

# Interim Report January–June 2018





# Interim Report Q2

## Financial performance in January–June

- Sales increased by 12% to SEK 658.5 (585.5) million.
- Operating profit amounted to SEK 40.3 (50.7) million, and adjusted for non-recurring items in the first quarter of the previous year, operating profit increased to SEK 40.3 (35.0) million.
- Operating margin was 6.1% (8.7%), adjusted for non-recurring items in the first quarter of the previous year, operating margin expanded by 0.1 percentage points to 6.1% (6.0%).
- Profit after financial items was SEK 36.7 (48.4) million.
- Profit after tax was SEK 29.3 (38.5) million, corresponding to SEK 1.01 (1.33) per share.
- Cash flow after investments amounted to SEK –4.6 (79.1) million, or SEK –0.16 (2.74) per share.

## Financial performance in April–June

- Sales increased by 14% to SEK 350.5 (308.4) million.
- Operating profit increased to SEK 23.5 (20.3) million.
- Operating margin expanded by 0.1 percentage points to 6.7% (6.6%).
- Profit after financial items rose to SEK 21.7 (19.3) million.
- Profit after tax increased to SEK 17.0 (11.6) million, corresponding to SEK 0.59 (0.40) per share.
- Cash flow after investments was SEK –17.9 (1.3) million, or SEK –0.62 (0.05) per share.

## Events in the year

### **NOTE becomes CellMark's new manufacturing partner**

NOTE signed an agreement with CellMark in the first quarter on the manufacture of a new sophisticated medtech product. Industrialisation and batch production will be conducted at NOTE's plant in Estonia.

### **Incentive programme**

At the Annual General Meeting (AGM) in April, a decision was taken to introduce a long-term incentive programme (three years) directed at group management and other key staff. A total of 380,000 warrants were acquired in accordance with the principles decided by the AGM. Pricing was on market terms and the exercise price amounts to SEK 29.00.

Including the three-year incentive program of 600,000 warrants that begun last year, upon full exercise up to 980,000 shares may be issued. This corresponds to just over three percent of the total number of outstanding shares and votes.

### **Order on batch production from Saab Dynamics**

Following extensive prototype and development work, orders for batch production of more than SEK 20 million were obtained in the second quarter. Deliveries are scheduled to start in the second half of 2018. Manufacturing will take place at NOTE's plant in Torsby, Sweden.

# CEO's comments

## Focusing on profitable growth

NOTE is one of the most competitive electronics manufacturers in the Nordics, and a stable business partner for Swedish and international customers that need advanced EMS solutions. Ensuring sector-leading quality and delivery precision are critical success factors, for ourselves and our customers.

NOTE's target is to increase market shares and to achieve steady growth of at least 10% per year. We already enjoy good potential to remain one of the highest-growth companies in our sector. The business model is based on long-term customer relations and partnerships, which currently include several of the leading corporations in the Nordics across a broad spectrum of sectors. Our existing customer base offers substantial potential, and we're doing focused and successful work to grow alongside our customers, while also attracting new business in all our customer segments, our previously announced partnerships with CellMark and Saab being examples. The digitalisation of society is driving the need for electronics, which contributes to market growth which is projected to be about 5 percent.

## Progress in the first half-year

The interest in our broad-based industrial offering is substantial, and our positive progress continued in the first half-year. Sales were up by 12% to SEK 658.5 million, and our growth in the second quarter was 14%. We saw growth on all our domestic markets, especially Sweden. We're also pleased that once again, we see increased customer activities in our businesses in Estonia and China. Our order backlog also continued to expand, with fixed orders later on than usual. At the mid-point of the year, our order backlog was up by over 30% on the previous year, which corroborates the positive progress.

In earnings terms year to date, we have performed in line with our estimates and viewed over the past 12 months our return on operating capital was in line with our profitability target of 20%. Our profit for the first quarter of the previous year included some positive non-recurring items of nearly SEK 16 million net, mainly due to the sale of a property in Lund. Adjusted for these items, we improved our operating profit by SEK 5.3 million (15%), to SEK 40.3 million. Our operating margin expanded to 6.1%—our operating margin was 6.7% in the second quarter. In total, currency movements has so far this year had a negative impact on our operating profit.

The combination of our continued growth with a lot of new customer projects in start-up phases, combined with strained conditions on the global market for electronic components, contributed to some inventory build-up and increased overtime in the period. First half-year cash flow after investments was SEK -4.6 million, or SEK -0.16 per share.

NOTE is very well prepared financially for its future, which is important for ourselves and our customers. Our liquidity situation is good, and our Balance Sheet remains one of the sector's strongest with an equity to assets ratio of 44.9% and net debt of some SEK 58 million.



*In the first half-year we increased sales by 14% and operating profit by 15%.*

## Future

We're working methodically from our long-term strategic plan, which includes us targeting minimum annual growth of 10%. Against this background, we invested in new, efficient machinery, and in our people. We've made more key appointments in several areas, including sales.

Our focus is on growth, customer satisfaction and profitability. Our order status and the activity of current customer dialogues remains high, and I think we have good potential to maintain our current positive momentum.

Per Ovrén



# Sales and results of operations

## Sales, January–June

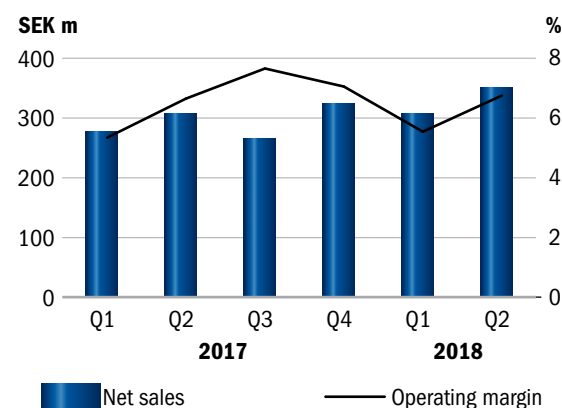
NOTE sells to a large customer base, essentially active in manufacturing, communication, medtech, defence and high end consumer electronics. Its customer base consists of global corporations active on the world market, as well as local enterprises whose main sales are in northern Europe. Usually, customers outsource all electronics manufacture to one or several EMS partners. Another trend is for customers increasingly demanding manufacture of box build products.

