

Year-end Report 2017



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Financial performance in January–December

- Sales amounted to SEK 1,175.7 (1,098.1) million. Excluding divestments, sales increased by 9%.
- Operating profit rose to SEK 93.4 (60.2) million, and adjusted for non-recurring items in the first quarter, operating profit increased to SEK 77.7 (60.2) million.
- Operating margin was 7.9% (5.5%), adjusted for non-recurring items in the first quarter, operating margin expanded by 1.1 percentage points to 6.6% (5.5%).
- Profit after financial items increased to SEK 88.8 (54.5) million.
- Profit after tax was up to SEK 72.1 (45.2) million, corresponding to SEK 2.50 (1.57) per share.
- Cash flow after investments increased to SEK 69.7 (40.9) million, or SEK 2.41 (1.42) per share.

Dividend

The Board of Directors is proposing that the dividend to shareholders increases to SEK 1.00 (0.70) per share, corresponding to SEK 28.9 (20.2) million. The AGM will be held on 26 April 2018.

Events in the year

Sale of property in Lund

NOTE's industrial premises in Lund, southern Sweden, were sold to Estancia Bostad AB in March. The purchase price, which has been paid in full, was SEK 44.0 million. Simultaneously, a multi-year lease contract was signed with NOTE Lund as tenant. The transaction had a SEK 20.6 million positive effect on NOTE's operating profit in the first quarter.

Incentive programmes

From its own holdings, NOTE's largest shareholder Creades AB issued call options to senior managers during the first quarter. These call options related to some 2% of the total number of outstanding NOTE shares. Exercise was during the fourth quarter, when senior managers acquired a total of 196,000 shares, or 0.7% of the total number of outstanding NOTE shares.

NOTE's Annual General Meeting resolved to introduce a long-term incentive programme (three years) for senior managers. The incentive program involved the issue of 600,000 share warrants, corresponding to approximately 2% of the number of outstanding NOTE shares.

The pricing of the incentive programmes was on market terms, and both programmes were fully subscribed.

Financial performance in October–December

- Sales increased by 13% to SEK 325.0 (288.2) million.
- Operating profit rose to SEK 22.6 (16.5) million.
- Operating margin expanded by 1.3 percentage points to 7.0% (5.7%).
- Profit after financial items increased to SEK 21.6 (15.1) million.
- Profit after tax rose to SEK 17.8 (12.9) million, corresponding to SEK 0.62 (0.45) per share.
- Cash flow after investments amounted to SEK 1.8 (3.2) million, or SEK 0.06 (0.11) per share.

New CEO and President

Per Ovrén became NOTE's CEO and President in June.

NOTE becomes myFC's volume manufacturing partner

NOTE signed an agreement on volume manufacture with Swedish innovator myFC in June. This company develops green energy solutions and is a world leader in micro fuel cells. This collaboration with myFC is based on prototyping conducted by NOTE Lund and batch production at NOTE's unit in China.

Events after the end of the year

NOTE becomes CellMark's new manufacturing partner

In January 2018, NOTE signed an agreement with CellMark AB on the manufacture of a new, advanced medtech product, which utilises AI (artificial intelligence) for analysis and monitoring. Industrialisation and batch production will be at NOTE's unit in Estonia. Manufacture is scheduled to start in the first quarter, and for the current year, sales value is estimated at approximately SEK 25 million.

CEO's comments

Progress in the year

NOTE is one of the Nordic market's strongest electronics manufacturers, and a stable business partner for Swedish and international customers that need high end electronics production.

2017 was a good year for NOTE, when we advanced positioning in several market segments. The positive progress of the business cycle, notably in Western Europe, was an additional contributor to the positive demand for our services and solutions. We increased sales by 7% to SEK 1,175.7 million. Adjusted for our Norwegian operation, which was divested in 2016, growth in our current units was 9%. In the fourth quarter, we achieved growth of 13%. At year-end, our order books were up by over 20% year on year, suggesting further positive progress in the short term. We believe we are now at the growth level that places us among the sector's highest-growth companies.

NOTE endeavours to secure long-term customer relations and partnerships. Our customer base is diversified, and we already partner with several of the leading corporations in the Nordics across a broad spectrum of industries. We see good growth potential in deepening our partnerships with current business customers, in the industrial and communications sectors, as well as in the medtech and defence industries.

We have also been working to expand our customer base for some time, adding new, exciting customers and projects. Examples include the collaborations previously reported with Saab, myFC, and most recently CellMark, a company active in medtech. The lead-time from the prototyping stage to batch production varies in new projects. If it proceeds quickly, it can be just a few months, but often it takes longer. At present, over 20% of our sales consist of partnerships with new customers that we have secured in recent years.

