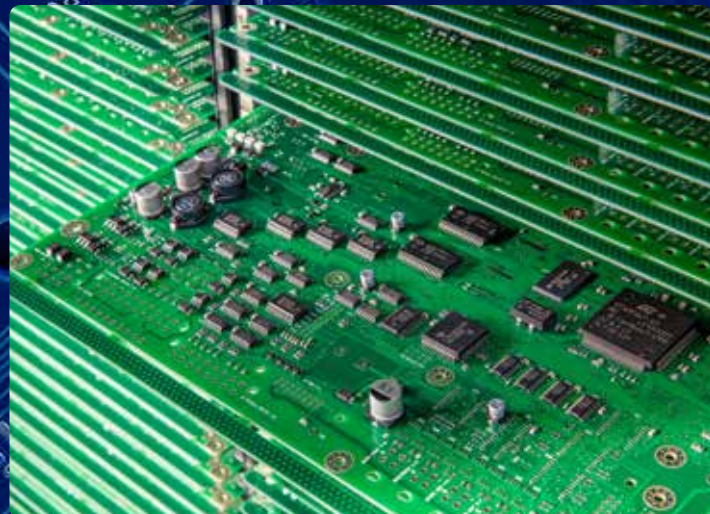


# Interim Report January–June 2016



# Interim Report Q2

## Financial performance in Januari–June

- Sales increased by 1% to SEK 561.5 (554.8) million.
- Operating profit rose to SEK 29.6 (23.1) million.
- Operating margin expanded by 1.1 percentage points to 5.3% (4.2%).
- Profit after financial items increased to SEK 26.5 (20.2) million.
- Profit after tax up to SEK 21.2 (17.8) million, corresponding to SEK 0.73 (0.62) per share.
- Cash flow after investments increased to SEK 31.2 (3.8) million, or SEK 1.08 (0.13) per share.

## New appointment to group management

Stefan Hedelius became NOTE's CEO & President at the end of the first quarter. In order to further enhance competitiveness and cost-efficiency, Vice President of Sourcing Markus Norrbom joined group management.

## Financial performance in April–June

- Sales increased by 1% to SEK 282.4 (279.5) million.
- Operating profit rose to SEK 15.4 (11.2) million.
- Operating margin expanded by 1.5 percentage points to 5.5% (4.0%).
- Profit after financial items increased to SEK 13.6 (9.2) million.
- Profit after tax up to SEK 11.0 (8.5) million, corresponding to SEK 0.38 (0.29) per share.
- Cash flow after investments increased to SEK 4.1 (-18.0) million, or SEK 0.14 (-0.62) per share.

## Sale of Norwegian operation

As part of NOTE's streamlining process and continued focus on markets with good growth potential, the Norwegian subsidiary was sold in May. Last year, operations in Norway had sales of SEK 54 million, but made a negative contribution to NOTE's growth and operating profit. This transaction had a marginal impact on the NOTE group's operating profit in the second quarter.

# CEO's comments

## Progress in the first half-year

Overall, we can say that conditions remained fairly stable on several of our markets. In Sweden, we have achieved successes based on our recent initiative in the medtech sector, and in the defence sector. We are making continued positive progress in China, Estonia and Finland, while demand in the UK was at a lower level.

To sharpen our focus on markets with good sales growth, we sold our Norwegian operation in the second quarter. We see more interesting investment opportunities in other markets, and the Norwegian operation had been making a negative contribution to our growth and profit performance for some time. Nevertheless, proceeding from our market positioning and strong financial position, our firm ambition is to play a more offensive role in the future development of our business sector. We are already seeing good potential for this, in Sweden and internationally.

In the first half-year, we reported sales of SEK 561.5 million, which is in line with plan and slightly above the previous year's level. Adjusted for the sale of our Norwegian operation in May, sales growth was 3% in the first and second quarters.

Higher sales and the associated increased services content, combined with continued positive cost-efficiency, helped operating profit improve to SEK 29.6 (23.1) million, which meant operating margin expanding to 5.3% (4.2 %). In the second quarter, we achieved an operating margin of 5.5% (4.0%).

