

Interim Report January–September 2019



Interim Report Q3

Financial performance in January–September

- Sales increased by 30% to SEK 1,277 (982) million. Excluding acquisitions, growth was 16%.
- Operating profit was up by 59% to SEK 89 (56) million. Adjusted for non-recurring costs in the third quarter of the previous year, operating profit increased by 41% to SEK 89 (63) million.
- Operating margin widened by 1.3 percentage points to 7.0% (5.7%). Adjusted for non-recurring costs in the third quarter of the previous year, the operating margin widened by 0.6 percentage points to 7.0% (6.4%).
- Profit after financial items rose to SEK 83 (52) million.
- Profit after tax increased by 65% to SEK 66 (40) million, corresponding to SEK 2.29 (1.39) per share.
- Cash flow after investments amounted to SEK -21 (5) million, or SEK -0.73 (0.17) per share.

Events in the year

Continued growth—new customer partnerships

NOTE has a clear growth agenda with the express goal of increasing market shares and achieving minimum stable organic growth of 10% per year. To succeed, NOTE is working methodically to expand its business with current business customers, while simultaneously securing new accounts in those technology and market segments where it is already strong. Major new customer partnerships announced in the period include DeLaval, Maven Wireless, Micropower, UNIPOWER and Laerdal Medical.

Shareholders' meetings and incentive programmes

An Extraordinary General Meeting (EGM) in January elected Anna Belfrage, Kaj Falkenlund, Claes Mellgren and Charlotte Stjerngren as new Directors. Johannes Lind-Widestam left the Board at this time, which then has seven members elected by Shareholders' Meetings, with Johan Hagberg serving as Chairman. All Board members were re-elected by the Annual General Meeting (AGM) in April.

The January EGM also resolved on a three-year incentive programme based on 400,000 warrants for the company's CEO. Some warrants issued in the incentive programme launched in 2017–2018 were repurchased in the period. Given full exercise of warrants outstanding at the end of the third quarter, a total of 1,111,000 shares could be issued. This is just under 4% of the total number of outstanding shares and votes.

Financial performance in July–September

- Sales increased by 34% to SEK 434 (324) million. Excluding acquisitions, growth was 18%. The order backlog at the end of the third quarter was about 30% above the previous year's level.
- Operating profit was up by 104% to SEK 32 (16) million. Adjusted for non-recurring costs in the third quarter of the previous year, operating profit increased by 41% to SEK 32 (23) million.
- The operating margin widened by 2.5 percentage points to 7.3% (4.8%). Adjusted for non-recurring costs in the third quarter of the previous year, the operating margin widened by 0.3 percentage points to 7.3% (7.0%).
- Profit after financial items rose to SEK 30 (15) million.
- Profit after tax increased by 100% to SEK 22 (11) million, corresponding to SEK 0.76 (0.38) per share.
- Cash flow after investments amounted to SEK 1 (9) million, or SEK 0.03 (0.33) per share.

Events after the end of the period

Human Care—new medtech customer

NOTE has recently commenced batch production for high-growth Swedish medtech company Human Care. Human Care has a broad selection of mobility solutions for people with special needs. Production is at NOTE's plant in Norrtälje and includes EMS and box build.

Redemption of treasury shares

In December last year, NOTE executed a repurchase programme totalling 1,000,000 treasury shares. The Board of Directors intends to propose that the AGM in April 2020 cancels these shares, which would reduce the number of outstanding shares by just over 3%.

Financial targets

NOTE has clear, externally communicated targets for growth, profitability, capital structure and dividend. The Board of Directors has decided to alter its dividend policy. The new policy states that "each year, the Board of Directors will judge the level of share dividend that it considers optimal for the year. This may be distributed to shareholders in the form of dividends and/or repurchase of shares. First and foremost, future dividend will be adapted to NOTE's investment need and financial position." Other financial targets remain unchanged.

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. Every day, we take responsibility for function-critical products that are usually part of larger systems in customers' core business. Our focus on sector-leading quality and delivery precision are critical success factors, for ourselves and our customers.

Our business model is founded on long-term customer relationships and partnerships, and we already partner with several of the Nordic leaders across industry, communication, medtech, and on the defence side.

NOTE has been pursuing a clear growth agenda for several years. Our goal is to increase our market shares and achieve minimum stable growth of 10% per year. To succeed, we're working methodically from a strong and industrially diverse offering to expand our business and grow with our customers. Simultaneously, we work actively to secure new business customers in those technology and market segments where we're already strong. The new partnerships we've announced this year with DeLaval, Maven Wireless, Micropower, UNIPOWER, Laerdal Medical and most recently Human Care, are great examples of the high level of interest in our customer offering. We also have the ambition of executing carefully selected acquisitions in our market niche. Almost a year ago, we consolidated our positioning on the UK market by acquiring Speedboard Assembly Services.

