- Operating profit increased by 44% to SEK 312 (216) million. Adjusted for a SEK 30 million provision for doubtful debt in the previous year, adjusted operating profit for the corresponding period was SEK 246 million.
- The operating margin widened by 1.7 percentage points to 9.9% (8.2%). Adjusted for doubtful debt in the previous year, the adjusted operating margin was 9.9% (9.3%).
- Profit after financial items was up by 49% to SEK 280 (188) million.
- Profit after tax rose by 48% to SEK 229 (155) million, corresponding to SEK 7.89 (5.35) per share.
- Adjusted for acquisition-related payments made in the period, operating cash flow after investments was SEK 135 (-34) million. Total cash flow after investments, including acquisitions, amounted to SEK -10 (-54) million, or SEK -0.35 (-1.86) per share.



* iPRO is included from September 2021, NOTE Herrljunga from July 2022, ATM Electronics from April 2023, and DVR from July 2023.

** Operating margin adjusted for non-recurring items, by SEK +7 m in Q3 2018, SEK -5 m in Q4 2021, SEK +30 m in Q3 2022 and SEK -15 m in Q4 2022.

Events in January-September

- **Acquisition of UK enterprise DVR**

In early-July, NOTE reached an agreement to acquire all the shares of DVR Ltd. of the UK. The company's estimated sales for 2023 are GBP 12 million with an operating margin comparable to NOTE's. The company has a business model reminiscent of NOTE's, and has a strong customer portfolio, combined with a healthy inflow of new customer partnerships over recent years. The purchase consideration after deducting for existing debt is an initial GBP 9 million. Based on the company's performance, a maximum contingent consideration of GBP 3 million may be paid.

- **Closer partnership with global Medtech company**

In August, NOTE reported on an expanded partnership with one of its long-term customers, a sector leader involved in the development of sophisticated medtech products. Production will be located at NOTE's plant in Norrtälje Sweden. This closer partnership is expected to increase sales by SEK 50 million yearly from Q1 2024 onwards.

- **Acquisition of Bulgarian enterprise ATM Electronics**

In mid-April, NOTE acquired all the shares of ATM Electronics OOD of Bulgaria. Like NOTE, this company focuses on long-term customer relationships, high quality and good delivery precision. The company's sales, which consist of processing of materials (electronic components) owned by customers, is estimated at SEK 40 million for 2023, with an operating margin of 8%. The purchase consideration after deducting for existing liabilities is SEK 36 million.

- **Sharply expanded partnership with well-established European industrial customer**

In March, NOTE reported that the demand from a major industrial customer with high standards, who NOTE has been managing a successful partnership with for several years, made very strong progress. Consequently, NOTE faces a sharp increase in its production and shipments within the existing partnership. Last year, NOTE's sales to this customer were approximately SEK 50 million. The production rate has increased sharply, and this year, NOTE estimate sales to this customer of at least SEK 200 million.

- **Real estate acquisition for continued expansion in Sweden**

In January, NOTE agreed to purchase the plant and surrounding land where NOTE Torsby conducts operations from its current owner. NOTE Torsby currently leases the site. The plant size is just over 7,000 m², which was expanded as recently as 2021. The acquisition also includes just over 54,000 m² of land, which eventually, will enable continued expansion of the operation in Torsby. The purchase consideration is SEK 41.5 million.

- **New Chairman**

NOTE's AGM in April elected Anna Belfrage as NOTE's new Chairman. Anna Belfrage has been a Board member of NOTE since 2019 and has broad financial and industrial experience with positions including CFO of ABS Group, Beijer Electronics Group and Södra Skogsägarna

CEO's comments

Positive progress for the EMS sector

NOTE is one of the fastest-growing companies in the EMS sector and a stable EMS provider to customers with high standards. Over the last five years, NOTE has achieved organic growth (CAGR) of 20%, clearly outpacing the EMS sector generally.

The previous challenging shortage situation on the component market did limit EMS sector growth. The supply of materials has improved during 2023, and the lead-times on most electronic components is reducing. However, the more challenging business cycle is having a restrictive effect on growth. Market commentators expect continued growth in the European EMS sector averaging about 7% until 2030.

Demand remaining high

Despite a more challenging business cycle, we are still seeing high aggregate demand from our customers. NOTE's sales in the third quarter progressed as we expected, at SEK 1,034 million, which corresponds to growth of 11%. Sales growth for the first three quarters of the year was 19%. Considering to at least 5% of sales in the previous year consisted of extraordinary cost increases on materials, the underlying sales growth was even stronger.

Early in the year, we expected the third quarter to be our weakest in terms of growth. Our broad customer base compensated for short-term project deferrals and inventory adaptations by some of our customers through very high growth by other customers and customer projects.

Focusing on profitable growth

We reported an operating margin of 9.9% for the first three quarters of the year. NOTE's business is performing positively, and profitability is consistent with the target we set for our business to achieve by 2025. For the quarter, the corresponding number was 9.1%. Our somewhat lower operating margin in the third quarter is due to unusually high fluctuations in demand at some of our customers, which has impacted capacity utilisation in our plants. We have higher ambitions for how our operating margin should progress than this.

Continued growth and rationalisation on our cost side have laid a base for our strong profitability performance. We have a business model that's working well, founded on long-term customer relationships, and do not hesitate to keep investing in our state-of-the-art plants to increase growth, automation levels and efficiency. This benefits us and our customers.