NOTE has a sharp focus on ensuring first-class quality and delivery precision for customers. As part of our ambition of further enhancing cost-efficiency, in terms of direct and indirect costs, I brought our Vice President of Sourcing into group management. As a step in our ongoing work, during the period we have also taken more initiatives on our costs side.

The efficient management of working capital is another critical success factor. This is why we're taking a focused approach to increasing the efficiency of the utilisation of our working capital. Intelligent, thought-through logistics setups are really significant to our own, and our customers', financing and cash flow. Our focus on these areas contributed positively to the continued positive progress of our cash flow. For the first half-year, our cash flow after investments improved to SEK 31.2 (3.8) million. NOTE's liquidity position is good, and our Balance Sheet remains one of the sector's strongest, with low net debt and an equity to assets ratio of 44.4%.

We secured several new business customers in the first half-year, as well as new and exciting projects for current business customers. In the second quarter, we also commenced batch deliveries on a major, sophisticated manufacturing assignment in the medtech sector for an established global player. We also started an extensive prototyping partnership in the defence industry, where we see significant future potential. After delivering extensive industrialisation services, we also secured our first batch order from an existing defence customer. Because the demand for our services in China and Estonia remains positive, investing in another advanced surface mounting line to expand our capacity last autumn was a good move.



*Our customers take a positive view of our quality of service—and now we're upping our tempo on the market.*

## Future

In the short term, our order book, which is a combination of fixed orders and customer forecasts, suggests continued positive sales performance. If we consider the number of ongoing business discussions on new projects, the situation also looks positive.

Additionally, NOTE is operating in a fairly fragmented market. And as I have previously stated, we have good potential to play a more active role in the future development of our business sector, in Sweden and internationally.

A handwritten signature in blue ink, appearing to read 'Stefan Hedelius'. The signature is stylized and written over a horizontal line.

Stefan Hedelius

# Sales and results of operations

## Sales, January–June

NOTE sells to a large customer base, essentially active in the engineering, communication and security industries in northern Europe. An increasing sales share is also direct to customers in Asia, and those active in the medtech segment.

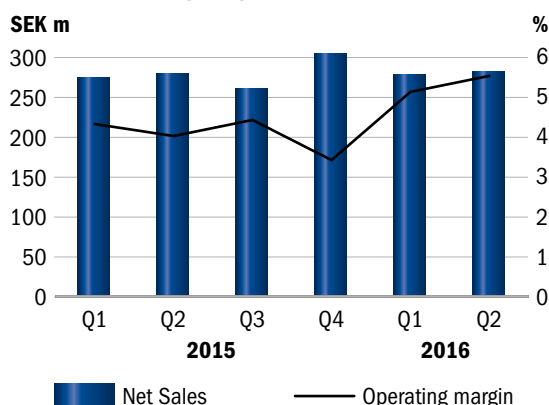
The demand for NOTE's services progressed positively in the first half-year. The group's Industrial Plants in Estonia and China continued to make positive progress. Demand in Sweden and Finland was fairly positive, while progress was slower in Norway and the UK. After a period of declining demand from a few major Norwegian customers, the subsidiary in Norway was divested during the second quarter of the year. Last year, the Norwegian operation had sales of approximately SEK 54 million, but made a negative contribution to NOTE's profits. This transaction had only a marginal impact on operating profit for the period.

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

NOTE has also been working extensively for some time with the aim of expanding its customer base further, to lift sales and capacity utilisation in the group's units. As a result of these marketing initiatives, NOTE secured many new customer relationships. 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.

Sales increased by 1% in the first half-year to SEK 561.5 (554.8) million, with the impact of exchange rate variations being fairly marginal. Adjusted for the sale of the Norwegian operation in the second quarter, sales growth was just over 3%. The increased sales were sourced from new product sales to current business customers and increased volumes on new business accounts gradually feeding through. Batch shipments to a leading multinational player in the medtech sector commenced in the second quarter. NOTE sees substantial potential in this partnership.

## Sales and operating margin



Operating profit for the fourth quarter 2015 includes expenses related to the change of CEO of SEK 3.8 million—the underlying operating margin was 4.7%.