Progress in the first three quarters of the year

After the introduction of global trade restrictions, we are seeing a clear alteration of trading patterns. Customers are moving quickly, progressively realigning their supply chains from East to West. This creates risks, but mainly perhaps, opportunities for NOTE, because most of our operations are in Europe.

Year to date, we've also observed declining demand on some of our major industrial accounts, which we view as a sign of a slowdown in the business cycle. However, this has been offset by a significant influx of new customers. All in all, sales are up by 30% to SEK 1,277 million. Our organic growth—i.e. excluding Speedboard's sales—was 16%, of which some three percentage points consisted of the positive impact of foreign currencies. It's especially pleasing that despite a notable slowdown in the manufacturing cycle, we succeeded in increasing our growth rate in the third quarter. Growth in the third quarter was 34%, of which 18 percentage points were organic. We increased sales on all domestic markets and in all plants, especially in Western Europe, with an emphasis on industrial customers. We also made brisk progress on the defence side and started large-scale batch deliveries to Sweden's defence industry in the third quarter. Additionally, we're seeing great progress in volumes on several fairly new partnerships including Plejd in smart lighting and Charge Amps, which develops and sells electric vehicle charging solutions. Plus, we're delighted to have commenced batch shipments on several new major accounts from our plants in Estonia and China in Q3.

In earnings terms, our positive trend continued. Adjusted for non-recurring costs in the previous year due to the change of CEO, underlying operating profit grew by 41% to SEK 89 million, and our operating margin widened by 0.6 percentage points to



Q3—record growth, a wider operating margin and 30% larger order backlog.

7.0%. Computed in the same way, operating profit grew by 41% in Q3, while our operating margin widened to 7.3%. The profit improvement is mainly a result of growth, stable margins, continued positive progress of cost and brisk progress in Western Europe, not least in Sweden and Finland.

We previously executed several successful programmes to increase profitability in our Swedish plants, which now maintain high class. We are using this experience to keep developing our international business.

Effective management of working capital is a critical success factor in our sector. As a result of growth and a lot of projects in ramp-up, we faced challenges on working capital utilisation earlier in the year, especially capital tied up in inventory. Accordingly, year to date, cash flow after investments was limited to SEK -21 million. Through focused efforts, and after the start-up of batch deliveries on several major projects, we can now see a significant reduction in inventories and improved efficiency. We've achieved a better balance on the inventory side, and therefore the potential to improve cash flow going forward is good. NOTE is well equipped financially for its future, with an equity to assets ratio of 39%, which is important for ourselves and our customers.

Future

We're continuing to work towards our long-term targets, which focus on customer satisfaction, profitability and growth.

We see good potential to keep increasing our market shares. We're still securing a lot of new accounts, our order backlog at the end of the period were about 30% larger than in the previous year, and we're in start-up phases on several major customer projects. So, despite somewhat poorer market conditions, I see good potential to stay on our positive growth curve.

Johannes Lind-Widestam

Sales and results of operations

Sales, January–September

NOTE sells to a large customer base, essentially active in industry, 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 primary 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 and direct shipment of box build products.

The demand for NOTE's services continued to progress positively. Sales rose by 30% to SEK 1,277 (982) million in the first three quarters of the year. Adjusted for the extra sales of UK company Speedboard Assembly Services, which was acquired in the fourth quarter of the previous year, sales grew by 16%. The positive impact of exchange rate movements, mainly USD and EUR, was about 3%. The sales gains consisted of expanding partnerships on existing accounts, as well as the progressive impact of sales on new business accounts. Sales gains were achieved on all domestic markets, and by all plants. In Western Europe, NOTE achieved growth (excluding acquisitions) of 17%, particularly in Sweden and Finland, and to industrial and defence industry customers.

Sales from our plant in Estonia—mainly to customers in northern Europe—also performed positively, with growth of 13%. Sales from our plant in China, which are to local and global customers, achieved growth of over 15%, despite the introduction of trade restrictions.

NOTE endeavours to secure long-term customer relationships and partnerships. Several deeper partnerships on new product generations were intensified with several members of NOTE's strong customer base.

In recent years, NOTE has secured many new accounts, both large global corporations and SMEs across Europe and Asia. 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 46% (56%) of group sales. No single customer (group) represented

more than about 6% (10%) of total sales.