We also want to be part of the new, high-growth application area. In our view, the Internet of Things is currently driving the need for electronics. And with our competence in electronics production, we can also be successful here.

I'm pleased that we continued to lift profitability in the year. Our reported operating profit increased to SEK 93.4 (60.2) million, which includes just over SEK 20 million of capital gains from the sale of our industrial premises in Lund, and non-recurring costs of approximately SEK 4 million, which relate mainly to the streamlining of our Swedish business. Adjusted for these non-recurring items, our underlying operating profit was up by SEK 17.5 million (29%) to SEK 77.7 million. Computed in the same way, our operating margin expanded by 1.1 percentage points to 6.6%. There are several reasons for our improved profitability, including higher sales, cost rationalisations executed and the strong progress of our Western European units. In line with our sales growth, we have strengthened our organisation and positioned ourselves for further growth.

Market progress still looks strong. However, as an effect of our positive market situation, we are operating in an increasingly strained global market for electronic components. Generally, we are seeing longer lead-times for components and deteriorating availability. This is nothing unusual, but does entail greater efforts by our sourcing and planning functions.



2017 was a good year for NOTE—in Q4 we achieved growth of 13% and a 7% operating margin.

We are continuing to work proactively alongside customers and suppliers to ensure delivery precision and avoid costly delays in our materials flow chain.

Effective management of working capital is a success factor for our continued growth. Intelligent and well-considered logistics setups are vital to our own, and our customers', financing and cash flow. Despite a higher investment rate, mainly intended to increase growth, we improved cash flow after investments to SEK 69.7 (40.9) million.

NOTE is well placed financially for the future. Our Balance Sheet is one of the sector's strongest, with low net debt and an equity to assets ratio of 48.8%.

Future

Based on the solid sales and earnings performance we have enjoyed, we take a positive view of the future. Going forward our catchwords will be growth, customer satisfaction and profitability, and the plans for how we will improve them are prepared.

Our order status and activity in current customer dialogues remains brisk. Overall, we have good potential to increase our market shares.

Per Ovrén

Sales and results of operations

Sales, January–December

NOTE sells to a large customer base, essentially active in the industrial, communication and security sectors, as well as the medtech and defence industries. Its customer base consists of large corporations active on the world market, as well as local enterprises whose primary sales are in northern Europe.

Sales in the year increased by 7% to SEK 1,175.7 (1,098.1) million. The effect of exchange rate fluctuations was limited, and adjusted for the Norwegian operation, which was divested in 2016, sales growth was 9%.

The demand for NOTE's services progressed positively in the year. In Western Europe, progress was good, especially in Sweden and Finland. For comparable units in Western Europe, growth was approximately 10%. Sales in the operation in Estonia, which are largely to customers in Europe, also progressed positively. The demand for electronics manufacture in China remained high. But sales in our Chinese operation were down somewhat on the previous year, due to lower volumes from some major international customers.

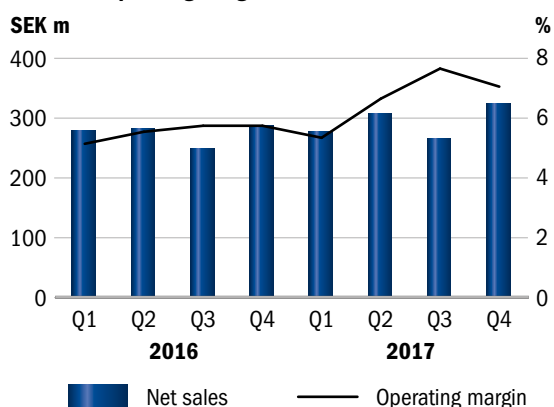
NOTE endeavours to secure long-term customer relations and partnerships. In the period, several closer collaborations on new product generations were established with a range of customers in NOTE's strong customer base.

NOTE has also been working intensively for some time on expanding its customer base further, to boost sales and capacity utilisation in the group's units. As a result of these marketing initiatives, NOTE secured many new customer relations. Most of these new customers are European and Asian SMEs. Several of these partnerships, which usually start with industrialisation services (service sales, prototyping and pilot series), have now resulted in batch production and higher volumes.

The 15 largest customers in sales terms represented 56% (58%) of group sales. Similar to the previous year, no single customer (group) generated more than about 10% of total sales.