Direct sales from Industrial Plants in Estonia and China continued to grow. These sales, mainly to customers in Europe, and other markets mainly in Asia, maintained positive progress, representing 41% (34%) of total sales. To some extent, the increase was an effect of the transfer of account management responsibility from Nearsourcing Centres to Industrial Plants, a natural component of NOTE's business model.

NOTE's 15 largest customers in sales terms represented 59% (59%) of the group's sales. As in the previous year, no single customer (group) represented more than about 10% (8%) of total sales.

At the end of the quarter, the group's order book, which consists of a combination of fixed orders and customer forecasts, indicated sustained positive sales growth.

## Results of operations, January–June

NOTE has been conducting methodical improvement work at all units for several years. Its aim is to sharpen competitiveness and create the potential for further profitable sales growth. 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, its focus is on measures that improve delivery precision and quality, as well as cost and working capital rationalisation. In tandem with this process, NOTE is progressively implementing a business-specific ERP system in the group's units. Its ambition is to enable further rationalisation by harmonising internal processes and systems support across the group's units.

As a result of focused initiatives in the costs segment, and a higher share of the group's manufacture being conducted at Industrial Plants in Estonia and China, NOTE made positive progress in processing costs in the first half-year. In combination with increased sales and an expanded service content, this meant that gross margin grew by 1.5 percentage points to 12.2% (10.7%).

Sales and administration overheads for the period reduced by 3%. Compared to the previous year, NOTE has conducted initiatives to reinforce its sales organisation, while the sale of the Norwegian operation in the second quarter contributed to reducing costs. Overheads were 6.7% (7.0%) of sales.

Other operating expenses/income, which normally consist of revaluations of foreign currency assets and liabilities, were SEK -1.3 (2.4) million. NOTE conducts fairly extensive management of foreign currencies, primarily USD and EUR. Wide fluctuations on currency markets in the recent month only had a marginal impact on NOTE's operating profit.

Operating profit in the first half-year was SEK 29.6 (23.1) million, implying a 1.1 percentage point operating margin increase to 5.3% (4.2%).

Stable progress of working capital contributed to relatively unchanged net financial income/expense of SEK -3.1 (-2.9) million.

Profit after financial items was SEK 26.5 (20.2) million, corresponding to a profit margin of 4.7% (3.6%).

Profit after tax was SEK 21.2 (17.8) million, or SEK 0.73 (0.62) per share. The tax expense for the period corresponded to 20% (12%) of profit before tax.

### Sales and results of operations, April–June

The demand for NOTE's services remained positive in the second quarter. Sales were especially strong in Industrial Plants in China and Estonia, as well as in Finland. Sales growth was weaker in Sweden and the UK. The operations in Norway were divested in May.

Sales increased by 1% in the second quarter to SEK 282.4 (279.5) million. Adjusted for the sale of the Norwegian operation, sales growth in the second quarter was 3%. Sales from Industrial Plants were 41% (35%) of the group total.

The combination of increased sales and an expanded services content with continued positive cost control, contributed to gross margin expanding by 1.7 percentage points to 12.6% (10.9%).

Sales and administration overheads for the period were SEK 19.9 (20.0) million, or 7.0% (7.1%) of sales. Reduced overheads as a consequence of the sale of the Norwegian operation were countered by non-recurring expenses associated with changes to the management of the Swedish operation.

Other operating income/expenses, which mainly consist of revaluations of foreign currency assets and liabilities, were SEK -0.3 (0.7) million.

Mainly as a result of increased sales and an expanded services content, combined with continued stable costs, operating profit improved to SEK 15.4 (11.2) million, corresponding to an operating margin of 5.5% (4.0%). Profit after financial items improved to SEK 13.6 (9.2) million, corresponding to an operating margin of 4.8% (3.3%).

## Cash flow and financial position

### Cash flow

Competing successfully in the high mix/low to medium volume market segment sets high standards on flexible production, the effective supply of materials and the ability to deliver custom logistics solutions. Accordingly, NOTE faces a major challenge in continuously improving its business methods and internal processes in these segments. This challenge is especially apparent during new project start-ups and in rapid demand upturns and downturns, and relates mainly to the complexity of materials supply and changing lead-times of electronic components.