Positive operating cash flow

We reported positive operating cash flow (after investments) both for the third quarter and for the first three quarters of the year. For the quarter, this was SEK 34 million, and year to date, a total of SEK 135 million. Our continued growth and customers' temporary project deferrals obviously mean more capital tied-up, mainly in inventories. That's why I'm pleased that we are continuing to report positive operating cash flows. NOTE's financial position remains very favourable.



We're seeing continued high aggregate demand from our customers. We're growing with profitability, and our operating margin year to date was 9.9%—well in line with our long-term target.

Acquisitions on a growth market

NOTE's target of SEK 5 billion sales by 2025 will primarily be achieved organically, as well as through carefully screened acquisitions. At the beginning of the quarter, we acquired UK enterprise DVR, and earlier in the year we acquired Bulgarian company ATM Electronics. Our acquisition in the UK makes us a stronger player on a market that we expect to outgrow others in the coming years. Overall, the acquisition in Bulgaria offers us and our customers another cost-effective manufacturing option in Eastern Europe.

We see great potential in continuing to develop our businesses and growth journey with the customers, staff and management of our newly acquired plants.

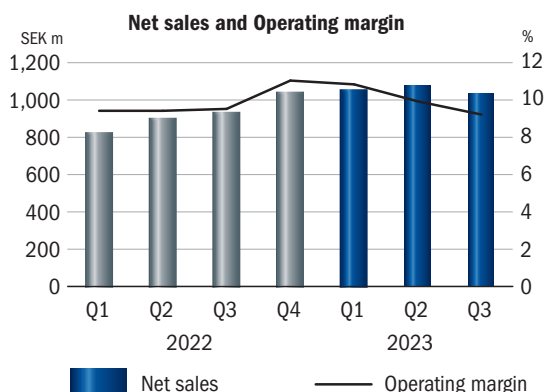
High order levels

Our order position remains strong. The downturn of some 5% in our total order backlog (excluding acquisitions) is consistent with what we've been communicating for several quarters. With a more normalised supply of components on the market the downturn reflects the return to the shorter time horizon customers are placing orders for, rather than indicating lower growth rates going forward. We feel confident to repeat our guidance of at least 4.3 billion SEK for the full year 2023. This corresponds to growth of at least the 11% we reported in Q3. For 2024, we expect our growth rate to increase. Looking ahead, we see a continued increase in operating profit, and a strengthening of our operating margin.

Johannes Lind-Widestam

Comments on Q3

Sales



Operating margin in the above chart has been adjusted for non-recurring items, by SEK +30 m in Q3 2022 and SEK -15 m in Q4 2022.

Group July-September

The demand for NOTE's services remained brisk in the third quarter of the year. Sales amounted to SEK 1,034 (930) million, corresponding to growth of 11%. Growth sourced from the acquisition of ATM Electronics and DVR this year amounted to 4%, and exchange rate fluctuations, mainly USD, EUR and GBP, were 4%. Accordingly, organic growth was 3%. Adjusted for at least 5% of sales in the previous year consisting of re-invoicing of extraordinary cost increases on electronic components related to the market shortage, underlying organic growth was 8%.

Group Januari-September

Sales in the first three quarters of the year were up by 19% to SEK 3,163 (2,649) million. Adjusted for extra sales from acquisi-

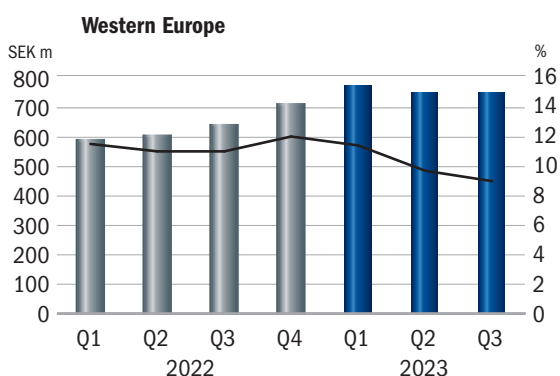
tions, and changed exchange rates, organic growth was 8%. Underlying organic growth amounted to at least 13% (adjusted for the previous year's re-invoicing of extraordinary cost increases on materials).

The sales increase consisted of new business with established customers, and the progressive impact of increased sales to a large base of new business customers. Most of NOTE's new business customers are companies across Europe and Asia. Several of these customer assignments, which usually start with industrialisation services (service sales, prototyping and pilot series), have now transitioned to serial production and higher volumes.

NOTE's 15 largest customers in sales terms made up 48% (49%) of sales in the first three quarters of the year. No single customer (group) represented more than about 6% (6%) of total sales.

Successful new sales to new and established customers, and healthy demand from NOTE's customer segments are contributing to continued high aggregate sales. During the market shortage on electronic components, NOTE actively encouraged customers to place fixed orders over longer periods than usual to ensure the availability of components and production materials. The improved situation for materials in 2023, with shorter lead-times on materials, is causing lower order intake, reflecting a return to the shorter time horizons that customers need to place orders to access materials rather than lower growth rates going forward. NOTE's strong order position indicates high sales growth continuing.

Operating segment

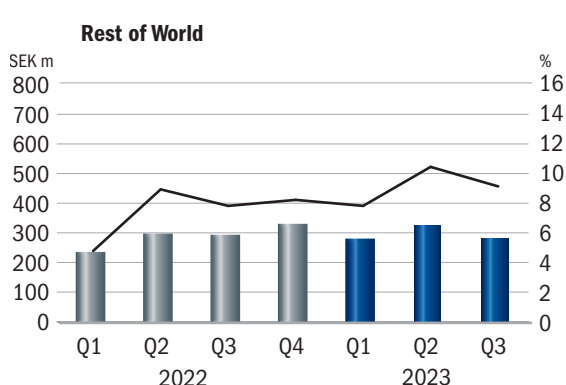


Operating margin in the above chart has been adjusted for non-recurring items, by SEK +30 m in Q3 2022 and SEK -15 m in Q4 2022.