The demand for NOTE's services continued to progress positively. Sales in the first half-year rose by 12% to SEK 658.5 (585.5) million, with the impact from exchange rate fluctuations being relatively marginal. The sales increase consisted of new products for established customers and a gradual impact of increased new business customer sales. Western Europe saw a 13% sales increase. Sales grew on all domestic markets in Europe, and especially from defence and large industrial industry customers in Sweden. The demand for electronics production at our manufacturing unit in Estonia, mainly for customers in northern Europe, also progressed positively. Sales from our plant in China, which are to local and global customers, achieved growth of 9%.

NOTE endeavours to secure long-term customer relations and partnerships. NOTE secured deeper partnerships on new product generations with several customers in its strong customer base.

NOTE has also been working intensively for some time on expanding its customer base, to lift sales and the group's capacity utilisation. As a result of these marketing initiatives, NOTE has secured many new customer relations. Most of these new customers are European and Asian. 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% (57%) of group sales. Similar to the previous year, no single customer (group) generated more than about 10% of total sales. At the end of the period, the group's order book, which consists of a combination of fixed orders and customer forecasts, corroborated continued positive sales performance.



Operating profit for the first quarter 2017 includes non-recurring effects of SEK 15.7 million. The underlying operating margin amounted to 5.3%.

## Results of operations, January–June

In order to keep sharpening competitiveness and create the potential for growth, NOTE has been conducting methodical improvement work at all plants for several years. This work is conducted locally at each plant 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, and on cost and working capital rationalisation.

Gross margin expanded by 0.5 percentage points to 12.1% (11.6%) in the first half-year, mainly as a consequence of increased sales and continued stable project margins.

Sales and administration overheads for the period amounted to SEK 37.8 (38.5) million. Adjusted for non-recurring costs in the first quarter of last year, overheads were up by some 7%, primarily as a result of resource improvements to lift growth. As a share of sales, overheads were 5.7% (6.6%).

Other operating income last year had a positive impact from the property sale in Lund of SEK 20.6 million. Adjusted for this, other operating expenses/income, which essentially consist of revaluations of foreign currency assets and liabilities, were SEK -1.4 (0.8) million. Compared to last year the operating profit had a negative impact of some SEK 2 million coming from revaluations of foreign assets and liabilities.

Operating profit was SEK 40.3 (50.7) million in the first half-year. Adjusted for the property sale and other non-recurring items of SEK 15.7 million net, underlying operating profit increased by SEK 5.3 million (15%) to SEK 40.3 (35.0) million. Computed on the same basis, the operating margin expanded by 0.1 percentage points to 6.1% (6.0%).

Net financial income/expense was SEK -3.6 (-2.3) million.

Profit after financial items was SEK 36.7 (48.4) million, corresponding to a profit margin of 5.6% (8.3%).

Profit after tax was SEK 29.3 (38.5) million, or SEK 1.01 (1.33) per share. The tax expense for the period corresponded to 20% (20%) of profit before tax.

## Sales and results of operations, April–June

The demand for NOTE's services remained brisk through the second quarter. Sales increases were apparent in all Western European domestic markets, accordingly Sweden, Finland and the UK. Robust progress was also apparent in Estonia and China.

Sales increased by 14% in the second quarter to SEK 350.5 (308.4) million. The combination of increased sales and continued positive progress on costs contributed to gross profit increasing to SEK 44.8 (36.5) million, implying gross margin expanded to 12.8% (11.8%).

Sales and administration overheads in the period were SEK 19.8 (18.6) million, or 5.6% (6.0%) of sales.

Other operating income/expenses, mainly consisting of revaluations of assets and liabilities denominated in foreign currencies, amounted to SEK -1.5 (2.4) million.

Mainly because of the combination of increased sales and continued stable progress on costs, operating profit increased by SEK 3.2 million (16%) to SEK 23.5 (20.3) million. The operating margin widened somewhat to 6.7% (6.6%).

Profit after financial items increased to SEK 21.7 (19.3) million, equating to a profit margin of 6.2% (6.3%).



# Cash flow and financial position

## Cash flow

Competing successfully in the high mix market segment sets demanding standards on flexibility in manufacture, the effective supply of materials and the capability to deliver custom manufacturing and logistics solutions. Accordingly, NOTE faces a major challenge in continuously improving its business methods and internal processes in these segments.

The combination of a strained global market for electronic components with high expected continued sales growth were contributors to increased inventories. Capital tied-up in inventories, including supplier advances for materials, increased by 10% in the quarter, and was 26% higher than at the mid-point of the previous year.

Accounts receivable—trade increased as a result of sales growth, and were 23% higher than at the mid-point of the previous year. NOTE works continuously on monitoring credit risk and the progress of the number of outstanding days of credit.

Accounts payable—trade, mainly consisting of sourcing electronic components and other production materials, increased by 6% in the quarter and were 22% higher than at the mid-point of the previous year. NOTE is working actively to keep developing its partnership model for suppliers, which involves changes including concentrating sourcing on fewer, quality-assured suppliers. This contributed to rationalising the utilisation of working capital.

Cash flow in the first half of the previous year was strong, for reasons including the property sale in Lund. The combination of continued positive sales performance and increased utilisation of working capital contributed to the first half-year cash flow after investments of SEK -4.6 (79.1) million, corresponding to SEK -0.16 (2.74) per share.