The group's order backlog, which consists of a combination of fixed orders and customer forecasts, was about 30% larger than that the corresponding point of the previous year.

Results of operations, January–September

In order to make NOTE more competitive and create the potential for continued growth, NOTE has been conducting methodical improvement work at all the group's 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.

Mainly as a consequence of increased sales with stable margins to current and new business customers, gross profit increased by 26% to SEK 150 (120) million. Gross margins narrowed somewhat to 11.8% (12.2%), mainly because of product mix. Factors also included sales in China last year including a relatively high share of services, with no cost of materials.

Sales and administration overheads for the period were SEK 59 (62) million. Adjusted for non-recurring costs linked to the change of CEO in the previous year, overheads were up by 9%, due to factors including additional costs for Speedboard. As a share of sales and excluding non-recurring costs in the previous year, overheads were 4.7% (5.6%).

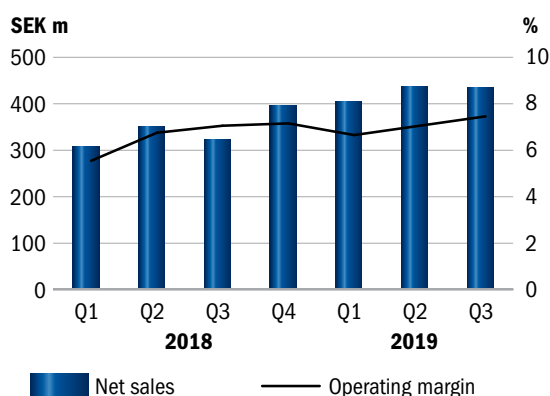
Other operating expenses/income, mainly consisting of the revaluation of assets and liabilities denominated in foreign currency, were SEK -2 (-2) million.

Operating profit was SEK 89 (56) million in the period. Adjusted for non-recurring costs in the previous year, operating profit increased by 41% to SEK 89 (63) million, and the operating margin widened by 0.6 percentage points to 7.0% (6.4%).

Mainly as a result of increased net debt, net financial income/expense was SEK -6 (-4) million.

Profit after financial items increased to SEK 83 (52) million. Adjusted for non-recurring costs in the previous year, the profit margin widened to 6.5% (6.0%).

Profit after tax was up by 65% to SEK 66 (40) million, or SEK 2.29 (1.39) per share. The tax expense for the period was 20% (22%) of profit before tax.



The operating margin in the table above illustrates underlying profitability for 2018–2019. Operating profit for Q3 2018 has been increased by SEK 7.0 million due to non-recurring costs.

Sales and results of operations, July–September

Despite signs of a market slowdown facing some of the major industrial customers, the demand for NOTE's services remained strong. Sales grew by 34% to SEK 434 (324) million. Adjusted for Speedboard's sales, growth was 18%. Sales increases were achieved on all domestic markets, and by all plants. Excluding Speedboard, growth across Western Europe was 20%. Sales to new business and existing industrial customers performed strongly. Additionally, large-scale batch shipments commenced to the Swedish defence industry. Continued positive progress was also achieved in sales from plants in Estonia and China,

recording growth of 17%, mainly as a consequence of batch shipments commencing to new business customers on a few major projects.

Primarily as a result of increased sales, stable margins on customer assignments and continued positive progress of costs, gross profit increased by 24%. However, the gross margin narrowed slightly to 11.5% (12.4%), essentially due to an altered mix of customer assignments. Factors also included sales in China last year including a relatively high share of services, with no cost of materials.

In the previous year, overheads for the period were negatively impacted by SEK 7.0 million of costs caused by the change of CEO. Adjusted for this, overheads amounted to 17 (17) million, or 4.1% (5.2%) of sales.

Other operating expenses/income, essentially consisting of the revaluation of assets and liabilities denominated in foreign currencies, was SEK 0 (-1) million.

Operating profit amounted to SEK 32 (16) million. Underlying operating profit adjusted for costs from the change of CEO, improved by 41% to SEK 32 (23) million, corresponding to an operating margin of 7.3% (7.0%).

Profit after financial items was SEK 30 (15) million, corresponding to a profit margin of 6.8% (4.6%).



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.

In recent years, the global market for electronic components has been under strain, with extended lead-times and limited supply of certain types of component. The combination of this problematic position on the component market, high sales growth and the start-up of several new manufacturing projects, contributed to higher capital tied up in inventory in the spring than desired levels. Conditions on the component market are considered to have improved somewhat, which alongside focused initiatives, resulted in its inventory situation stabilising in the third quarter. Capital tied-up in inventory, including supplier advances for materials, was 25% higher at the end of the period than at the corresponding point of the previous year. Just over half of the inventory increase consisted of inventory held by Speedboard.