Western Europe

NOTE's Western Europe operating segment consists of units located in geographical regions with high industrial activity and innovation standards in Sweden, Finland and the UK.

Demand from the Western Europe segment remained high, and for the first three quarters, growth adjusted for acquisitions was 14%.



Growth in Sweden, NOTE's largest market, continued its robust progress, and in the first three quarters, growth excluding acquisitions was 21%.

A demand slowdown was apparent on the UK market as early as late-2022 linked to electric vehicle charging products. This market slowdown has continued in 2023 and meant that growth from NOTE's UK plants was negative in the first three quarters of the year.

Rest of World

The Rest of World operating segment consists of our units in Estonia, China and Bulgaria. They are located close to major final markets and regions with strong production traditions and high skills levels.

Sales growth from the Rest of World segment continued their positive progress, amounting to 6% (adjusted for acquisitions) for the first three quarters of the year.

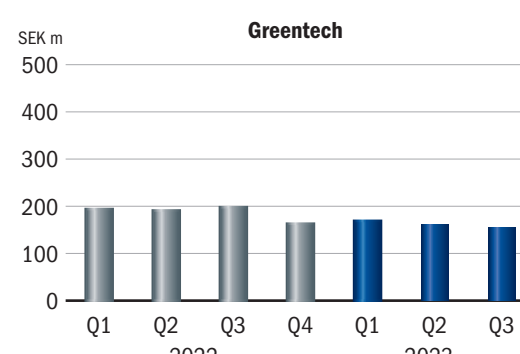
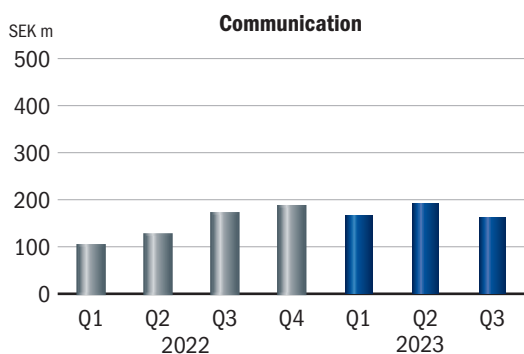
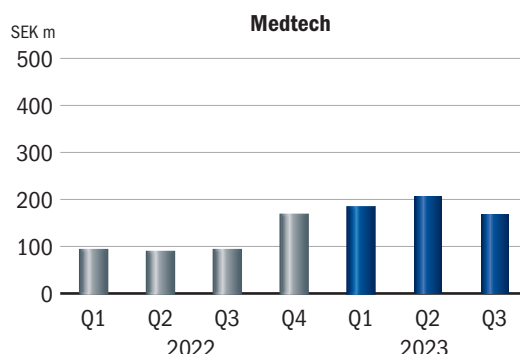
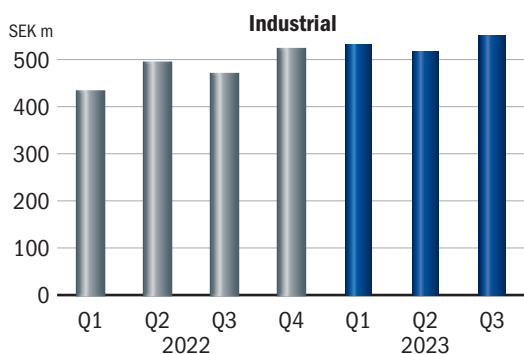
In China, sales and order intake made stable progress. Growth for the first three quarters of 4% is due to the completion of internal relocation of what was the Chinese plant's largest customer last year to NOTE's European plants. Sales from the Estonian plant, mainly to customers in northern Europe, grew by 8% in the first three quarters.

Sales from NOTE's Bulgarian plant were as expected. Sales from this plant consist of value-adding electronic components, where customers remain owners of the material. Projects to expand our customer offering alongside NOTE's customers to include complete PCBs and box builds are ongoing and will increase sales from this plant. Currently, sales are marginal compared to the group overall.

Intra-group

Intra-group consists of business support functions in the parent company and the sourcing operations of NOTE Components. Group eliminations are also included.

Customer segments



NOTE divides its sales into four customer segments: Industrial, Communication, Medtech and Greentech

Industrial

The manufacturer products in segments, like automation, control, infrastructure, energy and construction technology.

NOTE's largest customer segment achieved 15% growth for the first three quarters of the year. Extra sales from acquisitions were a significant portion of the increase.

Communication

One of NOTE's core segments since its foundation. Manufacture consists of network products, antennae and IoT devices.

The Communication customer segment has been impacted by materials shortages for some time. In late-2022, several projects ramped up, and this has continued in 2023. Growth of

30% was reported in the first three quarters, with the increase sourced from established customer relationships and new business accounts.

Medtech

Medical technology products in diagnostics, treatment and X-ray are the foundation of this segment.

Sales in Medtech made strong progress in late-2022, partly driven by extra sales from the July 2022 acquisition of NOTE Herljunga. The robust growth continued in the first three quarters of the year, at 105%. About one-fifth of this growth was sales from acquired units. The ramp-up of customer projects and upscaled customer orders also had a positive impact.