The global market for electronic components can be considered fairly cyclical. Progress in the first half-year, as in the previous year, was fairly stable, and with good access to electronics components. This benefitted NOTE's materials planning and logistics.

Expanded prototype manufacture and start-ups of new batch production continued to set challenging demands on flexibility at the sourcing and production stages. The combination of focused initiatives and implementation of new logistics solutions maintained stability in stock. Capital tied up in stock, including prepayments for materials, was up 6% on year-end, and by the end of the period, was somewhat lower than at the midpoint of the previous year.

For natural reasons, accounts receivable—trade have reduced since year-end. Increased international sales, and growing customer demand for extended credit terms, contributed to accounts receivable—trade at the midpoint of the year being 7% higher than at the corresponding point of the previous year. NOTE is conducting continuous initiatives to monitor its credit risk and the progress of customer credit terms.

Accounts payable—trade, which mainly relate to sourced electronic components and other production materials, were at about the same level as at year-end and 2% higher than at the midpoint of the previous year. NOTE is working actively to keep

### Equity to assets ratio

**44.4%**

### Cash flow after investments

**+31.2 SEK million**

evolving its partnership model for suppliers, which involves changes including concentrating sourcing on fewer, quality-assured suppliers. This has contributed to more efficient utilisation of working capital.

The combination of continued positive profit performance with rationalisation of working capital, contributed to cash flow after investments for the first half-year of SEK 31.2 (3.8) million, corresponding to SEK 1.08 (0.13) per share.

### Equity to assets ratio

According to NOTE's externally communicated financial targets, its equity to assets ratio should not fall below 30%. The equity to assets ratio at the end of the period was 44.4% (43.4%). The dividend of SEK 20.2 (14.4) million paid in the second quarter reduced the equity to assets ratio by some 3 percentage points.

## Liquidity and investments

### Liquidity and net debt

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

The group's available cash and cash equivalents, including unutilised overdraft facilities, were SEK 100.7 (84.7) million at the midpoint of the year. Factored accounts receivable—trade were some SEK 111 (120) million. Net debt at the end of the period was SEK 68.9 (76.1) million.

### Investments

Capital expenditure on fixed assets amounted to SEK 3.4 (5.6) million in the first half-year, corresponding to 0.6% (1.0%) of sales. The capital expenditure mainly consisted of projects to improve efficiency and quality.

To satisfy the increased demand for electronics manufacturing in China, NOTE brought another advanced surface mounting line on stream in the fourth quarter of the previous year. Largely as a result of this, depreciation and amortisation according to plan increased to SEK 7.0 (6.0) 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 14.9 (15.9) million, and mainly related to intra-group services. The impairment of shares in subsidiaries, which resulted from the sale of the subsidiary in Norway, had a negative impact on net financial income/expense in the second quarter. Net financial income/expense for the second quarter includes SEK 4.6 (7.0) million of dividends received from subsidiaries. Profit/loss after tax was SEK –23.7 (8.3) million.

### AGM 2016

The Annual General Meeting (AGM) in April re-elected the whole Board of Directors, with Kristian Teär as Chairman. The AGM resolved to pay a dividend of SEK 0.70 (0.50) per share to shareholders, equivalent to SEK 20.2 (14.4) million.

### Transactions with related parties

A subsidiary within the group sourced consulting services relating to operational improvements from a company owned by a related party in the first and second quarters.

## Significant operational risks

NOTE is one of the leading manufacturing and logistics partners for production of electronics-based products in northern Europe. NOTE has especially strong market positioning 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, sub-assemblies and box build products. NOTE's offering covers the complete product lifecycle, from design to after-sales.

NOTE's Nearsourcing initiative, which is intended to increase sales growth while reducing 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 14, 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 2015.

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 2015. 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.

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, this Interim Report 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.