NOTE works continuously on monitoring credit risk and limiting the number of outstanding days of credit. Mainly as a result of increased growth rates, accounts receivable—trade at the end of the period were up by just over 50% on the corresponding point of the previous year.

Accounts payable—trade mainly consist of sourcing electronic components and other production materials. Accounts payable—trade were relatively low, at about the same level as year-end, and up by 14% on the corresponding point of the previous year. The reason for this is mainly linked to inventory build-up in the

Equity to assets ratio

38.7 %

Cash flow after investments

SEK -21 m

first half-year. Measures taken to reduce capital tied up in stocks have started to produce results, which among other things led to a weak positive cash flow during the third quarter.

The combination of a greater need for working capital resulting from growth and previous inventory build-up contributed to cash flow after investments being limited to SEK -21 (5) million, equivalent to SEK -0.73 (0.17) per share.

Equity to assets ratio

According to NOTE's externally communicated financial targets, the minimum equity to assets ratio is 30%. At the end of the period, the equity to assets ratio was 38.7% (46.2%). A dividend of SEK 20 (29) million was paid to shareholders in the second quarter, which reduced the equity to assets ratio by approximately 2 percentage points, and the adoption of IFRS 16 reduced it by about 2 percentage points.

Liquidity and investments

Liquidity and net debt

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

The group's available cash and cash equivalents, including un-utilised overdraft facilities, were SEK 79 (109) million at the end of the third quarter. Factored accounts receivable—trade were approximately SEK 244 (169) million. Excluding financial liabilities resulting from the adoption of IFRS 16, net debt was approximately SEK 222 (51) million at the end of the period.

Investments

Capital expenditure on fixed assets was SEK 24 (18) million in the first three quarters of the year. Capital expenditure corresponded to 1.9% (1.8%) of sales, and mainly consisted of projects to increase efficiency and quality.

Depreciation according to plan increased to SEK 33 (13) million, of which SEK 12 million consisted of additional depreciation, mainly on leased properties, following the introduction of IFRS 16.

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 28 (28) million, and mainly related to intra-group services.

Operating profit for the period last year was negatively impacted by SEK 7 million as a result of the change of CEO. Profit after tax for the period was SEK 5 (-8) million.

Transactions with related parties

There were no transactions with related parties in the period.

EGM 2019

At the EGM in January, Anna Belfrage, Kaj Falkenlund, Claes

Mellgren and Charlotte Stjerngren were elected new members of the Board. At the same time, Johannes Lind-Widestam left the Board, which then has seven members elected by Shareholders' Meetings with Johan Hagberg serving as Chairman.

Furthermore, a decision was made on a three-year incentive programme based on 400,000 warrants directed to the company's President and CEO.

AGM 2019

At the AGM in April, the Board was re-elected, with Johan Hagberg as Chairman. The AGM resolved, among other things, to pay dividends to shareholders of SEK 0.70 (1.00) per share, corresponding to SEK 20 (29) million.

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 the complete product lifecycle, 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. For a more detailed review of the group's operational and finan-

cial risks, refer to NOTE's Annual Report for 2018, more specifically 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.

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 2018. 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.

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

NOTE has chosen the simplified transition method to IFRS 16, meaning that no adjustment has been done to the financial reporting for 2018. The property rental contracts for the group are included in the base for the calculation, while other leased equipment is excluded since the value of this equipment is regarded as non-material. For the calculation of interest on leasing debt, an interest of 1.6% per annum has been used. Actual

leasing obligations per 31 Dec 2018 amounted to approximately SEK 68 million. In line with IFRS 16, the consolidated opening balances 2019 have been adjusted, meaning that non-current assets (right of use assets) have been increased with some SEK 66 million. The financial debts have been increased with the same amount.

Earnings per share are reported in line with IAS 33 Earnings per share.

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.

Johannes Lind-Widestam
CEO and President

Kista, Sweden, 21 October 2019

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 2019 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.