## Equity to assets ratio

**44.9%**

## Cash flow after investments

**SEK -4.6m**

## Equity to assets ratio

According to NOTE's externally communicated financial targets, the equity to assets ratio should not fall below 30%. At the end of the period, the equity to assets ratio was 44.9% (46.4%). The dividend of SEK 28.9 million paid to shareholders in the second quarter reduced the equity to assets ratio by just over 3 percentage points.

# Liquidity and investments

## Liquidity and net debt

NOTE is retaining its sharp focus on measures that improve the group's liquidity and cash flow.

The group's available cash and cash equivalents, including unutilised overdraft facilities, were some SEK 111 (138) million at the mid-point of the year. Factored accounts receivable—trade were approximately SEK 179 (112). Net debt was SEK 58.2 (2.7) million at the end of the period.

## Investments

Capital expenditure on fixed assets in the first half-year was SEK 11.7 (7.9) million, of which SEK 9.0 million had an impact on cash flow for the first half-year. Investments corresponded to 1.8% (1.3%) of sales and consisted primarily of projects to increase efficiency and quality.

Plan depreciation and amortisation amounted to SEK 8.8 (7.5) million.

# Parent company

The parent company, NOTE AB (publ), is primarily focused on the management, coordination and development of the group. Revenue for the period was SEK 19.6 (19.1) million, and mainly related to intra-group services. Profit for the first quarter last year was positively impacted by the property sale in Lund. Net financial income/expense in the first half-year includes SEK 1.0 (2.3) million of dividends received from subsidiaries. Profit after tax was SEK 0.8 (31.8) million.

## Transactions with related parties

Apart from the incentive programs for group management and key staff introduced in the period, there were no transactions with related parties in the first half-year.

# Significant operational risks

NOTE is one of the leading northern European EMS partners. It has especially strong market positioning in the high mix market segment, i.e. for products that require high technology competence and flexibility. NOTE produces PCBAs, subassemblies and box build products. The customer offering covers complete product lifecycles, from design to after-sales.

NOTE's business model, which is designed to increase sales growth combined with limited overheads and investment costs in high-cost countries, is a way to reduce the risks of operations.

## Annual General Meeting 2018

The AGM in April elected Johannes Lind-Widestam as Board member. Per Ovrén and Mikael Norin left the board. The rest of the Board of Directors were re-elected, with John Hedberg as Chairman. The AGM resolved to pay a dividend to shareholders of SEK 1.00 (0.70) per share, or SEK 28.9 (20.2) million.

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 40, as well as note 24, Financial risks and finance policy, on page 57–58 of NOTE's Annual Report for 2017.

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 48–50 of the Annual Report for 2017. 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.

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 was increased by some SEK 6 million. This amount was taken against consolidated equity, as IFRS 9 was adopted on 1 January 2018. Otherwise, IFRS 9 has no material effect on the consolidated financial statements.

NOTE has conducted an analysis of the implementation of IFRS 15 and judges that the Standard has no material effect on the consolidated financial statements.

The IASB published a new standard on leases in January 2016, IFRS 16 Leases, which will replace IAS 17 Leases and the associated SIC and IFRIC interpretation statements. This stand-

ard requires that assets and liabilities attributable to all lease arrangements, with certain exceptions, are recognized in the Balance Sheet. This standard applies to financial years beginning 1 January 2019. Prospective adoption is permitted.

A project to quantify the effects on the group of implementing IFRS 16 on its financial statements is ongoing. This process will continue in 2018. For a view of the scope of the group's lease commitments, see note 7 Operating leases on page 51 of the Annual Report for 2017.

Earnings per share are reported in line with IAS 33 Earnings per share. Reported numbers for 2017 have been adjusted for compliance with current reporting standard.

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.

## Audit review

As in previous years, the Interim Report for the first quarter has not been subject to review by the company's auditor.

# Certification

This Interim Report gives a true and fair view of the parent company's and group's operations, financial position and results of operations, and reviews the significant risks and uncertainty factors facing the parent company and group companies.