The group's order book, consisting of a combination of fixed orders and customer forecasts, progressed well—at year-end it was up by just over 20% year on year.

Sales and operating margin



The above operating margin illustrates underlying profitability in 2017. The first quarter 2017 was adjusted downwards by SEK 15.7 million reflecting non-recurring items.

Results of operations, January–December

In order to keep sharpening competitiveness and create the potential for profitable sales growth, NOTE has been conducting methodical improvement work at all units for several years. This work is conducted locally at each unit and through a number of group-wide projects. Over and above initiatives to expand and develop its customer offering, NOTE's focus is on measures that improve delivery precision and quality performance, as well as cost and working capital rationalisation. In tandem with this process, NOTE is progressively implementing a group-wide, business-specific ERP system. This new system is operational at all Swedish units, and also went live at the unit in Estonia during the first half-year. The ambition is to enable further rationalisation by harmonising internal processes and systems support.

Gross margin in the year narrowed somewhat to 11.9% (12.0%), essentially because of a lower service content in sales from China.

Sales and administration overheads increased by 2%, essentially as a result of non-recurring costs associated with the change of CEO and organisational changes in Sweden. The sales resources were also reinforced, with the aim of further improving growth. Overheads were 6.2% (6.5%) of sales.

Other operating expenses/income, which normally consist of revaluations of foreign currency assets and liabilities, were SEK 26.2 (0.3) million, of which the positive impact of the property sale in Lund was SEK 20.6 million.

Operating profit improved to SEK 93.4 (60.2) million. Underlying operating profit, adjusted for the property sale and other non-recurring items in the first quarter, improved by SEK 17.5 million to SEK 77.7 (60.2) million, equivalent to operating margin expansion of 1.1 percentage points to 6.6% (5.5%).

Positive progress of cash flow and market interest rates that remain low helped net financial income/expense improve, to SEK -4.6 (-5.7) million.

Profit after financial items was SEK 88.8 (54.5) million, corresponding to profit margin expansion by 2.6 percentage points to 7.6% (5.0%).

Profit after tax was SEK 72.1 (45.2) million, or SEK 2.50 (1.57) per share. The tax expense for the year corresponded to 19% (17%) of profit before tax.

Sales and results of operations, October–December

The demand for NOTE's services remained positive in the fourth quarter. Sales growth of 16% was achieved in Western Europe. NOTE achieved increases on all its home markets, especially Sweden. The demand for electronics manufacture in Estonia continued to progress positively, while sales in the Chinese operation were on a par with the previous year.

Gross margin was consistent with the third-quarter level, at 12.3% (12.3%).

Sales and administration overheads for the period decreased to SEK 19.2 (20.3) million, or 5.9% (7.0%) of sales.

Other operating income/expenses, which mainly consist of revaluations of foreign currency assets and liabilities, were SEK 1.8 (1.3) million.

Mainly due to increased volumes and rationalisation executed on the cost side, especially in Sweden, operating profit improved to SEK 22.6 (16.5) million. Operating margin expanded by 1.3 percentage points to 7.0% (5.7%). Profit after financial items increased to SEK 21.6 (15.1) million, equivalent to a profit margin of 6.6% (5.2%).

Cash flow and financial position

Cash flow

Competing successfully in the high mix/low to medium volume market segment sets high standards on flexibility and short lead-times in manufacture, the effective supply of materials and the capability to deliver custom logistics solutions. Accordingly, NOTE puts a sharp focus on continuously improving its business methods and internal processes in these segments. This challenge is especially apparent in customer project start-ups, and in rapid demand upturns and downturns, which are largely linked to the complexity of materials supply and varying lead-times for electronic components.

The global market for electronic components can be considered fairly cyclical. After a long period of stability and good supply of electronic components, market conditions have become more strained, with extended lead-times and shortages of certain components. This is nothing unusual, but demands extra efforts by NOTE's sourcing and planning functions, as well as maintaining close dialogues with customers and suppliers.

NOTE maintains a sharp focus on continuous rationalisation of its utilisation of working capital. And in these circumstances, well-executed logistics setups with customers and suppliers are critical.

Strained conditions on the market for electronic components contributed to increased component inventories. But primarily because of sales and manufacturing volumes increasing, capital tied up in stock, including supplier advances, was 16% higher than in the previous year.

NOTE works continuously on monitoring credit risk and limiting the number of outstanding days of credit. At year-end, accounts receivable—trade, which increased for natural reasons, were up by 5% year on year. The implementation of new processes, especially in the Chinese operation, helped reduce the number of outstanding days of credit.