Greentech

The Greentech segment consists of customers active in the

green technology transition.

Greentech achieved high growth rates until the first half-year 2022. Growth then slowed in the second half-year 2022, mainly due to the market for electric vehicle charging products. This lower growth rate then persisted in the first three quarters of 2023, and overall growth for the segment was negative.

Results of operations

Group, July-September

Primarily because of sales gains, stable margins on current customer assignments, and continued positive progress on costs, gross profit increased by 46% to SEK 130 (89) million. Adjusted for a SEK 30 million provision for doubtful debt in the previous year, adjusted gross profit was SEK 130 (119) million. The gross margin was 12.6% (9.6%). Adjusted for doubtful debt in the previous year, the adjusted gross margin was 12.6% (12.8%).

Sales and administration overheads for the period increased by 36% to SEK 36 (27) million, essentially because of the extra expenses from ATM Electronics and DVR, acquired in April and July this year respectively. As a share of sales, overheads increased by 3.6% (2.9%).

Other operating income/expenses, mainly consisting of the revaluation of operating assets and liabilities in foreign currencies, were SEK 0 (-5) million.

Operating profit increased by 63% to SEK 94 (57) million. Adjusted for the provision for doubtful debt in the previous year, adjusted operating profit was SEK 94 (87) million. The operating margin amounted to 9.1% (6.2%). Adjusted for doubtful debt in the previous year, the underlying operating margin was 9.1% (9.4%).

An increased need for financing, mainly for working capital, plus higher interest rate levels, contributed to financial expenses increasing to SEK -11 (-5) million net. Revaluations of financial assets and liabilities in foreign currencies, such as factoring liabilities in foreign currencies, amounted to SEK -3 (-5) million. In total, net financial items for the period were SEK -14 (-10) million.

Profit after net financial items rose by 67% and amounted to SEK 80 (47) million.

Profit after tax rose by 63%, to SEK 65 (40) million, or SEK 2.24 (1.37) per share. The tax expense for the period was equivalent to 19% (17%) of profit before tax

Group, January-September

Gross profit increased by 29% to SEK 409 (316) million, and the gross margin was 12.9% (11.9%). Adjusted for doubtful debt in the previous year, adjusted operating profit was SEK 409 (346) million, and the adjusted gross margin is 12.9% (13.1%).

Sales and administration overheads for the period rose by 20% to SEK 101 (85) million, essentially due to additional costs from NOTE Herrljunga, which was acquired in July last year, as well as ATM Electronics and DVR, which were acquired in April and July this year respectively. As a share of sales, these overheads were 3.2% (3.2%).

Other operating income/expenses, which usually consist of

the revaluation of operating assets and liabilities in foreign currencies, were SEK 4 (-15) million.

Operating profit in the period amounted to SEK 312 (216) million. The operating margin increased by 1.7 percentage points and amounted to 9.9% (8.2%). Adjusted for doubtful debt in the previous year, adjusted operating profit was SEK 312 (246) million, and the adjusted operating margin was 9.9% (9.3%). Adjusted for other operating income/expenses, the underlying operating margin was 9.7% (9.9%).

An increased need for financing, mainly for working capital, plus higher interest rate levels, contributed to financial expenses increasing to SEK -30 (-13) million net. Revaluation of financial assets and liabilities in foreign currencies, such as invoice factoring liabilities in foreign currencies, was SEK 2 (-15) million. In total, net financial items for the period were SEK -32 (-28) million.

Profit after financial items increased by 49% to SEK 280 (188) million, corresponding to a profit margin of 8.8% (7.1%).

Profit after tax increased by 48%, amounting to SEK 229 (155) million, or SEK 7.89 (5.35) per share. The tax expense for the period is equivalent to 18% (18%) of profit before tax.

Cash flow

One of NOTE's key missions is to maintain good and cost-efficient supply of materials to customers. The shortage on the electronic components market, especially the supply of semiconductors, has been a major limiting factor on the industry in recent years, and to ease disruptions and delays to the shipments of components it receives, NOTE consciously increased its inventory. Although the shortage has improved significantly in the year, it will take some time before inventory returns to more normal levels. Short-term deferrals of some customer projects, which had a negative impact on sales in the quarter, also had an effect on inventory build-up. To finance a portion of this inventory build-up, NOTE has been working actively on letting its customers part-finance inventory through consignment stock and advance payments for inventory.

Capital tied-up in inventory was 15% higher than the corresponding point of the previous year. However, adjusted for acquisitions, capital tied-up in inventory did reduce in the third quarter compared to the second quarter of this year.

NOTE is making continuous efforts to monitor credit risks and limit the number of outstanding customer credit days. Accounts receivable—trade increased in the year as a consequence of a higher turnover, and were 11% higher than at the corresponding point of the previous year. Essentially, the number of outstanding customer credit days was in line with the previous year's level.

Accounts payable—trade mainly consist of purchases of electronic components and other production materials. NOTE is working actively on a partner model on the supplier side, which has implications including sourcing being concentrated on fewer, quality-assured suppliers wherever possible. This working method simultaneously helps rationalise the utilisation of working capital. Accounts payable—trade decreased in the period and were 6% below the corresponding point of the previous year.