Kristian Teär  
Chairman



Kjell-Åke Andersson  
Board member



Bruce Grant  
Board member



Bahare Hederstierna  
Board member



Stefan Johansson  
Board member



Henry Klotz  
Board member



Daniel Nyhrén Edeen  
Board member



Niklas Björklund  
Board member,  
Employee Representative

The Board of Directors of NOTE AB (publ)  
Danderyd, Sweden  
17 July 2016

## Consolidated six-year summary

SEK million	Rolling 12 mth	2015	2014	2013	2012	2011
Net sales	1,128.2	1,121.5	964.0	907.0	1,029.2	1,208.8
Gross margin	11.7%	10.9%	10.6%	8.0%	9.0%	11.0%
Operating margin	4.6%	4.0%	3.3%	1.0%	2.5%	5.3%
Profit margin	4.1%	3.5%	3.0%	0.1%	1.9%	4.7%
Cash flow after investing activities	32.6	5.2	2.5	-2.0	97.0	56.5
Cash flow per share, SEK	1.13	0.18	0.09	-0.07	3.36	1.96
Equity per share, SEK	10.09	9.94	9.36	8.25	9.02	8.98
Return on operating capital	14.6%	12.9%	10.1%	3.1%	7.9%	17.7%
Return on equity	13.5%	12.4%	9.7%	0.3%	4.9%	16.5%
Equity to assets ratio	44.4%	43.3%	44.1%	44.0%	45.2%	41.0%
Average number of employees	997	940	893	847	884	939
Net sales per employee, SEK 000	1,132	1,193	1,080	1,071	1,164	1,287

## Consolidated quarterly summary

SEK million	2016 Q2	2016 Q1	2015 Q4	2015 Q3	2015 Q2	2015 Q1
Net sales	282.4	279.1	305.2	261.5	279.5	275.3
Gross margin	12.6%	11.7%	11.5%	10.7%	10.9%	10.4%
Operating margin	5.5%	5.1%	3.4%	4.4%	4.0%	4.3%
Profit margin	4.8%	4.6%	3.0%	4.0%	3.3%	4.0%
Cash flow after investing activities	4.1	27.1	25.4	-24.0	-18.0	21.8
Cash flow per share, SEK	0.14	0.94	0.88	-0.83	-0.62	0.76
Equity per share, SEK	10.09	10.26	9.94	9.81	9.47	9.77
Equity to assets ratio	44.4%	44.5%	43.3%	43.5%	43.4%	42.6%
Average number of employees	1,047	1,016	963	962	931	901
Net sales per employee, SEK 000	270	275	317	272	300	306

## Financial definitions

NOTE considers that the key performance indicators published in this Interim Report give a true and fair view of its financial position and results of operations.

**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.

**Equity per share**

Equity divided by the number of shares at end of the period.

**Equity to assets ratio**

Equity as a percentage of total assets.

**Gross profit margin**

Gross profit as a percentage of net sales.

**Net debt**

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

**Net sales per employee**

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

**Operating capital**

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

**Operating margin**

Operating profit as a percentage of net sales.

**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	2016 Q2	2015 Q2	2016 Q1-Q2	2015 Q1-Q2	Rolling 12 mth.	2015 full year
Net sales	282.4	279.5	561.5	554.8	1,128.2	1,121.5
Cost of goods and services sold	-246.8	-249.0	-493.2	-495.5	-996.7	-999.0
<b>Gross profit</b>	<b>35.6</b>	<b>30.5</b>	<b>68.3</b>	<b>59.3</b>	<b>131.5</b>	<b>122.5</b>
Selling expenses	-12.2	-11.5	-22.1	-21.7	-47.2	-46.8
Administrative expenses	-7.7	-8.5	-15.3	-16.9	-30.4	-32.0
Other operating income/expenses	-0.3	0.7	-1.3	2.4	-2.2	1.5
<b>Operating profit</b>	<b>15.4</b>	<b>11.2</b>	<b>29.6</b>	<b>23.1</b>	<b>51.7</b>	<b>45.2</b>
Net financial income/expenses	-1.8	-2.0	-3.1	-2.9	-5.6	-5.4
<b>Profit after financial items</b>	<b>13.6</b>	<b>9.2</b>	<b>26.5</b>	<b>20.2</b>	<b>46.1</b>	<b>39.8</b>
Income tax	-2.6	-0.7	-5.3	-2.4	-8.1	-5.2
<b>Profit after tax</b>	<b>11.0</b>	<b>8.5</b>	<b>21.2</b>	<b>17.8</b>	<b>38.0</b>	<b>34.6</b>