Equity to assets ratio

48.8%

Cash flow after investments

SEK +69.7 m

Accounts payable—trade are mainly sourced electronic components and other production materials. NOTE is working actively to keep developing a partnership model for suppliers, which involves changes including concentrating sourcing on fewer, quality-assured suppliers. This simultaneously helps rationalise the utilisation of working capital. At year-end, accounts payable—trade were up by 14% year on year.

The combination of continued positive profit performance, including gains from the real estate divestment in Lund, and the rationalisation of working capital, contributed to cash flow after investments increasing to SEK 69.7 (40.9) million, equivalent to SEK 2.41 (1.42) per share.

Equity to assets ratio

According to NOTE's externally communicated financial targets, the equity to assets ratio should not fall below 30%. The equity to assets ratio at year-end was 48.8% (45.8%). The proposed dividend to shareholders of SEK 1.00 per share, equivalent to SEK 28.9 million, would reduce the equity to assets ratio by some 4 percentage points.

Liquidity and investments

Liquidity and net debt

NOTE is continuing to put a sharp focus on measures that improve the group's liquidity and cash flow.

The group's available cash and cash equivalents, including un-utilised overdraft facilities, were some SEK 139.0 (127.1) million at year-end. Factored accounts receivable—trade were approximately SEK 163 (123) million. Net debt was SEK 22.9 (60.4) million at year-end.

Investments

Capital expenditure on fixed assets in the year was SEK 25.3 (15.8) million, or 2.1% (1.4%) of sales. The largest investment was in a new advanced surface mounting line to satisfy higher demand at the unit in Estonia. Other investments were mainly projects to improve efficiency and quality.

Plan depreciation and amortisation increased somewhat to SEK 16.1 (14.8) million.

Parent company

The parent company, NOTE AB (publ), is primarily focused on the management, coordination and development of the group. Revenue for the year was SEK 34.8 (31.8) million, and mainly consisted of intra-group services.

Profit for the year was positively impacted by the property sale in Lund. Net financial income/expense also includes a net of group contributions received and paid of SEK 31.3 (24.3) million, and SEK 2.3 (4.6) million of dividends received from subsidiaries. Parent company profit after tax was SEK 54.3 (-17.8) million.

Transactions with related parties

In addition to the incentive programmes for senior managers that commenced in the first half-year, there were no transactions with related parties in the year.

Shareholders' meetings 2017

An Extraordinary General Meeting (EGM) on 20 January 2017 due to a change of control elected Johan Hagberg, John Hedberg, and Per Ovrén, and re-elected Kjell-Åke Andersson and Bahare Hederstierna as Board members for the period until the next Annual General Meeting (AGM). John Hedberg was elected Chairman of the Board.

The AGM in April elected Mikael Norin as a Board member and re-elected the rest of the Board. The AGM resolved to pay a dividend to shareholders of SEK 0.70 (0.70) per share, or SEK 20.2 (20.2) million.

Significant operational risks

NOTE is one of northern Europe's leading EMS partners. The market positioning is especially strong in the high mix/low to medium volume market segment, i.e. products in small to mid-size batches that require a high level of technological competence and flexibility. NOTE produces PCBAs, subassemblies and box build products. NOTE's offering covers the complete product lifecycle, from design to after-sales.

NOTE's business model, which is designed to increase sales growth with limited overheads and capital expenditure in high-cost countries, is one way to mitigate the risks in operations.

For a more detailed review of the group's operational and financial risks, refer to the Risks section on page 13, the Report of the Directors on page 26, as well as note 24, Financial risks and finance policy, on page 44 of NOTE's Annual Report for 2016.

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 European Union. Significant accounting and valuation principles are stated on pages 34–36 of the Annual Report for 2016. 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 RFR2.

NOTE started to apply IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" effective 1 January 2018.

IFRS 9 introduces a new method for measuring bad debt provision needs. As in previous years, NOTE has provisioned on the basis of a case-by-case assessment of credit risk for each customer. Based on measurement of historical data, the credit risk provision will be increased by some SEK 6 million. This amount will be wholly taken against consolidated equity, as IFRS 9 is adopted on 1 January 2018. Otherwise, IFRS 9 will not have any material effect on the consolidated financial statements.

NOTE has conducted an analysis of the implementation of IFRS 15 and judges that the Standard will not have any material effect on the consolidated financial statements.

All amounts are in millions of Swedish kronor (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.