John Hedberg  
Chairman



Kjell-Åke Andersson  
Board member



Johan Hagberg  
Board member



Bahare Hederstierna  
Board member



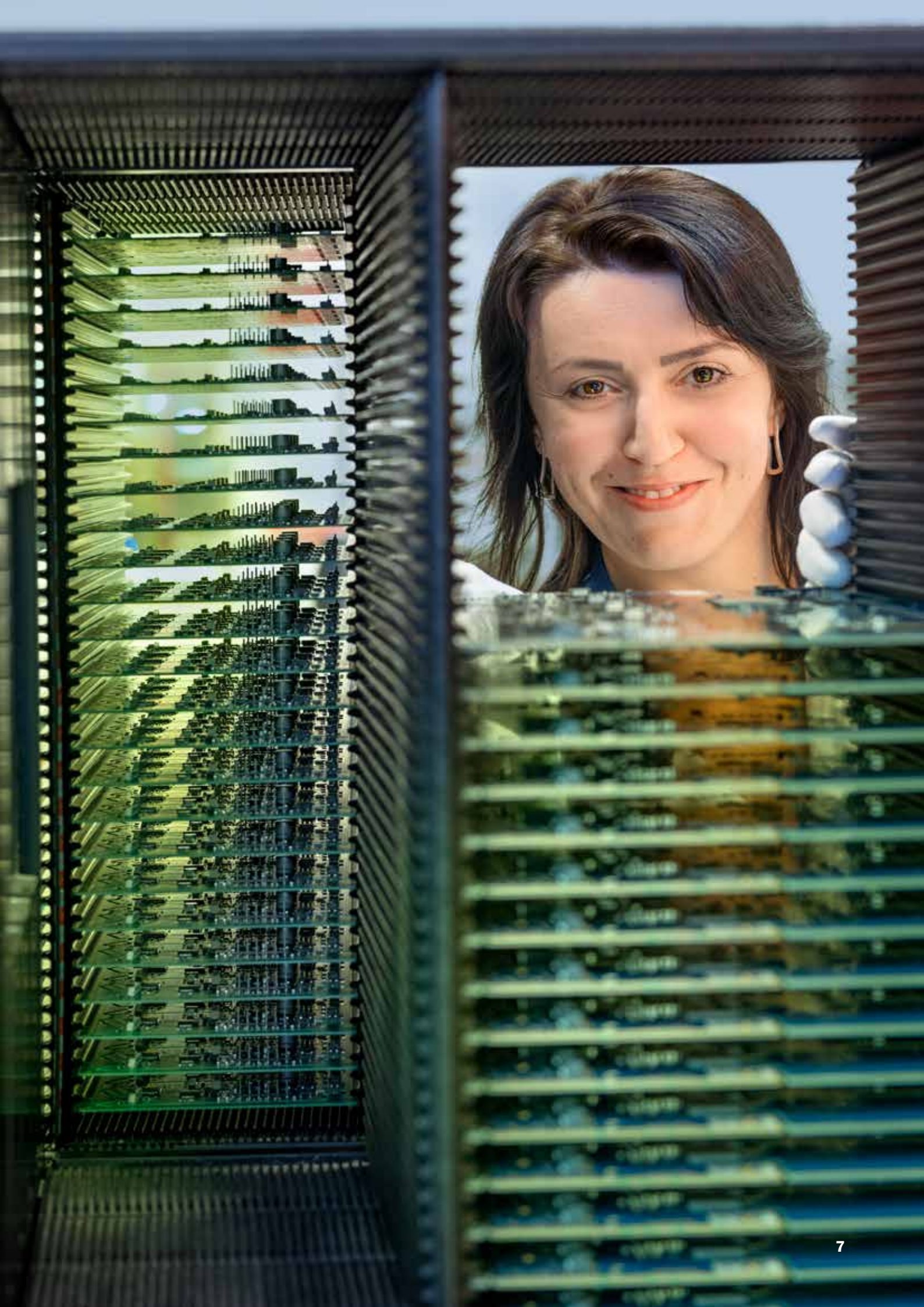
Johannes Lind-Widestam  
Board member



Christoffer Skogh  
Board member, Employee Representative

The Board of Directors of NOTE AB (publ)  
Kista, Sweden  
13 July 2018





## Consolidated quarterly summary

SEK million	2018 Q2	2018 Q1	2017 Q4	2017 Q3	2017 Q2	2017 Q1
Net sales	350.5	308.0	325.0	265.2	308.4	277.1
Gross margin	12.8%	11.3%	12.3%	12.3%	11.8%	11.3%
Operating margin	6.7%	5.5%	7.0%	7.6%	6.6%	11.0%
Profit margin	6.2%	4.9%	6.6%	7.1%	6.3%	10.5%
Cash flow after investing activities	-17.9	13.3	1.8	-11.2	1.3	77.8
Cash flow per share, SEK	-0.62	0.46	0.06	-0.39	0.05	2.70
Equity per share, SEK	13.02	13.33	12.79	12.00	11.54	11.91
Equity to assets ratio	44.9%	46.8%	48.8%	48.6%	46.4%	45.2%
Average number of employees	951	927	952	943	886	870
Net sales per employee, SEK 000	369	332	341	281	348	319

## Consolidated six-year summary

SEK million	Rolling 12 mth.	2017	2016	2015	2014	2013
Net sales	1,248.7	1,175.7	1,098.1	1,121.5	964.0	907.0
Gross margin	12.2%	11.9%	12.0%	10.9%	10.6%	8.0%
Operating margin	6.6%	7.9%	5.5%	4.0%	3.3%	1.0%
Profit margin	6.2%	7.6%	5.0%	3.5%	3.0%	0.1%
Cash flow after investing activities	-14.0	69.7	40.9	5.2	2.5	-2.0
Cash flow per share, SEK	-0.48	2.41	1.42	0.18	0.09	-0.07
Equity per share, SEK	13.02	12.79	11.01	9.94	9.36	8.25
Return on operating capital	21.6%	24.2%	16.1%	12.9%	10.1%	3.1%
Return on equity	17.7%	21.0%	14.9%	12.4%	9.7%	0.3%
Equity to assets ratio	44.9%	48.8%	45.8%	43.3%	44.1%	44.0%
Average number of employees	944	912	987	940	893	847
Net sales per employee, SEK 000	1,323	1,289	1,113	1,193	1,080	1,071



# Consolidated Income Statement

SEK million	2018 Q2	2017 Q2	2018 Q1-Q2	2017 Q1-Q2	Rolling 12 mth.	2017 full year
Net sales	350.5	308.4	658.5	585.5	1,248.7	1,175.7
Cost of goods and services sold	-305.7	-271.9	-579.0	-517.7	-1,096.7	-1,035.4
<b>Gross profit</b>	<b>44.8</b>	<b>36.5</b>	<b>79.5</b>	<b>67.8</b>	<b>152.0</b>	<b>140.3</b>
Selling expenses	-11.8	-10.9	-22.3	-24.7	-42.1	-44.5
Administrative expenses	-8.0	-7.7	-15.5	-13.8	-30.3	-28.6
Other operating income/expenses	-1.5	2.4	-1.4	21.4	3.4	26.2
<b>Operating profit</b>	<b>23.5</b>	<b>20.3</b>	<b>40.3</b>	<b>50.7</b>	<b>83.0</b>	<b>93.4</b>
Net financial income/expenses	-1.8	-1.0	-3.6	-2.3	-5.9	-4.6
<b>Profit after financial items</b>	<b>21.7</b>	<b>19.3</b>	<b>36.7</b>	<b>48.4</b>	<b>77.1</b>	<b>88.8</b>
Income tax	-4.7	-7.7	-7.4	-9.9	-14.2	-16.7
<b>Profit after tax</b>	<b>17.0</b>	<b>11.6</b>	<b>29.3</b>	<b>38.5</b>	<b>62.9</b>	<b>72.1</b>