Niklas Renström
Authorised Public Accountant
Öhrlings PricewaterhouseCoopers AB

Stockholm, Sweden, 21 October 2019



Consolidated quarterly summary

SEK million	2019 Q3	2019 Q2	2019 Q1	2018 Q4	2018 Q3	2018 Q2	2018 Q1
Net sales	434	437	405	397	324	351	308
Gross margin	11.5%	11.7%	12.1%	13.2%	12.4%	12.8%	11.3%
Operating margin	7.3%	7.0%	6.6%	7.1%	4.8%	6.7%	5.5%
Profit margin	6.8%	6.6%	6.1%	6.8%	4.6%	6.2%	4.9%
Cash flow after investing activities	1	-24	2	-81	9	-18	13
Cash flow per share, SEK	0.03	-0.82	0.06	-2.80	0.33	-0.62	0.46
Equity per share, SEK	15.4	14.4	14.3	13.3	13.2	13.0	13.3
Equity to assets ratio	38.7%	36.7%	36.8%	39.8%	46.2%	44.9%	46.8%
Average number of employees	1,070	1,070	1,045	1,058	983	951	927
Net sales per employee, SEK 000	406	409	388	375	329	369	332

Consolidated six-year summary

SEK million	Rolling 12 mth.	2018	2017	2016	2015	2014
Net sales	1,674	1,379	1,176	1,098	1,122	964
Gross margin	12.1%	12.5%	11.9%	12.0%	10.9%	10.6%
Operating margin	7.0%	6.1%	7.9%	5.5%	4.0%	3.3%
Profit margin	6.6%	5.7%	7.6%	5.0%	3.5%	3.0%
Cash flow after investing activities	-102	-76	70	41	5	3
Cash flow per share, SEK	-3.53	-2.63	2.41	1.42	0.18	0.09
Equity per share, SEK	15.4	13.3	12.8	11.0	9.9	9.4
Return on operating capital	20.3%	17.8%	24.2%	16.1%	12.9%	10.1%
Return on equity	21.8%	17.1%	21.0%	14.9%	12.4%	9.7%
Equity to assets ratio	38.7%	39.8%	48.8%	45.8%	43.3%	44.1%
Average number of employees	1,061	980	912	987	940	893
Net sales per employee, SEK 000	1,578	1,407	1,289	1,113	1,193	1,080

Consolidated Income Statement

SEK million	2019 Q3	2018 Q3	2019 Q1-Q3	2018 Q1-Q3	Rolling 12 mth.	2018 Full year
Net sales	434	324	1,277	982	1,674	1,379
Cost of goods and services sold	-385	-283	-1,127	-862	-1,472	-1,207
Gross profit	49	41	150	120	202	172
Selling expenses	-10	-17	-35	-39	-47	-51
Administrative expenses	-7	-7	-24	-23	-33	-32
Other operating income/expenses	0	-1	-2	-2	-5	-5
Operating profit	32	16	89	56	117	84
Net financial income/expenses	-2	-1	-6	-4	-7	-5
Profit after financial items	30	15	83	52	110	79
Income tax	-8	-4	-17	-12	-20	-15
Profit after tax	22	11	66	40	90	64

Consolidated Statement of Other Comprehensive Income

SEK million	2019 Q3	2018 Q3	2019 Q1-Q3	2018 Q1-Q3	Rolling 12 mth.	2018 Full year
Profit after tax	22	11	66	40	90	64
Other comprehensive income						
Items that can be subsequently reversed in the income statement:						
Exchange rate differences	7	-6	16	5	17	6
Cash flow hedges	0	0	0	0	0	0
Tax on hedges and exchange rate difference	-1	0	-2	0	-2	0
Total other comprehensive income after tax	6	-6	14	5	15	6
Comprehensive income after tax	28	5	80	45	105	70

Earnings per share

	2019 Q3	2018 Q3	2019 Q1-Q3	2018 Q1-Q3	Rolling 12 mth.	2018 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)**	28,990	28,878	28,942	28,904	28,923	28,890
Earnings per share, SEK*	0.76	0.38	2.29	1.39	3.12	2.22
Earnings per share, SEK**	0.76	0.38	2.28	1.38	3.11	2.22

* Before dilution

** After dilution

Consolidated Balance Sheet

SEK million	2019 30 Sep.	2018 30 Sep.	2018 31 Dec.
Assets			
Goodwill	109	71	107
Intangible assets—customer relationships	14	-	15
Other intangible assets	12	10	13
Right of use assets	55	-	-
Property, plant and equipment	89	70	80
Deferred tax assets	2	2	2
Other financial assets	0	1	1
Total non-current assets	281	154	218
Inventories	409	326	370
Accounts receivable—trade	388	257	327
Other current receivables	26	33	19
Cash and bank balances	42	53	31
Total current asset	865	669	747
TOTAL ASSETS	1,146	823	965
Equity and liabilities			
Equity	444	381	384
Liabilities			
Long-term interest-bearing liabilities	17	13	12
Long-term liabilities, right of use asset	39	-	-
Deferred tax liabilities	7	2	8
Other long term provisions	6	-	9
Total non-current liabilities	69	15	29
Current interest-bearing liabilities	247	91	176
Short-term liabilities, right of use asset	15	-	-
Accounts payable—trade	274	240	273
Other current liabilities	96	96	103
Other short term provisions	1	-	-
Total current liabilities	633	427	552
TOTAL EQUITY AND LIABILITIES	1,146	823	965