Per Ovrén
CEO and President

Kista, Sweden, 5 February 2018



Consolidated six-year summary

SEK million	2017	2016	2015	2014	2013	2012
Net sales	1,175.7	1,098.1	1,121.5	964.0	907.0	1,029.2
Gross margin	11.9%	12.0%	10.9%	10.6%	8.0%	9.0%
Operating margin	7.9%	5.5%	4.0%	3.3%	1.0%	2.5%
Profit margin	7.6%	5.0%	3.5%	3.0%	0.1%	1.9%
Cash flow after investing activities	69.7	40.9	5.2	2.5	-2.0	97.0
Cash flow per share, SEK	2.41	1.42	0.18	0.09	-0.07	3.36
Equity per share, SEK	12.79	11.01	9.94	9.36	8.25	9.02
Return on operating capital	24.2%	16.1%	12.9%	10.1%	3.1%	7.9%
Return on equity	21.0%	14.9%	12.4%	9.7%	0.3%	4.9%
Equity to assets ratio	48.8%	45.8%	43.3%	44.1%	44.0%	45.2%
Average number of employees	912	987	940	893	847	884
Net sales per employee, SEK 000	1,289	1,113	1,193	1,080	1,071	1,164

Consolidated quarterly summary

SEK million	2017 Q4	2017 Q3	2017 Q2	2017 Q1	2016 Q4	2016 Q3	2016 Q2	2016 Q1
Net sales	325.0	265.2	308.4	277.1	288.2	248.4	282.4	279.1
Gross margin	12.3%	12.3%	11.8%	11.3%	12.3%	11.2%	12.6%	11.7%
Operating margin	7.0%	7.6%	6.6%	11.0%	5.7%	5.7%	5.5%	5.1%
Profit margin	6.6%	7.1%	6.3%	10.5%	5.2%	5.2%	4.8%	4.6%
Cash flow after investing activities	1.8	-11.2	1.3	77.8	3.2	6.5	4.1	27.1
Cash flow per share, SEK	0.06	-0.39	0.05	2.70	0.11	0.23	0.14	0.94
Equity per share, SEK	12.79	12.00	11.54	11.91	11.01	10.55	10.09	10.26
Equity to assets ratio	48.8%	48.6%	46.4%	45.2%	45.8%	44.7%	44.4%	44.5%
Average number of employees	952	943	886	870	916	988	1,047	1,016
Net sales per employee, SEK 000	341	281	348	319	315	251	270	275

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 shares at end of the period (before dilution).

Equity per share

Equity divided by the number of shares at end of the period (before dilution).

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.

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.

Consolidated Income Statement

SEK million	2017 Q4	2016 Q4	2017 full year	2016 full year
Net sales	325.0	288.2	1,175.7	1,098.1
Cost of goods and services sold	-285.0	-252.7	-1,035.4	-966.4
Gross profit	40.0	35.5	140.3	131.7
Selling expenses	-10.8	-12.7	-44.5	-42.3
Administrative expenses	-8.4	-7.6	-28.6	-29.5
Other operating income/expenses	1.8	1.3	26.2	0.3
Operating profit	22.6	16.5	93.4	60.2
Net financial income/expenses	-1.0	-1.4	-4.6	-5.7
Profit after financial items	21.6	15.1	88.8	54.5
Income tax	-3.8	-2.2	-16.7	-9.3
Profit after tax	17.8	12.9	72.1	45.2

Consolidated Statement of Other Comprehensive Income

SEK million	2017 Q4	2016 Q4	2017 full year	2016 full year
Profit after tax	17.8	12.9	72.1	45.2
Other comprehensive income				
Items that can be subsequently reversed in the income statement:				
Exchange rate differences	5.0	0.6	-1.1	6.1
Cash flow hedges	-0.1	0.0	-0.1	0.0
Tax on hedges and exchange rate difference	0.0	0.0	0.0	-0.2
Total other comprehensive income after tax	4.9	0.6	-1.2	5.9
Comprehensive income after tax	22.7	13.5	70.9	51.1

Earnings per share

	2017 Q4	2016 Q4	2017 full year	2016 full year
Number of shares at end of period (000)*	28,873	28,873	28,873	28,873
Number of shares at end of period (000)**	29,473	28,873	29,473	28,873
Weighted average number of shares (000)*	28,873	28,873	28,873	28,873
Weighted average number of shares (000)**	29,473	28,873	29,173	28,873
Earnings per share, SEK*	0.62	0.45	2.50	1.57
Earnings per share, SEK**	0.61	0.45	2.47	1.57