# Consolidated Statement of Other Comprehensive Income

SEK million	2018 Q2	2017 Q2	2018 Q1-Q2	2017 Q1-Q2	Rolling 12 mth.	2017 full year
<b>Profit after tax</b>	<b>17.0</b>	<b>11.6</b>	<b>29.3</b>	<b>38.5</b>	<b>62.9</b>	<b>72.1</b>
<b>Other comprehensive income</b>						
Items that can be subsequently reversed in the income statement:						
Exchange rate differences	2.6	-2.5	10.7	-3.5	13.1	-1.1
Cash flow hedges	0.0	0.0	0.1	0.0	0.0	-0.1
Tax on hedges and exchange rate difference	0.0	0.0	-0.2	0.0	-0.2	0.0
<b>Total other comprehensive income after tax</b>	<b>2.6</b>	<b>-2.5</b>	<b>10.6</b>	<b>-3.5</b>	<b>12.9</b>	<b>-1.2</b>
<b>Comprehensive income after tax</b>	<b>19.6</b>	<b>9.1</b>	<b>39.9</b>	<b>35.0</b>	<b>75.8</b>	<b>70.9</b>

# Earnings per share

	2018 Q2	2017 Q2	2018 Q1-Q2	2017 Q1-Q2	Rolling 12 mth.	2017 full year
Number of shares at end of period (000)	28,873	28,873	28,873	28,873	28,873	28,873
Weighted average number of shares (000)*	28,873	28,873	28,873	28,873	28,873	28,873
Weighted average number of shares (000)**	28,873	28,873	28,917	28,873	28,919	28,899
Earnings per share, SEK*	0.59	0.40	1.01	1.33	2.18	2.50
Earnings per share, SEK**	0.59	0.40	1.01	1.33	2.18	2.49

\* Before dilution

\*\* After dilution



# Consolidated Balance Sheet

SEK million	2018 30 June	2017 30 June	2017 31 Dec
<b>Assets</b>			
Goodwill	70.6	70.2	70.2
Other intangible assets	10.3	10.0	9.6
Property, plant and equipment	69.4	54.4	64.4
Deferred tax assets	2.5	1.8	1.0
Other financial assets	1.0	1.5	1.1
<b>Total non-current assets</b>	<b>153.8</b>	<b>137.9</b>	<b>146.3</b>
Inventories	316.0	250.8	239.5
Accounts receivable—trade	283.8	230.2	261.8
Other current receivables	29.5	17.9	21.1
Cash and bank balances	54.9	82.1	87.2
<b>Total current assets</b>	<b>684.2</b>	<b>581.0</b>	<b>609.6</b>
<b>TOTAL ASSETS</b>	<b>838.0</b>	<b>718.9</b>	<b>755.9</b>
<b>Equity and liabilities</b>			
<b>Equity</b>	<b>375.9</b>	<b>333.3</b>	<b>369.2</b>
<b>Liabilities</b>			
Long-term interest-bearing liabilities	12.8	5.8	12.3
Deferred tax liabilities	1.8	1.4	1.7
<b>Total non-current liabilities</b>	<b>14.6</b>	<b>7.2</b>	<b>14.0</b>
Current interest-bearing liabilities	100.3	79.0	97.8
Accounts payable—trade	254.6	208.9	195.0
Other current liabilities	92.6	90.5	79.9
<b>Total current liabilities</b>	<b>447.5</b>	<b>378.4</b>	<b>372.7</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>838.0</b>	<b>718.9</b>	<b>755.9</b>

# Consolidated Change in Equity

SEK million	2018 Q2	2017 Q2	2018 Q1–Q2	2017 Q1–Q2	Rolling 12 mth.	2017 full year
Opening equity	384.8	343.9	369.2	318.0	333.3	318.0
Effect of change in accounting principle	–	–	–4.7	–	–4.7	–
<b>Total</b>	<b>384.8</b>	<b>343.9</b>	<b>364.5</b>	<b>318.0</b>	<b>328.6</b>	<b>318.0</b>
Comprehensive income after tax	19.6	9.1	39.9	35.0	75.8	70.9
Payment warrants	0.4	0.5	0.4	0.5	0.4	0.5
Dividend	–28.9	–20.2	–28.9	–20.2	–28.9	–20.2
<b>Closing equity</b>	<b>375.9</b>	<b>333.3</b>	<b>375.9</b>	<b>333.3</b>	<b>375.9</b>	<b>369.2</b>

# Consolidated Cash Flow Statement

SEK million	2018 Q2	2017 Q2	2018 Q1-Q2	2017 Q1-Q2	Rolling 12 mth.	2017 full year
<b>Operating activities</b>						
Profit after financial items	21.7	19.3	36.7	48.4	77.1	88.8
Reversed depreciation and amortisation	4.7	3.7	8.8	7.5	17.4	16.1
Other non-cash items	-5.2	0.5	-4.9	-16.9	-8.2	-20.2
Tax paid	-4.4	-2.9	-10.0	-4.1	-18.5	-12.6
Change in working capital	-29.4	-14.0	-26.2	8.1	-66.7	-32.4
<b>Cash flow from operating activities</b>	<b>-12.6</b>	<b>6.6</b>	<b>4.4</b>	<b>43.0</b>	<b>1.1</b>	<b>39.7</b>
<b>Cash flow from investing activities</b>	<b>-5.3</b>	<b>-5.3</b>	<b>-9.0</b>	<b>36.1</b>	<b>-15.1</b>	<b>30.0</b>
<b>Cash flow from financing activities</b>	<b>-29.9</b>	<b>-60.8</b>	<b>-30.6</b>	<b>-67.6</b>	<b>-16.8</b>	<b>-53.8</b>
<b>Change in cash and cash equivalents</b>	<b>-47.8</b>	<b>-59.5</b>	<b>-35.2</b>	<b>11.5</b>	<b>-30.8</b>	<b>15.9</b>
<b>Cash and cash equivalents</b>						
At beginning of period	102.3	142.6	87.2	71.6	82.1	71.6
Cash flow after investing activities	-17.9	1.3	-4.6	79.1	-14.0	69.7
Cash flow from financing activities	-29.9	-60.8	-30.6	-67.6	-16.8	-53.8
Exchange rate difference in cash and cash equivalents	0.4	-1.0	2.9	-1.0	3.6	-0.3
<b>Cash and cash equivalents at end of period</b>	<b>54.9</b>	<b>82.1</b>	<b>54.9</b>	<b>82.1</b>	<b>54.9</b>	<b>87.2</b>
Un-utilised credits	56.5	55.6	56.5	55.6	56.5	51.8
<b>Available cash and cash equivalents</b>	<b>111.4</b>	<b>137.7</b>	<b>111.4</b>	<b>137.7</b>	<b>111.4</b>	<b>139.0</b>