## Consolidated Statement of Other Comprehensive Income

SEK million	2016 Q2	2015 Q2	2016 Q1-Q2	2015 Q1-Q2	Rolling 12 mth.	2015 full year
<b>Profit after tax</b>	<b>11.0</b>	<b>8.5</b>	<b>21.2</b>	<b>17.8</b>	<b>38.0</b>	<b>34.6</b>
<b>Other comprehensive income</b>						
Items that can be subsequently reversed in the income statement:						
Exchange rate differences	4.6	-2.5	3.4	0.4	0.0	-3.0
Cash flow hedges	0.0	-0.1	0.0	-0.5	0.1	-0.4
Tax on hedges and exchange rate difference	-0.2	0.0	-0.1	0.0	0.0	0.1
<b>Total other comprehensive income after tax</b>	<b>4.4</b>	<b>-2.6</b>	<b>3.3</b>	<b>-0.1</b>	<b>0.1</b>	<b>-3.3</b>
<b>Comprehensive income after tax</b>	<b>15.4</b>	<b>5.9</b>	<b>24.5</b>	<b>17.7</b>	<b>38.1</b>	<b>31.3</b>

## Earnings per share

	2016 Q2	2015 Q2	2016 Q1-Q2	2015 Q1-Q2	Rolling 12 mth.	2015 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
Earnings per share, SEK	0.38	0.29	0.73	0.62	1.32	1.20

# Consolidated Balance Sheet

SEK million	2016 30 June	2015 30 June	2015 31 Dec
<b>Assets</b>			
Goodwill	70.3	70.8	70.4
Other intangible assets	9.7	10.4	10.0
Property, plant and equipment	61.3	58.4	65.9
Deferred tax assets	5.3	13.5	8.9
Other financial assets	1.5	1.2	1.5
<b>Total non-current assets</b>	<b>148.1</b>	<b>154.3</b>	<b>156.7</b>
Inventories	200.8	201.7	189.8
Accounts receivable—trade	242.7	226.9	252.1
Other current receivables	19.7	20.0	17.3
Cash and bank balances	45.3	27.0	47.3
<b>Total current assets</b>	<b>508.5</b>	<b>475.6</b>	<b>506.5</b>
<b>TOTAL ASSETS</b>	<b>656.6</b>	<b>629.9</b>	<b>663.2</b>
<b>Equity and liabilities</b>			
<b>Equity</b>	<b>291.4</b>	<b>273.5</b>	<b>287.1</b>
<b>Liabilities</b>			
Long-term interest-bearing liabilities	8.6	11.1	9.7
Deferred tax liabilities	2.4	2.5	2.4
<b>Total non-current liabilities</b>	<b>11.0</b>	<b>13.6</b>	<b>12.1</b>
Current interest-bearing liabilities	105.6	92.0	119.4
Accounts payable—trade	175.3	171.5	175.1
Other current liabilities	73.3	79.3	69.5
<b>Total current liabilities</b>	<b>354.2</b>	<b>342.8</b>	<b>364.0</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>656.6</b>	<b>629.9</b>	<b>663.2</b>

# Consolidated Change in Equity

SEK million	2016 Q2	2015 Q2	2016 Q1–Q2	2015 Q1–Q2	Rolling 12 mth.	2015 full year
Opening equity	296.2	282.0	287.1	270.2	273.5	270.2
Comprehensive income after tax	15.4	5.9	24.5	17.7	38.1	31.3
Dividend	-20.2	-14.4	-20.2	-14.4	-20.2	-14.4
<b>Closing equity</b>	<b>291.4</b>	<b>273.5</b>	<b>291.4</b>	<b>273.5</b>	<b>291.4</b>	<b>287.1</b>