Consolidated Change in Equity

SEK million	2019 Q3	2018 Q3	2019 Q1-Q3	2018 Q1-Q3	Rolling 12 mth.	2018 Full year
Opening equity	416	376	384	369	381	369
Effect of change in accounting principle	-	-	-	-4	-	-4
Total	416	376	384	365	381	365
Comprehensive income after tax	28	5	80	45	105	70
Payment warrants	0	-	0	0	0	0
Repurchase of shares	-	-	-	-	-22	-22
Dividend	-	-	-20	-29	-20	-29
Closing equity	444	381	444	381	444	384

Consolidated Cash Flow Statement

SEK million	2019 Q3	2018 Q3	2019 Q1-Q3	2018 Q1-Q3	Rolling 12 mth.	2018 Full year
Operating activities						
Profit after financial items	30	15	83	52	110	79
Reversed depreciation and amortisation	11	4	33	13	39	19
Other non-cash items	1	2	-4	-3	-4	-3
Tax paid	-7	-3	-20	-14	-17	-11
Change in working capital	-25	-4	-97	-30	-124	-57
Cash flow from operating activities	10	14	-5	18	4	27
Cash flow from investing activities	-9	-5	-16	-13	-106	-103
Cash flow from financing activities	9	-10	31	-41	90	18
Change in cash and cash equivalents	10	-1	10	-36	-12	-58
Cash and cash equivalents						
At beginning of period	31	55	31	87	53	87
Cash flow after investing activities	1	9	-21	5	-102	-76
Cash flow from financing activities	9	-10	31	-41	90	18
Exchange rate difference in cash and cash equivalents	1	-1	1	2	1	2
Cash and cash equivalents at end of period	42	53	42	53	42	31
Un-utilised credits	37	56	37	56	37	97
Available cash and cash equivalents	79	109	79	109	79	128

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.

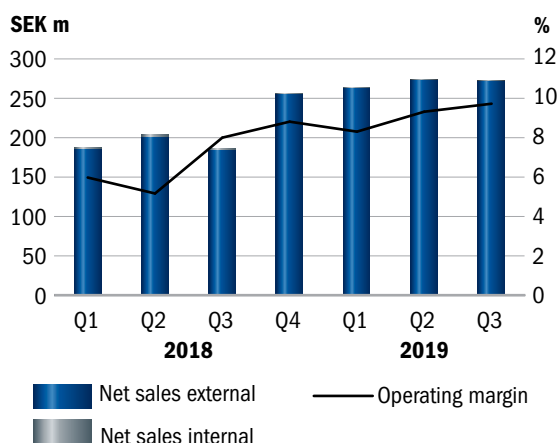
Operating segment Rest of World, located in Estonia and China, are close to large end markets and in regions with strong

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.

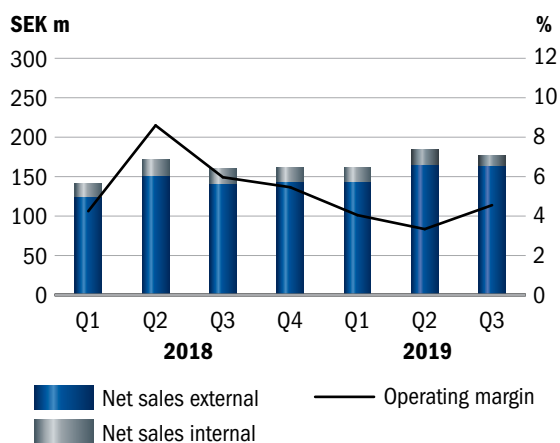
Intra-Group are group-wide business support functions in the parent company and for the sourcing operations in NOTE Components. The segment also includes group eliminations.