* Before dilution
** After dilution

Consolidated Balance Sheet

SEK million	2017 31 Dec	2016 31 Dec
Assets		
Goodwill	70.2	70.4
Other intangible assets	9.6	10.0
Property, plant and equipment	64.4	65.3
Deferred tax assets	1.0	5.0
Other financial assets	1.1	1.6
Total non-current assets	146.3	152.3
Inventories	239.5	206.3
Accounts receivable—trade	261.8	249.8
Other current receivables	21.1	14.5
Cash and bank balances	87.2	71.6
Total current assets	609.6	542.2
TOTAL ASSETS	755.9	694.5
Equity and liabilities		
Equity	369.2	318.0
Liabilities		
Long-term interest-bearing liabilities	12.3	6.8
Deferred tax liabilities	1.7	2.5
Total non-current liabilities	14.0	9.3
Current interest-bearing liabilities	97.8	125.2
Accounts payable—trade	195.0	171.3
Other current liabilities	79.9	70.7
Total current liabilities	372.7	367.2
TOTAL EQUITY AND LIABILITIES	755.9	694.5

Consolidated Change in Equity

SEK million	2017 Q4	2016 Q4	2017 full year	2016 full year
Opening equity	346.5	304.5	318.0	287.1
Comprehensive income after tax	22.7	13.5	70.9	51.1
Payment warrants	-	-	0.5	-
Dividend	-	-	-20.2	-20.2
Closing equity	369.2	318.0	369.2	318.0

Consolidated Cash Flow Statement

SEK million	2017 Q4	2016 Q4	2017 full year	2016 full year
Operating activities				
Profit after financial items	21.6	15.1	88.8	54.5
Reversed depreciation and amortisation	4.3	4.2	16.1	14.8
Other non-cash items	-2.9	-7.8	-20.2	-1.8
Tax paid	-7.4	7.7	-12.6	-0.4
Change in working capital	-8.2	-14.7	-32.4	-18.5
Cash flow from operating activities	7.4	4.5	39.7	48.6
Cash flow from investing activities	-5.6	-1.3	30.0	-7.7
Cash flow from financing activities	34.1	14.8	-53.8	-17.0
Change in cash and cash equivalents	35.9	18.0	15.9	23.9
Cash and cash equivalents				
At beginning of period	50.5	53.6	71.6	47.3
Cash flow after investing activities	1.8	3.2	69.7	40.9
Cash flow from financing activities	34.1	14.8	-53.8	-17.0
Exchange rate difference in cash and cash equivalents	0.8	0.0	-0.3	0.4
Cash and cash equivalents at end of period	87.2	71.6	87.2	71.6
Un-utilised credits	51.8	55.5	51.8	55.5
Available cash and cash equivalents	139.0	127.1	139.0	127.1

Operating segments

NOTE's operating segment Western Europe consist of units located in geographical regions with high industrial activity and innovation standards in Sweden, Finland and the UK. These units provide advanced production technology services in close collaboration with customers, such as component selection, developing test equipment, prototyping and batch production.

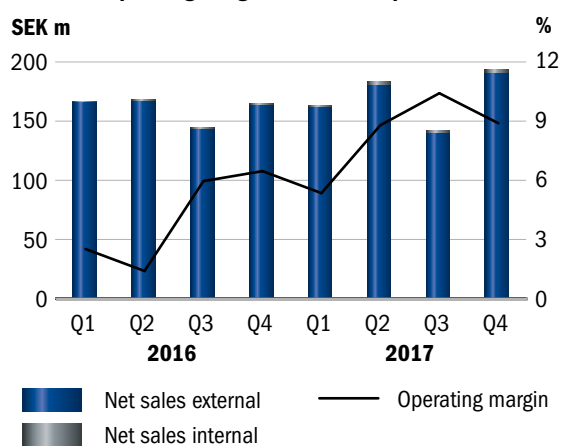
Operating segment Rest of World, located in Estonia and China, are close to large end markets and in regions with strong

traditions of production and high competence levels. In addition to development-oriented services, these units also offer cost-efficient volume production of PCBAs and box build products.