Continued positive profit performance generated a positive

operating cash flow in the first three quarters of the year, despite an increased need for working capital mainly linked to growth and problems on the component market. Cash flow (after investments) in the third quarter was SEK -57 (-59) million, or SEK -1.97 (-2.04) per share. Cash flow for the quarter includes a SEK -91 million purchase consideration payment for the acquisition of DVR. Adjusted for acquisition-related payments, cash flow (after investments) for the third quarter was SEK +34 (-39) million. Adjusted in the same way, cash flow (after investments) for the first three quarters of the year was SEK +135 (-34) million. rande tidpunkt ifjol.

Liquidity and net debt

NOTE puts a sharp focus on measures that further improve the group's liquidity and cash flow.

The group's reported available cash and cash equivalents, including unused credit facilities, amounted to SEK 250 (231) million at the end of the period. Disregarding estimated financial liabilities on the additional right-of-use assets for leased properties under IFRS 16 (Leases), net debt at the end of the period was SEK 521 (386) million.

Equity to assets ratio

NOTE has a strong financial position. According to NOTE's financial targets, its minimum equity to assets ratio should be 30%. At the end of the third quarter, the equity to assets ratio was 39.1%, (36.8%).

Investments

Expenditure on property, plant and equipment for first three quarters of the year, excluding right-of-use assets for leased properties (IFRS 16 Leases), was SEK 88 (50) million in the first quarter, corresponding to 2.8% (1.9%) of sales. This expenditure mainly consisted of projects to increase capacity, efficiency and quality.

NOTE has not yet become the legal owner of the property in Torsby that NOTE signed an agreement in Q1 to acquire. During the first quarter, NOTE paid a down payment for the property of 10% of the purchase price. Until NOTE becomes the legal owner of the property, the purchase consideration is accounted under Other short-term receivables.

Planned depreciation on property, plant and equipment, excluding right-of-use assets for leased properties (IFRS 16 Leases), increased to SEK 42 (33) million for the first three quarters of the year.

Parent company

The parent company, NOTE AB (publ), is primarily focused on management, co-ordination and development of the group. Revenue was SEK 29 (29) million in the first three quarters of the year, mainly from intra-group services. Profit before tax amounted to SEK 15 (19) million in the same period.

Other information

Notes on the consolidated financial statements

In July, NOTE acquired all the shares of electronics manufacturer DVR Ltd. DVR's estimated sales for the full year 2023 are GBP 12 million, with an operating margin comparable to NOTE's. The company had around 95 employees at the acquisition date. This acquisition increases NOTE's manufacturing capacity in the UK. The total purchase consideration is SEK 156 million, of which SEK 96 million was paid on completion in July.

Information on the purchase consideration, acquired net assets and goodwill are stated in the following table

Assets and liabilities taken over at acquisition	2023
Total purchase consideration	156
Intangible assets—customer relationships	25
Fixed assets	23
Right of use assets—rented properties	27
Inventories	47
Accounts receivable—trade and other current receivables	27
Cash and cash equivalents	5
Long-term interest-bearing liabilities	-6
Long-term liabilities, right of use assets—rented properties	-24
Short-term interest-bearing liabilities	-9
Short-term liabilities, right of use assets—rented properties	-3
Deferred tax liability	-4
Accounts payable—trade and other current operating liabilities	-34
Acquired identifiable net assets	74
Goodwill	82
Total acquired net assets	156
Cash flow attributable to the period's acquisitions	
Purchase consideration paid	96
Cash held by acquired entity	-5
Net outflow, cash and cash equivalents	91

In April, NOTE acquired all the shares of electronics manufacturer ATM Electronics OOD. ATM Electronics' estimated sales for the full year 2023 are SEK 40 million, with an operating margin of 8%. The company had around 80 employees at the acquisition date. This acquisition increases NOTE's manufacturing capacity in Eastern Europe. The total purchase consideration is SEK 36 million, of which SEK 32 million was paid on completion in April.

Information on the purchase consideration, acquired net assets and goodwill are stated in the following table:

Assets and liabilities taken over at acquisition	2023
Total purchase consideration	36
Intangible assets—customer relationships	7
Fixed assets	4
Right of use assets—rented properties	12
Inventories	12
Accounts receivable—trade and other current receivables	6
Cash and cash equivalents	1
Long-term interest-bearing liabilities	-4
Long-term liabilities, right of use assets—rented properties	-10
Short-term interest-bearing liabilities	0
Short-term liabilities, right of use assets—rented properties	-2
Deferred tax liability	0
Accounts payable—trade and other current operating liabilities	-7
Acquired identifiable net assets	19
Goodwill	17
Total acquired net assets	36
Cash flow attributable to the period's acquisitions	
Purchase consideration paid	32
Cash held by acquired entity	-1
Net outflow, cash and cash equivalents	31

Existing customer relationships with a total value of SEK 25 million and goodwill with a value of SEK 82 million were identified in tandem with the acquisition of DVR. Existing customer relationships with a total value of SEK 7 million and goodwill with a value of SEK 17 million were identified in tandem with the acquisition of ATM Electronics. The goodwill arising in these acquisitions mainly relates to the companies' skills and processes in PCB manufacture and box build and expected co-ordination gains with NOTE's other business.

External transaction expenses for the acquisition of DVR were approximately SEK 2 million, and for the acquisition of ATM Electronics, some SEK 1 million, with these expenses mainly related to costs for local legal and other advisory services. These expenses are recognised on the administrative expenses line in the Consolidated Income Statement, and are included in operating activities in the Cash Flow Statement.

Transactions with related parties

No transactions with related parties were executed in the first three quarters of the year.