SEK million	2019 Q3	2018 Q3	2019 Q1-Q3	2018 Q1-Q3	Rolling 12 mth.	2018 Full year
WESTERN EUROPE						
External net sales	271	184	806	569	1,061	824
Internal net sales	1	3	4	9	6	11
Operating profit	26	15	72	36	95	59
Operating margin	9.6%	7.9%	8.9%	6.3%	8.9%	7.0%
Inventories	256	177	256	177	256	218
External accounts receivable—trade	251	162	251	162	251	219
Average number of employees	476	326	457	319	444	339
REST OF WORLD						
External net sales	163	140	471	413	613	555
Internal net sales	14	21	53	61	72	80
Operating profit	8	10	21	30	30	39
Operating margin	4.5%	5.9%	4.0%	6.3%	4.4%	6.1%
Inventories	153	149	153	149	153	152
External accounts receivable—trade	137	97	137	97	137	108
Average number of employees	577	635	588	614	600	620
INTRA-GROUP						
Internal net sales	-15	-24	-57	-70	-78	-91
Operating profit	-2	-9	-4	-10	-8	-14
External accounts receivable—trade	0	-2	0	-2	0	0
Average number of employees	17	22	17	21	17	21

Western Europe



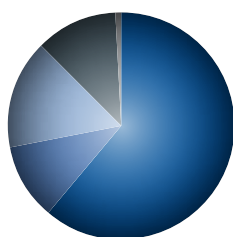
Rest of World



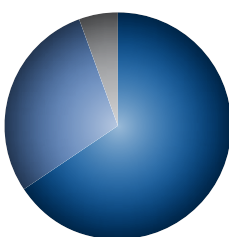
Sales per customer segment

SEK million	2019 Q3	2018 Q3	2019 Q1-Q3	2018 Q1-Q3	Rolling 12 mth.	2018 Full year
WESTERN EUROPE						
Industrial	164	118	494	384	654	544
Communication	28	19	88	56	119	87
Medtech	51	26	124	77	159	112
Defence	26	20	95	52	120	77
High end consumer	2	1	5	0	9	4
Total external sales	271	184	806	569	1,061	824
REST OF WORLD						
Industrial	104	84	310	259	398	347
Communication	42	44	135	127	182	174
Medtech	0	2	0	3	1	4
Defence	0	0	0	0	0	0
High end consumer	17	10	26	24	32	30
Total external sales	163	140	471	413	613	555
TOTAL						
Industrial	268	202	804	643	1,052	891
Communication	70	63	223	183	301	261
Medtech	51	28	124	80	160	116
Defence	26	20	95	52	120	77
High end consumer	19	11	31	24	41	34
Total external sales	434	324	1,277	982	1,674	1,379

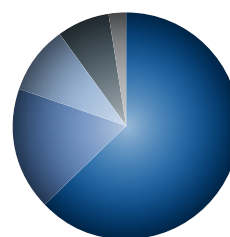
Western Europe Q1-Q3



Rest of World Q1-Q3



Total Q1-Q3



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

Parent Company Income Statement

SEK million	2019 Q3	2018 Q3	2019 Q1-Q3	2018 Q1-Q3	Rolling 12 mth.	2018 Full year
Net sales	9	8	28	28	37	37
Cost of services sold	-3	-4	-11	-13	-14	-16
Gross profit	6	4	17	15	23	21
Selling expenses	-4	-11	-13	-17	-17	-21
Administrative expenses	-3	-2	-8	-8	-12	-12
Other operating income/expenses	4	0	7	1	5	-1
Operating profit	3	-9	3	-9	-1	-13
Net financial income/expenses	2	0	4	1	44	41
Profit after financial items	5	-9	7	-8	43	28
Appropriations	-	-	-	-	-7	-7
Profit before tax	5	-9	7	-8	36	21
Income tax	-2	-	-2	-	-6	-4
Profit after tax	3	-9	5	-8	30	17

Parent Company Statement of Other Comprehensive Income

SEK million	2019 Q3	2018 Q3	2019 Q1-Q3	2018 Q1-Q3	Rolling 12 mth.	2018 Full year
Profit after tax	3	-9	5	-8	30	17
Other comprehensive income						
Items that can be subsequently reversed in the income statement:	-	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-	-
Comprehensive income after tax	3	-9	5	-8	30	17

Parent Company Balance Sheet

SEK million	2019 30 Sep.	2018 30 Sep.	2018 31 Dec.
Assets			
Intangible assets	4	2	4
Property, plant and equipment	0	1	1
Long-term receivables from group companies	91	-	80
Financial non-current assets	221	221	221
Total non-current assets	316	224	306
Receivables from group companies	87	76	67
Other current receivables	13	13	7
Cash and bank balances	20	21	-6
Total current assets	120	110	68
TOTAL ASSETS	436	334	374
Equity and liabilities			
Equity	201	213	216
Untaxed reserves	7	-	7
Liabilities			
Liabilities to financial institutions	75	-	-
Liabilities to group companies	138	103	129
Other current liabilities and provisions	15	18	22
Total current liabilities	228	121	151
TOTAL EQUITY AND LIABILITIES	436	334	374