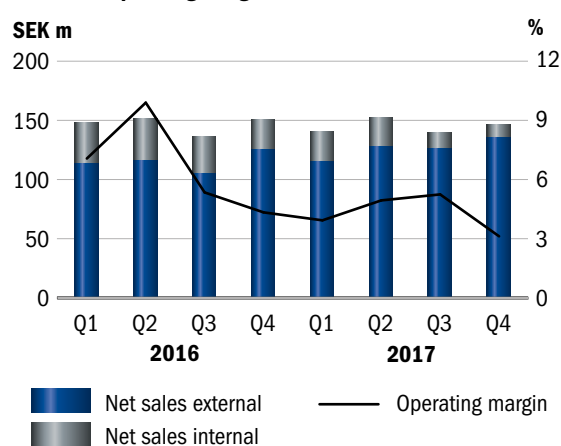
Intra-Group are group-wide business support functions in the parent company and for the sourcing operations in NOTE Components.

SEK million	2017 Q4	2016 Q4	2017 full year	2016 full year
WESTERN EUROPE				
External net sales	189.9	163.0	671.3	638.1
Internal net sales	3.4	2.1	10.3	6.2
Operating profit	17.0	10.6	56.3	25.6
Operating margin	8.8%	6.4%	8.3%	4.0%
Inventories	129.4	106.6	129.4	106.6
External accounts receivable—trade	158.9	126.2	158.9	126.2
Average number of employees	302	278	287	298
REST OF WORLD				
External net sales	135.1	125.2	504.4	460.0
Internal net sales	11.2	25.4	74.3	127.2
Operating profit	4.5	6.5	24.7	39.0
Operating margin	3.1%	4.3%	4.3%	6.6%
Inventories	110.1	99.7	110.1	99.7
External accounts receivable—trade	102.5	123.2	102.5	123.2
Average number of employees	630	619	606	670
INTRA-GROUP				
Internal net sales	-14.6	-27.5	-84.6	-133.4
Operating profit	1.1	-0.6	12.4	-4.4
External accounts receivable—trade	0.4	0.4	0.4	0.4
Average number of employees	20	19	19	19

Sales and operating margin Western Europe



Sales and operating margin Rest of World



Parent Company Income Statement

SEK million	2017 Q4	2016 Q4	2017 full year	2016 full year
Net sales	9.5	9.6	34.8	31.8
Cost of services sold	-4.1	-3.8	-16.6	-16.1
Gross profit	5.4	5.8	18.2	15.7
Selling expenses	-5.2	-5.6	-17.0	-11.0
Administrative expenses	-3.1	-3.3	-11.8	-11.2
Other operating income/expenses	1.6	-10.9	-0.3	-15.1
Operating profit	-1.3	-14.0	-10.9	-21.6
Net financial income/expenses	31.7	24.5	69.9	7.8
Profit after financial items	30.4	10.5	59.0	-13.8
Appropriations	-	-	-	-
Profit before tax	30.4	10.5	59.0	-13.8
Income tax	-4.7	-4.0	-4.7	-4.0
Profit after tax	25.7	6.5	54.3	-17.8