Annual General Meeting

Board members Anna Belfrage, Bahare Mackinovski, Charlotte Stjerngren and Johan Hagberg were re-elected at the Annual General Meeting in April. Anna Belfrage was elected as Chairman of the Board. Claes Mellgren declined re-election. The Meeting approved the Board's proposal for no dividend to be payable for the financial year 2022.

Financial definitions

Average number of employees Average number of employees calculated on the basis of hours worked.

Cash flow per share Cash flow after investments divided by the number of outstanding shares at end of the period.

Equity per share Equity divided by the number of outstanding shares at end of the period.

Equity to assets ratio Equity as a percentage of total assets.

Gross profit margin Gross profit as a percentage of net sales.

Net debt Interest-bearing liabilities and provisions less cash and cash equivalents.

Net sales per employee Net sales divided by the average number of full-time employees.

Operating capital Total assets less cash and cash equivalents, non-interest bearing liabilities and provisions.

Operating margin Operating profit as a percentage of net sales.

Order backlog A combination of fixed orders and customer forecasts.

Profit margin Profit after financial items as a percentage of net sales.

Return on equity Net profit as a percentage of the average equity for the most recent twelve-month period.

Return on operating capital Operating profit as a percentage of the average operating capital for the most recent twelve-month period.

Significant operational risks

NOTE is one of northern Europe's leading EMS partners. It has especially strong market positioning in the high mix market segment, i.e. for products that require high technology compe-

tence and flexibility. NOTE produces PCBAs, subassemblies and box build products. The customer offering covers the complete product lifecycle, from design to after-sales.

For a more detailed review of the group's operational and financial risks, refer to NOTE's Annual Report for 2022, specifically to the Report of the Directors on page 49, as well as note 24, Financial risks and finance policy, on page 69–70.

NOTE's operations set relatively high standards on working capital financing. Accordingly, it puts a sharp focus on managing its liquidity risk.

Accounting and valuation principles

NOTE observes International Financial Reporting Standards (IFRS) as endorsed by the EU. Significant accounting and valuation principles are stated on pages 58–60 of the Annual Report for 2022. The group's Interim Report has been prepared in accordance with the Swedish Annual Accounts Act and IAS 34, Interim Financial Reporting. The parent company observes RFR 2.

Previously, consignment stock and customer advances were treated equally in accounting terms, and reduced inventory value. To clarify the portion of NOTE's inventory value that is financed by customers going forward, effective Q4 2022, customer advances will be accounted gross from inventory value, which increases the reported inventory value, simultaneous with recognising a liability for these advances. Retroactive corresponding periods have been restated correspondingly.

All amounts are in SEK million unless otherwise stated.

Discrepancies between reports

Swedish and English-language versions of this Report have been produced. In the event of any discrepancy between the two, the Swedish version shall apply.

The Board of Directors, NOTE AB (publ)

Stockholm, Sweden, 17 October 2023

Auditor's report

NOTE AB (publ). reg. no. 556408-8770

Introduction

We have reviewed the condensed interim financial information (interim report) of NOTE AB (publ) as of 30 September 2023 and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Andreas Skogh

Authorized Public Accountant
Öhrlings PricewaterhouseCoopers AB

Stockholm, Sweden, 17 October 2023

Consolidated summary

Quarterly summary

SEK million	2023 Q3	2023 Q2	2023 Q1	2022 Q4	2022 Q3	2022 Q2	2022 Q1
Net sales	1,034	1,078	1,051	1,038	930	898	821
Gross margin	12.6%	13.0%	13.2%	15.1%	9.6%	13.5%	12.8%
Operating margin	9.1%	9.8%	10.7%	12.3%	6.2%	9.3%	9.3%
Profit margin	7.7%	8.9%	9.9%	11.8%	5.1%	8.0%	8.4%
Cash flow after investing activities	-57	-2	49	23	-59	-4	9
Cash flow per share, SEK	-1.97	-0.07	1.69	0.79	-2.04	-0.14	0.31
Equity per share, SEK	46.3	44.8	41.1	37.9	34.5	32.8	30.2
Equity to assets ratio	39.1%	41.8%	40.0%	39.7%	36.8%	37.9%	38.3%
Average number of employees	1,587	1,487	1,401	1,407	1,393	1,346	1,319
Net sales per employee, SEK 000	652	725	750	738	668	667	622

Six-year summary

SEK million	Rolling 12 mth.	2022	2021	2020	2019	2018
Net sales	4,201	3,687	2,643	1,874	1,760	1,379
Gross margin	13.5%	12.8%	13.4%	12.0%	11.7%	12.5%
Operating margin	10.5%	9.3%	9.5%	8.0%	7.1%	6.1%
Profit margin	9.6%	8.4%	9.0%	7.6%	6.6%	5.7%
Cash flow after investing activities	13	-31	-142	172	75	-76
Cash flow per share, SEK	0.45	-1.07	-4.97	6.06	2.69	-2.63
Equity per share, SEK	46.3	37.9	28.0	20.0	16.7	13.3
Return on operating capital	24.8%	25.3%	27.6%	22.7%	20.7%	17.8%
Return on equity	28.0%	26.8%	28.4%	22.5%	21.7%	17.1%
Equity to assets ratio	39.1%	39.7%	37.0%	49.8%	40.5%	39.0%
Average number of employees	1,471	1,366	1,218	1,101	1,070	980
Net sales per employee, SEK 000	2,856	2,699	2,170	1,702	1,645	1,407