# 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.

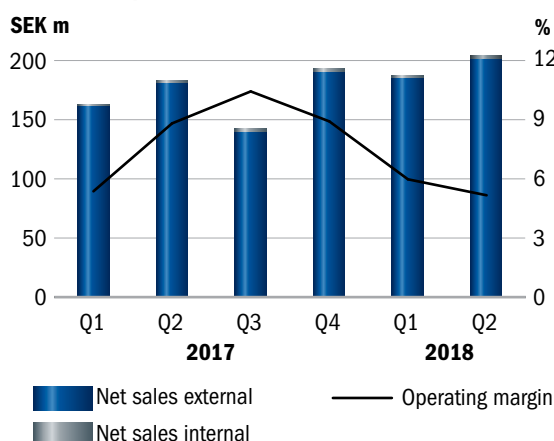
Operating segment Rest of World, located in Estonia and China, are close to large end markets and in regions with strong

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.

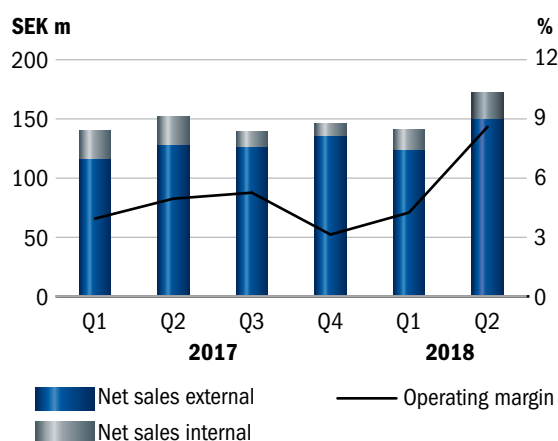
Intra-Group are group-wide business support functions in the parent company and for the sourcing operations in NOTE Components.

SEK million	2018 Q2	2017 Q2	2018 Q1-Q2	2017 Q1-Q2	Rolling 12 mth.	2017 full year
<b>WESTERN EUROPE</b>						
External net sales	200.7	180.5	385.4	342.0	714.7	671.3
Internal net sales	3.3	2.7	5.9	4.0	12.2	10.3
Operating profit	10.4	15.9	21.5	24.6	53.2	56.3
Operating margin	5.1%	8.7%	5.5%	7.1%	7.3%	8.3%
Inventories	164.4	126.7	164.4	126.7	164.4	129.4
External accounts receivable—trade	170.8	127.8	170.8	127.8	170.8	158.9
Average number of employees	323	280	316	278	305	287
<b>REST OF WORLD</b>						
External net sales	149.8	127.9	273.1	243.5	534.0	504.4
Internal net sales	22.5	24.5	40.4	49.4	65.3	74.3
Operating profit	14.6	7.5	20.5	13.0	32.2	24.7
Operating margin	8.5%	4.9%	6.5%	4.4%	5.4%	4.3%
Inventories	151.6	124.1	151.6	124.1	151.6	110.1
External accounts receivable—trade	112.6	101.6	112.6	101.6	112.6	102.5
Average number of employees	606	589	602	582	619	606
<b>INTRA-GROUP</b>						
Internal net sales	-25.8	-27.2	-46.3	-53.4	-77.5	-84.6
Operating profit	-1.5	-3.1	-1.7	13.1	-2.4	12.4
External accounts receivable—trade	0.4	0.8	0.4	0.8	0.4	0.4
Average number of employees	22	17	21	18	20	19