# Consolidated Cash Flow Statement

SEK million	2016 Q2	2015 Q2	2016 Q1-Q2	2015 Q1-Q2	Rolling 12 mth.	2015 full year
<b>Operating activities</b>						
Profit after financial items	13.6	9.2	26.5	20.2	46.1	39.8
Reversed depreciation and amortisation	3.4	3.0	7.0	6.0	13.8	12.8
Other non-cash items	-0.2	-0.5	5.7	-2.8	7.4	-1.1
Tax paid	-2.3	-0.6	-6.9	-2.7	-8.3	-4.1
Change in working capital	-8.4	-26.2	2.7	-11.3	-14.7	-28.7
<b>Cash flow from operating activities</b>	<b>6.1</b>	<b>-15.1</b>	<b>35.0</b>	<b>9.4</b>	<b>44.3</b>	<b>18.7</b>
<b>Cash flow from investing activities</b>	<b>-2.0</b>	<b>-2.9</b>	<b>-3.8</b>	<b>-5.6</b>	<b>-11.7</b>	<b>-13.5</b>
<b>Cash flow from financing activities</b>	<b>-16.4</b>	<b>-15.8</b>	<b>-33.1</b>	<b>-11.9</b>	<b>-13.9</b>	<b>7.3</b>
<b>Change in cash and cash equivalents</b>	<b>-12.3</b>	<b>-33.8</b>	<b>-1.9</b>	<b>-8.1</b>	<b>18.7</b>	<b>12.5</b>
<b>Cash and cash equivalents</b>						
At beginning of period	56.8	61.5	47.3	35.2	27.0	35.2
Cash flow after investing activities	4.1	-18.0	31.2	3.8	32.6	5.2
Cash flow from financing activities	-16.4	-15.8	-33.1	-11.9	-13.9	7.3
Exchange rate difference in cash and cash equivalents	0.8	-0.7	-0.1	-0.1	-0.4	-0.4
<b>Cash and cash equivalents at end of period</b>	<b>45.3</b>	<b>27.0</b>	<b>45.3</b>	<b>27.0</b>	<b>45.3</b>	<b>47.3</b>
Un-utilised credits	55.4	57.7	55.4	57.7	55.4	57.4
<b>Available cash and cash equivalents</b>	<b>100.7</b>	<b>84.7</b>	<b>100.7</b>	<b>84.7</b>	<b>100.7</b>	<b>104.7</b>

# Operating segments

Nearsourcing Centres consist of units located in geographical regions with high industrial activity and innovation standards in Sweden, Norway (until April 2016), 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 serial production.

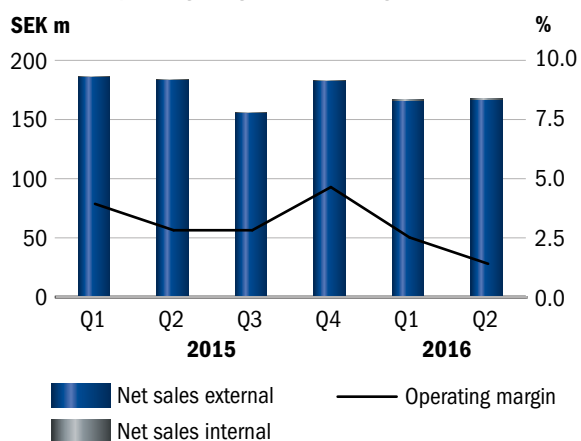
NOTE's Industrial Plants, located in Estonia and China, are

close to large final 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.

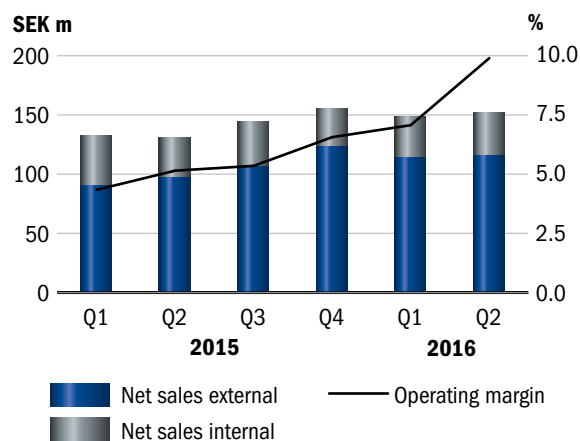
Other units are group-wide business support functions in the parent company and for the sourcing operations in NOTE Components.