Parent Company Statement of Other Comprehensive Income

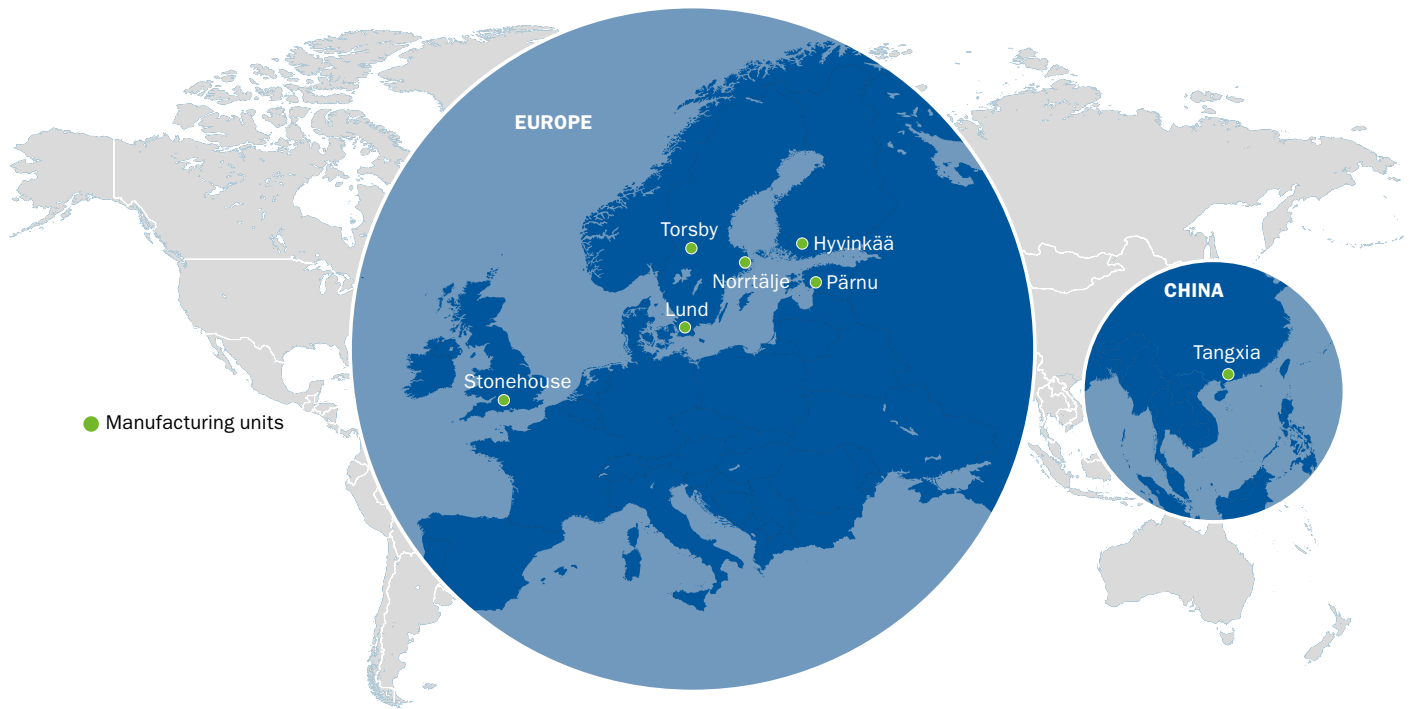
SEK million	2017 Q4	2016 Q4	2017 full year	2016 full year
Profit after tax	25.7	6.5	54.3	-17.8
Other comprehensive income				
Items that can be subsequently reversed in the income statement:	-	-	-	-
Total other comprehensive income	-	-	-	-
Comprehensive income after tax	25.7	6.5	54.3	-17.8

Parent Company Balance Sheet

SEK million	2017 31 Dec	2016 31 Dec
Assets		
Intangible assets	1.1	1.2
Property, plant and equipment	0.4	0.2
Long-term receivables from group companies	4.9	9.6
Financial non-current assets	221.4	221.4
Total non-current assets	227.8	232.4
Receivables from group companies	66.1	43.9
Other current receivables	3.3	1.5
Cash and bank balances	46.9	34.9
Total current assets	116.3	80.3
TOTAL ASSETS	344.1	312.7
Equity and liabilities		
Equity	249.5	215.4
Liabilities		
Liabilities to group companies	81.3	79.5
Other current liabilities and provisions	13.3	17.8
Total current liabilities	94.6	97.3
TOTAL EQUITY AND LIABILITIES	344.1	312.7

Parent Company Change in Equity

SEK million	2017 Q4	2016 Q4	2017 full year	2016 full year
Opening equity	223.8	208.9	215.4	253.4
Comprehensive income after tax	25.7	6.5	54.3	-17.8
Dividend	-	-	-20.2	-20.2
Closing equity	249.5	215.4	249.5	215.4



This is NOTE

Vision

NOTE—the customer’s obvious manufacturing and logistics partner.

Business concept

NOTE is a leading northern European manufacturing partner with an international platform for manufacturing electronics-based products that require high technology competence and flexibility through product lifecycles.

Business targets and strategy

NOTE will be the best collaboration partner in the industry with leading-edge delivery precision and quality for competitive total cost.

To make the market’s most competitive offering, NOTE should actively contribute to safeguarding customers’ value chains and sharpening their competitiveness through flexibility, competence, professionalism and good profitability.

Organisation

NOTE is organised to address its customers’ varying needs optimally.

Operations in Sweden, Finland and the UK deliver sophisticated production technologies services in close collaboration with customers, such as component selection, developing test equipment, prototyping and batch production.

NOTE offers development-oriented services and cost-efficient volume manufacture of PCBAs and box build products in Estonia and China.

Financial information

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

Calendar

Interim Report, Jan-Mar	26 Apr 2018
Interim Report, Jan-June	16 July 2018
Interim Report, Jan-Sep	18 Oct 2018

Annual Report

The Annual Report for 2017 will be published on NOTE’s website, www.note.eu, in week commencing Monday 2 April.

Annual General Meeting

The AGM will be held at Spårvagnshallarna in Stockholm, Sweden, on 26 April 2018 at 2:00 p.m.

Ordering financial information

Financial and other relevant information can be ordered from NOTE. Out of consideration for the environment, a subscription service is readily available from NOTE’s website.

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