## Western Europe



## Rest of World

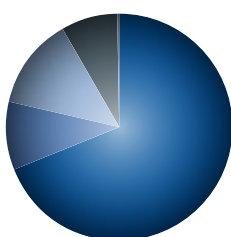




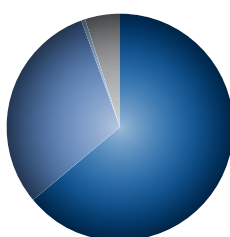
# Sales per customer segment

SEK million	2018 Q2	2017 Q2	2018 Q1-Q2	2017 Q1-Q2	Rolling 12 mth.	2017 full year
<b>WESTERN EUROPE</b>						
Industrial	133.3	114.6	266.4	214.9	495.4	443.9
Communication	20.1	18.8	36.6	40.3	73.5	77.2
Medtech	29.8	36.9	50.3	64.9	95.6	110.2
Defence	17.2	9.7	31.7	20.7	48.2	37.2
High end consumer	0.3	0.5	0.4	1.2	2.0	2.8
<b>Total external sales</b>	<b>200.7</b>	<b>180.5</b>	<b>385.4</b>	<b>342.0</b>	<b>714.7</b>	<b>671.3</b>
<b>REST OF WORLD</b>						
Industrial	92.5	87.7	175.0	166.6	338.1	329.7
Communication	50.8	36.2	83.3	67.5	164.5	148.7
Medtech	1.4	0.2	1.8	0.6	2.3	1.1
Defence	0.0	0.0	0.0	0.0	0.0	0.0
High end consumer	5.1	3.8	13.0	8.8	29.1	24.9
<b>Total external sales</b>	<b>149.8</b>	<b>127.9</b>	<b>273.1</b>	<b>243.5</b>	<b>534.0</b>	<b>504.4</b>
<b>TOTAL</b>						
Industrial	225.8	202.3	441.4	381.5	833.5	773.6
Communication	70.9	55.0	119.9	107.8	238.0	225.9
Medtech	31.2	37.1	52.1	65.5	97.9	111.3
Defence	17.2	9.7	31.7	20.7	48.2	37.2
High end consumer	5.4	4.3	13.4	10.0	31.1	27.7
<b>Total external sales</b>	<b>350.5</b>	<b>308.4</b>	<b>658.5</b>	<b>585.5</b>	<b>1,248.7</b>	<b>1,175.7</b>

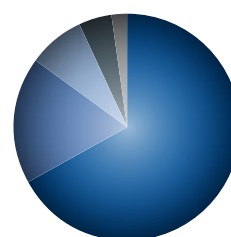
Western Europe Q1-Q2



Rest of World Q1-Q2



Total Q1-Q2



■ Industrial ■ Communication ■ Medtech ■ Defence ■ High end consumer

## Parent Company Income Statement

SEK million	2018 Q2	2017 Q2	2018 Q1-Q2	2017 Q1-Q2	Rolling 12 mth.	2017 full year
Net sales	10.4	9.0	19.6	19.1	35.3	34.8
Cost of services sold	-4.9	-4.1	-8.9	-9.1	-16.4	-16.6
<b>Gross profit</b>	<b>5.5</b>	<b>4.9</b>	<b>10.7</b>	<b>10.0</b>	<b>18.9</b>	<b>18.2</b>
Selling expenses	-3.9	-3.1	-6.5	-7.9	-15.6	-17.0
Administrative expenses	-3.0	-3.0	-5.7	-6.0	-11.5	-11.8
Other operating income/expenses	1.0	-0.1	1.3	-2.5	3.5	-0.3
<b>Operating profit</b>	<b>-0.4</b>	<b>-1.3</b>	<b>-0.2</b>	<b>-6.4</b>	<b>-4.7</b>	<b>-10.9</b>
Net financial income/expenses	1.1	0.3	1.0	38.2	32.7	69.9
<b>Profit after financial items</b>	<b>0.7</b>	<b>-1.0</b>	<b>0.8</b>	<b>31.8</b>	<b>28.0</b>	<b>59.0</b>
Appropriations	-	-	-	-	-	-
<b>Profit before tax</b>	<b>0.7</b>	<b>-1.0</b>	<b>0.8</b>	<b>31.8</b>	<b>28.0</b>	<b>59.0</b>
Income tax	0.0	-	0.0	-	-4.7	-4.7
<b>Profit after tax</b>	<b>0.7</b>	<b>-1.0</b>	<b>0.8</b>	<b>31.8</b>	<b>23.3</b>	<b>54.3</b>

## Parent Company Statement of Other Comprehensive Income

SEK million	2018 Q2	2017 Q2	2018 Q1-Q2	2017 Q1-Q2	Rolling 12 mth.	2017 full year
<b>Profit after tax</b>	<b>0.7</b>	<b>-1.0</b>	<b>0.8</b>	<b>31.8</b>	<b>23.3</b>	<b>54.3</b>
<b>Other comprehensive income</b>						
Items that can be subsequently reversed in the income statement:	-	-	-	-	-	-
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Comprehensive income after tax</b>	<b>0.7</b>	<b>-1.0</b>	<b>0.8</b>	<b>31.8</b>	<b>23.3</b>	<b>54.3</b>

# Parent Company Balance Sheet

SEK million	2018 30 June	2017 30 June	2017 31 Dec
<b>Assets</b>			
Intangible assets	2.0	1.2	1.1
Property, plant and equipment	0.3	0.5	0.4
Long-term receivables from group companies	–	4.7	4.9
Financial non-current assets	221.4	221.4	221.4
<b>Total non-current assets</b>	<b>223.7</b>	<b>227.8</b>	<b>227.8</b>
Receivables from group companies	70.6	48.6	66.1
Other current receivables	9.5	1.3	3.3
Cash and bank balances	18.7	47.4	46.9
<b>Total current assets</b>	<b>98.8</b>	<b>97.3</b>	<b>116.3</b>
<b>TOTAL ASSETS</b>	<b>322.5</b>	<b>325.1</b>	<b>344.1</b>
<b>Equity and liabilities</b>			
<b>Equity</b>	<b>221.4</b>	<b>227.0</b>	<b>249.5</b>
<b>Liabilities</b>			
Liabilities to group companies	90.8	85.2	81.3
Other current liabilities and provisions	10.3	12.9	13.3
<b>Total current liabilities</b>	<b>101.1</b>	<b>98.1</b>	<b>94.6</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>322.5</b>	<b>325.1</b>	<b>344.1</b>

# Parent Company Change in Equity

SEK million	2018 Q2	2017 Q2	2018 Q1–Q2	2017 Q1–Q2	Rolling 12 mth.	2017 full year
Opening equity	249.6	248.2	249.5	215.4	227.0	215.4
Comprehensive income after tax	0.7	–1.0	0.8	31.8	23.3	54.3
Dividend	–28.9	–20.2	–28.9	–20.2	–28.9	–20.2
<b>Closing equity</b>	<b>221.4</b>	<b>227.0</b>	<b>221.4</b>	<b>227.0</b>	<b>221.4</b>	<b>249.5</b>