Consolidated Financial Reports

Income Statement

SEK million	2023 Q3	2022 Q3	2023 Q1-Q3	2022 Q1-Q3	Rolling 12 mth.	2022 Full year
Net sales	1,034	930	3,163	2,649	4,201	3,687
Cost of goods and services sold	-904	-841	-2,754	-2,333	-3,635	-3,214
Gross profit	130	89	409	316	566	473
Selling expenses	-17	-16	-54	-50	-73	-69
Administrative expenses	-19	-11	-47	-35	-59	-47
Other operating income/expenses	0	-5	4	-15	7	-12
Operating profit	94	57	312	216	441	345
Net financial income/expenses	-14	-10	-32	-28	-38	-34
Profit after financial items	80	47	280	188	403	311
Income tax	-15	-7	-51	-33	-75	-57
Profit after tax	65	40	229	155	328	254

Other Comprehensive Income

SEK million	2023 Q3	2022 Q3	2023 Q1-Q3	2022 Q1-Q3	Rolling 12 mth.	2022 Full year
Profit after tax	65	40	229	155	328	254
Other comprehensive income						
Items that can be subsequently reversed in the income statement:						
Exchange rate differences	-23	11	16	36	14	34
Cash flow hedges	0	0	0	0	0	0
Tax on hedges and exchange rate difference	2	-1	-2	-2	-2	-2
Total other comprehensive income after tax	-21	10	14	34	12	32
Comprehensive income after tax	44	50	243	189	340	286

Earnings per Share

	2023 Q3	2022 Q3	2023 Q1-Q3	2022 Q1-Q3	Rolling 12 mth.	2022 Full year
Number of shares at end of period (000)	28,984	28,984	28,984	28,984	28,984	28,984
Weighted average number of shares (000)*	28,984	28,984	28,984	28,887	28,984	28,911
Weighted average number of shares (000)**	28,984	28,984	28,984	28,969	28,984	28,972
Earnings per share, SEK*	2.24	1.37	7.89	5.35	11.33	8.79
Earnings per share, SEK**	2.24	1.37	7.89	5.34	11.33	8.78

* Before dilution

** After dilution

Balance Sheet

SEK million	2023 30 Sep	2022 30 Sep	2022 31 Dec
Assets			
Goodwill	266	164	166
Intangible assets—customer relationships	49	30	27
Other intangible assets	7	8	7
Right of use assets—rented properties	205	90	90
Property, plant and equipment	288	195	209
Deferred tax assets	9	8	8
Other financial assets	2	2	2
Total non-current assets	826	497	509
Inventories	1,440	1,253	1,254
Accounts receivable—trade	909	821	872
Other current receivables	81	69	43
Cash and bank balances	176	80	88
Total current asset	2,606	2,223	2,257
TOTAL ASSETS	3,432	2,720	2,766
Equity and liabilities			
Equity	1,341	1,001	1,098
Liabilities			
Long-term interest-bearing liabilities	162	93	84
Long-term liabilities, right of use asset—rented properties	178	68	69
Deferred tax liabilities	51	29	41
Total non-current liabilities	391	190	194
Current interest-bearing liabilities	535	373	377
Short-term liabilities, right of use asset—rented properties	32	24	23
Advance payment from customers	174	157	184
Accounts payable—trade	717	766	686
Other current liabilities	237	208	203
Other short term provisions	5	1	1
Total current liabilities	1,700	1,529	1,474
TOTAL EQUITY AND LIABILITIES	3,432	2,720	2,766

Change in Equity

SEK million	2023 Q3	2022 Q3	2023 Q1-Q3	2022 Q1-Q3	Rolling 12 mth.	2022 Full year
Opening equity	1,297	951	1,098	800	1,001	800
Comprehensive income after tax	44	50	243	189	340	286
New share issue	-	-	-	12	-	12
Closing equity	1,341	1,001	1,341	1,001	1,341	1,098

Cash Flow Statement

SEK million	2023 Q3	2022 Q3	2023 Q1-Q3	2022 Q1-Q3	Rolling 12 mth.	2022 Full year
Operating activities						
Profit after financial items	80	47	280	188	403	311
Reversed depreciation and amortisation	31	21	81	61	103	83
Other non-cash items	7	31	-5	32	-17	20
Tax paid	-5	-12	-64	-58	-61	-55
Change in working capital	-59	-123	-116	-235	-190	-309
Cash flow from operating activities	54	-36	176	-12	238	50
Cash flow from investing activities	-111	-23	-186	-42	-225	-81
Cash flow from financing activities	136	42	95	31	79	15
Change in cash and cash equivalents	79	-17	85	-23	92	-16
Cash and cash equivalents						
At beginning of period	99	96	88	99	80	99
Cash flow after investing activities	-57	-59	-10	-54	13	-31
Cash flow from financing activities	136	42	95	31	79	15
Exchange rate difference in cash and cash equivalents	-2	1	3	4	4	5
Cash and cash equivalents at end of period	176	80	176	80	176	88
Un-utilised credits	74	151	74	151	74	156
Available cash and cash equivalents	250	231	250	231	250	244