Parent Company Change in Equity

SEK million	2019 Q3	2018 Q3	2019 Q1-Q3	2018 Q1-Q3	Rolling 12 mth.	2018 Full year
Opening equity	198	222	216	250	213	250
Comprehensive income after tax	3	-9	5	-8	30	17
Repurchase of shares	-	-	-	-	-22	-22
Dividend	-	-	-20	-29	-20	-29
Closing equity	201	213	201	213	201	216

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.

Order backlog

A combination of fixed orders and customer forecasts.

Profit margin

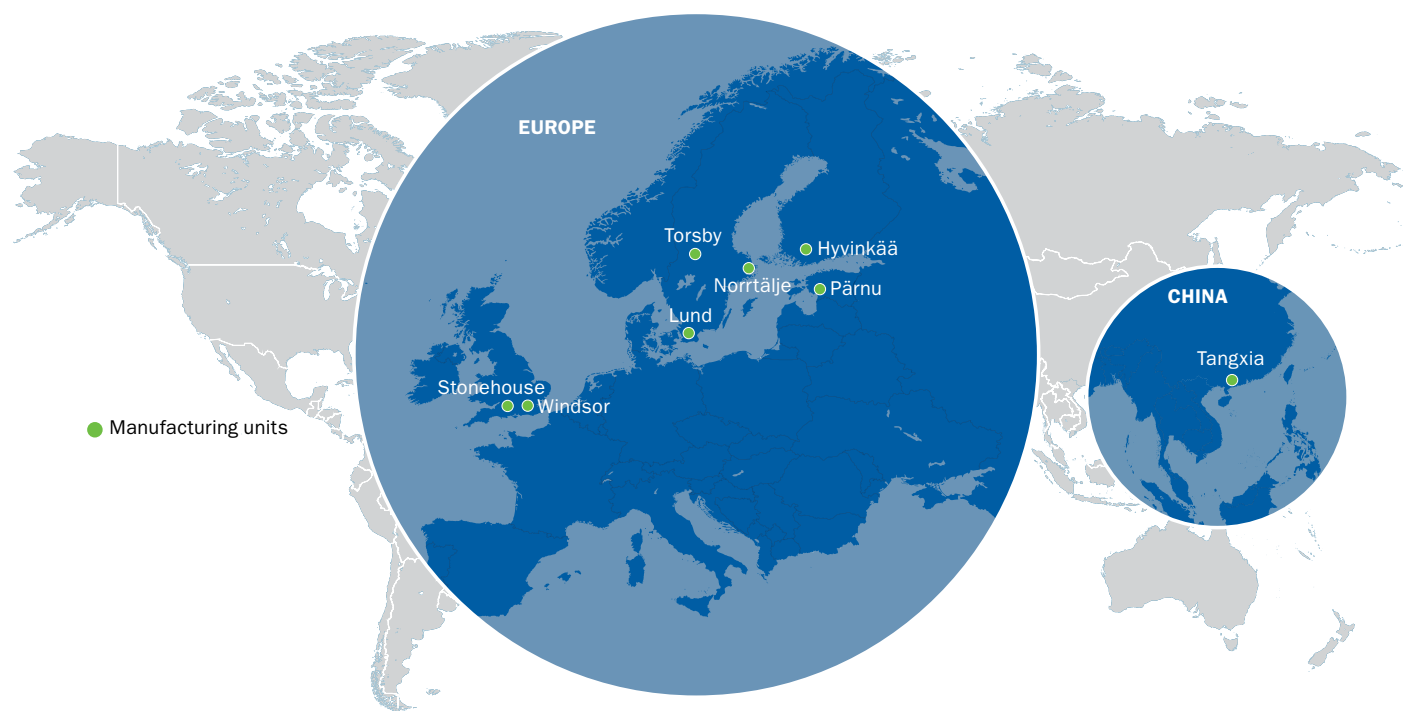
Profit after financial items as a percentage of net sales.

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.



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

Year-end Report 2019	5 Feb 2020
Interim Report Q1	23 Apr 2020

Annual General Meeting

The AGM will be held at Spårvagnshallarna in Stockholm, Sweden, at 2 p.m. on 23 April 2020.

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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