# 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**

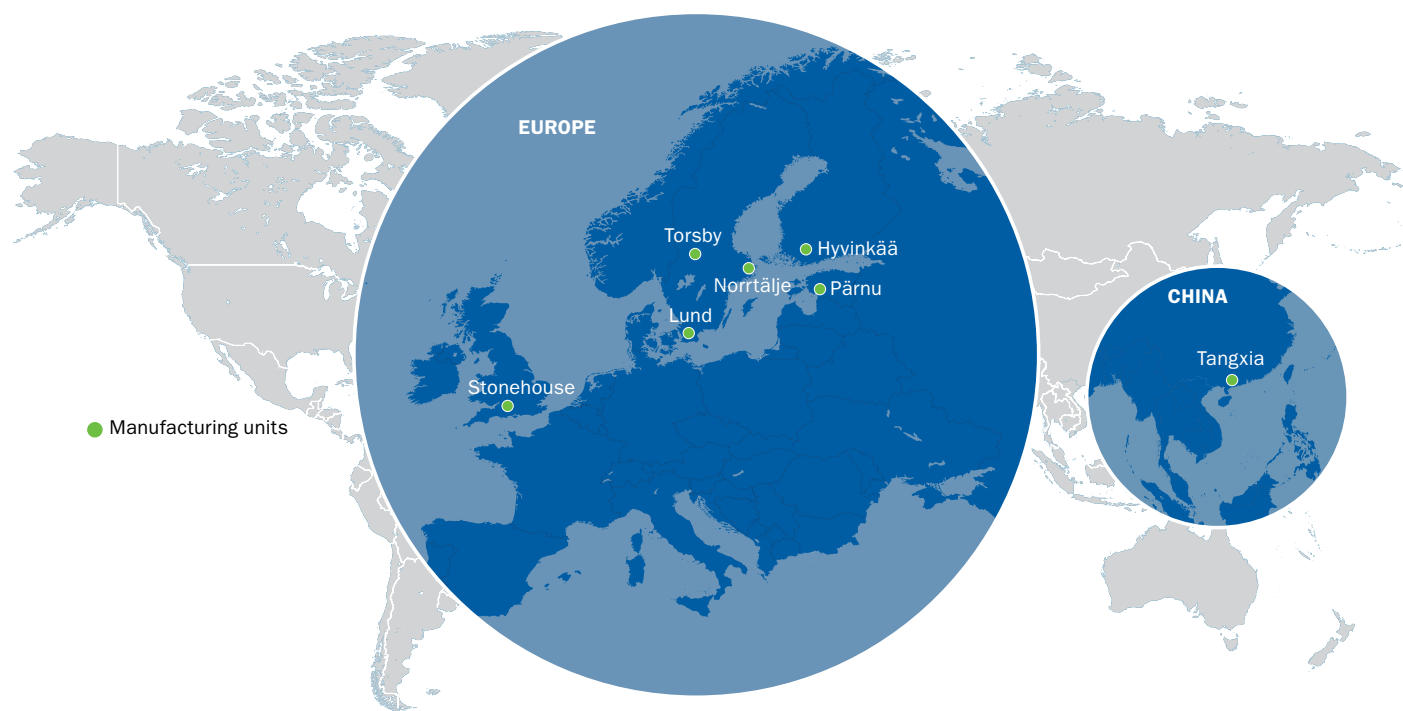
Profit after financial items as a percentage of net sales.

**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.



## This is NOTE

NOTE produces PCBAs, subassemblies, and increasingly box build products. The products are embedded in complex systems used in applications including electronic control, surveillance and security.

The customers are active in medtech, defence, industrial, communication and high end consumer electronics. Primarily, the customer base consists of large corporations operating on the global market, but also businesses whose main sales are in northern Europe.

The business model is based on delivering advanced manufacturing services, tailored logistics solutions as well as value-added consulting services for the best total cost. The customer offering covers complete product lifecycles from design to after-sales.

In Western Europe, NOTE has plants located in geographical regions with high industrial activity and innovation capabilities. At these plants, NOTE provides sophisticated production technology services in close partnership

with customers, such as component selection, developing test equipment, prototyping and batch production.

NOTE's plants in Estonia and China are close to major final markets, and in regions with strong traditions of production and high skills levels. Over and above development-oriented services, cost-efficient batch production of PCBAs and box build products are provided.

## Financial information

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

### Calendar

Interim Report, Jan–Sep 18 Oct 2018

### 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.

Website: [www.note.eu](http://www.note.eu)  
E-mail: [info@note.eu](mailto:info@note.eu)  
Tel: + 46 (0)8 568 99000

### Investor Relations contact

Henrik Nygren  
Chief Financial Officer  
Tel: +46 (0)70 977 0686  
E-mail: [henrik.nygren@note.eu](mailto:henrik.nygren@note.eu)

**NOTE AB (publ)**  
Borgarfjordsgatan 7  
164 40 Kista  
Sweden

**NOTE Components AB**  
Borgarfjordsgatan 7  
164 40 Kista  
Sweden

**NOTE Hyvinkää Oy**  
Avainkierto 3  
05840 Hyvinkää  
Finland

**NOTE Lund AB**  
Maskinvägen 3  
227 30 Lund  
Sweden

**NOTE Norrtälje AB**  
Vilhelm Mobergs gata 18  
761 46 Norrtälje  
Sweden

**NOTE Pärnu OÜ**  
Laki 2  
80010 Pärnu  
Estonia

**NOTE Torsby AB**  
Inova Park  
685 29 Torsby  
Sweden

**NOTE UK Ltd**  
Stroudwater Business Park  
Brunel Way  
Stonehouse  
GL10 3SX Gloucestershire  
UK

**NOTE Electronics  
(Dongguan) Co Ltd**  
No. 6 Lin Dong 3 Road  
Lincun Industrial Center  
Tangxia  
523710 Dongguan  
Guangdong Province  
China

[www.note.eu](http://www.note.eu)  
[info@note.eu](mailto:info@note.eu)