Operating Segments

SEK million	2023 Q3	2022 Q3	2023 Q1-Q3	2022 Q1-Q3	Rolling 12 mth.	2022 Full year
WESTERN EUROPE						
External net sales	753	641	2,282	1,836	2,994	2,548
Internal net sales	2	1	21	3	29	11
Operating profit	67	40	229	173	330	274
Operating margin	8.9%	6.2%	9.9%	9.4%	10.9%	10.7%
Inventories	1,080	894	1,080	894	1,080	928
External accounts receivable—trade	694	577	694	577	694	626
Average number of employees	972	799	892	778	872	782
REST OF WORLD						
External net sales	281	289	881	813	1,207	1,139
Internal net sales	6	19	30	40	45	55
Operating profit	26	24	82	63	110	91
Operating margin	9.1%	7.8%	8.9%	7.4%	8.8%	7.6%
Inventories	360	359	360	359	360	326
External accounts receivable—trade	214	241	214	241	214	244
Average number of employees	599	579	581	577	582	569
INTRA-GROUP						
Internal net sales	-8	-20	-51	-43	-74	-66
Operating profit	1	-7	1	-20	1	-20
External accounts receivable—trade	1	3	1	3	1	2
Average number of employees	16	15	16	15	17	15

Sales per Customer Segment

SEK million	2023 Q3	2022 Q3	2023 Q1-Q3	2022 Q1-Q3	Rolling 12 mth.	2022 Full year
WESTERN EUROPE						
Industrial	394	317	1,121	910	1,459	1,248
Communication	70	74	215	162	285	232
Medtech	151	78	498	252	657	411
Greentech	138	172	448	512	593	657
Total external sales	753	641	2,282	1,836	2,994	2,548
REST OF WORLD						
Industrial	157	152	481	484	665	668
Communication	92	97	305	238	421	354
Medtech	16	14	58	20	66	28
Greentech	16	26	37	71	55	89
Total external sales	281	289	881	813	1,207	1,139
TOTAL						
Industrial	551	469	1,602	1,394	2,124	1,916
Communication	162	171	520	400	706	586
Medtech	167	92	556	272	723	439
Greentech	154	198	485	583	648	746
Total external sales	1,034	930	3,163	2,649	4,201	3,687

Parent Company Financial Reports

Income Statement

SEK million	2023 Q3	2022 Q3	2023 Q1-Q3	2022 Q1-Q3	Rolling 12 mth.	2022 Full year
Net sales	11	9	29	29	38	38
Cost of services sold	-4	-3	-12	-11	-16	-15
Gross profit	7	6	17	18	22	23
Selling expenses	-3	-4	-9	-11	-14	-16
Administrative expenses	-5	-2	-12	-9	-15	-12
Other operating income/expenses	-14	1	10	10	9	9
Operating profit	-15	1	6	8	2	4
Net financial income/expenses	4	4	9	11	12	14
Profit after financial items	-11	5	15	19	14	18
Appropriations	-	-	-	-	60	60
Profit before tax	-11	5	15	19	74	78
Income tax	3	-1	-3	-4	-15	-16
Profit after tax	-8	4	12	15	59	62

Other Comprehensive Income

SEK million	2023 Q3	2022 Q3	2023 Q1-Q3	2022 Q1-Q3	Rolling 12 mth.	2022 Full year
Profit after tax	-8	4	12	15	59	62
Other comprehensive income						
Items that can be subsequently reversed in the income statement:	-	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-	-
Comprehensive income after tax	-8	4	12	15	59	62

Balance Sheet

SEK million	2023 30 Sep	2022 30 Sep	2022 31 Dec
Assets			
Intangible assets	1	2	2
Property, plant and equipment	0	0	0
Long-term receivables from group companies	374	233	251
Financial non-current assets	277	241	241
Total non-current assets	652	476	494
Receivables from group companies	77	41	55
Other current receivables	8	23	5
Cash and bank balances	1	1	1
Total current assets	86	65	61
TOTAL ASSETS	738	541	555
Equity and liabilities			
Equity	351	292	339
Untaxed reserves	36	10	36
Liabilities			
Liabilities to financial institutions	112	86	81
Liabilities to group companies	226	141	83
Other current liabilities and provisions	13	12	16
Total current liabilities	351	239	180
TOTAL EQUITY AND LIABILITIES	738	541	555

Change in Equity

SEK million	2023 Q3	2022 Q3	2023 Q1-Q3	2022 Q1-Q3	Rolling 12 mth.	2022 Full year
Opening equity	359	288	339	265	292	265
Comprehensive income after tax	-8	4	12	15	59	62
New share issue	-	-	-	12	-	12
Closing equity	351	292	351	292	351	339

This is NOTE

NOTE produces PCBAs, subassemblies and box build products. NOTE is a competitive EMS provider and stable business partner to customers with high standards. NOTE's products are embedded in complex systems for electronic control, surveillance and security, for example.

NOTE's business model builds on delivering high end manufacture, custom logistics solutions and consulting for the best possible total cost through long-term customer relationships and partnerships. Its customer offering covers complete product lifecycles, from design to after-sales. Primarily, its customer base consists of large corporations operating on the global market, and enterprises whose main sales are in northern Europe.

NOTE has a presence in Sweden, Finland, the UK, Estonia, Bulgaria and China. Sales over the last 12 months were SEK 4,201 million, and the group has approximately 1,600 employees. NOTE is listed on Nasdaq Stockholm.

Financial information

NOTE AB (publ)
Corporate ID no. 556408-8770

Calendar

Year-end Report	29 Jan 2024
Interim Report Q1	18 Apr 2024

Annual General Meeting

The AGM will be held at Citylife, Sveavägen 63, Stockholm, Sweden at 2 p.m. on 18 April 2024.

Ordering Financial Information

Financial and other relevant information can be obtained from NOTE on request. Out of consideration for the environment, an electronic subscription service is readily available from NOTE's website.

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