SEK million	2016 Q2	2015 Q2	2016 Q1-Q2	2015 Q1-Q2	Rolling 12 mth.	2015 full year
<b>NEARSOURCING CENTRES</b>						
External net sales	166.5	182.7	331.9	367.9	668.7	704.7
Internal net sales	1.4	1.1	2.7	2.0	5.2	4.5
Operating profit	2.4	5.2	6.5	12.4	19.3	25.2
Operating margin	1.4%	2.8%	1.9%	3.4%	2.9%	3.5%
Inventories	99.5	98.0	99.5	98.0	99.5	94.6
External accounts receivable—trade	126.9	135.9	126.9	135.9	126.9	124.8
Average number of employees	309	360	321	360	330	350
<b>INDUSTRIAL PLANTS</b>						
External net sales	115.9	96.8	229.6	186.9	459.5	416.8
Internal net sales	35.8	33.8	70.4	76.7	140.8	147.1
Operating profit	14.9	6.6	25.3	12.3	43.1	30.1
Operating margin	9.8%	5.1%	8.4%	4.7%	7.2%	5.3%
Inventories	101.3	103.7	101.3	103.7	101.3	95.2
External accounts receivable—trade	115.6	90.7	115.6	90.7	115.6	126.9
Average number of employees	720	554	692	539	649	573
<b>OTHER UNITS AND ELIMINATIONS</b>						
Internal net sales	-37.2	-34.9	-73.1	-78.7	-146.0	-151.6
Operating profit	-1.9	-0.6	-2.2	-1.6	-10.6	-10.0
External accounts receivable—trade	0.2	0.3	0.2	0.3	0.2	0.4
Average number of employees	18	17	18	17	18	17

Sales and operating margin Nearsourcing Centres



Sales and operating margin Industrial Plants



## Parent Company Income Statement

SEK million	2016 Q2	2015 Q2	2016 Q1-Q2	2015 Q1-Q2	Rolling 12 mth.	2015 full year
Net sales	8.0	7.9	14.9	15.9	28.9	29.9
Cost of services sold	-4.4	-4.8	-8.6	-9.5	-17.1	-18.0
<b>Gross profit</b>	<b>3.6</b>	<b>3.1</b>	<b>6.3</b>	<b>6.4</b>	<b>11.8</b>	<b>11.9</b>
Selling expenses	-2.5	-1.8	-3.0	-3.0	-10.8	-10.8
Administrative expenses	-2.8	-2.6	-5.3	-5.7	-10.5	-10.9
Other operating income/expenses	-4.3	0.0	-4.3	-0.1	-5.9	-1.7
<b>Operating profit</b>	<b>-6.0</b>	<b>-1.3</b>	<b>-6.3</b>	<b>-2.4</b>	<b>-15.4</b>	<b>-11.5</b>
Net financial income/expenses	-17.9	0.6	-17.5	10.7	-1.3	26.9
<b>Profit after financial items</b>	<b>-23.9</b>	<b>-0.7</b>	<b>-23.8</b>	<b>8.3</b>	<b>-16.7</b>	<b>15.4</b>
Appropriations	-	-	-	-	-	-
<b>Profit before tax</b>	<b>-23.9</b>	<b>-0.7</b>	<b>-23.8</b>	<b>8.3</b>	<b>-16.7</b>	<b>15.4</b>
Income tax	0.1	-	0.1	-	-2.2	-2.3
<b>Profit after tax</b>	<b>-23.8</b>	<b>-0.7</b>	<b>-23.7</b>	<b>8.3</b>	<b>-18.9</b>	<b>13.1</b>

## Parent Company Statement of Other Comprehensive Income

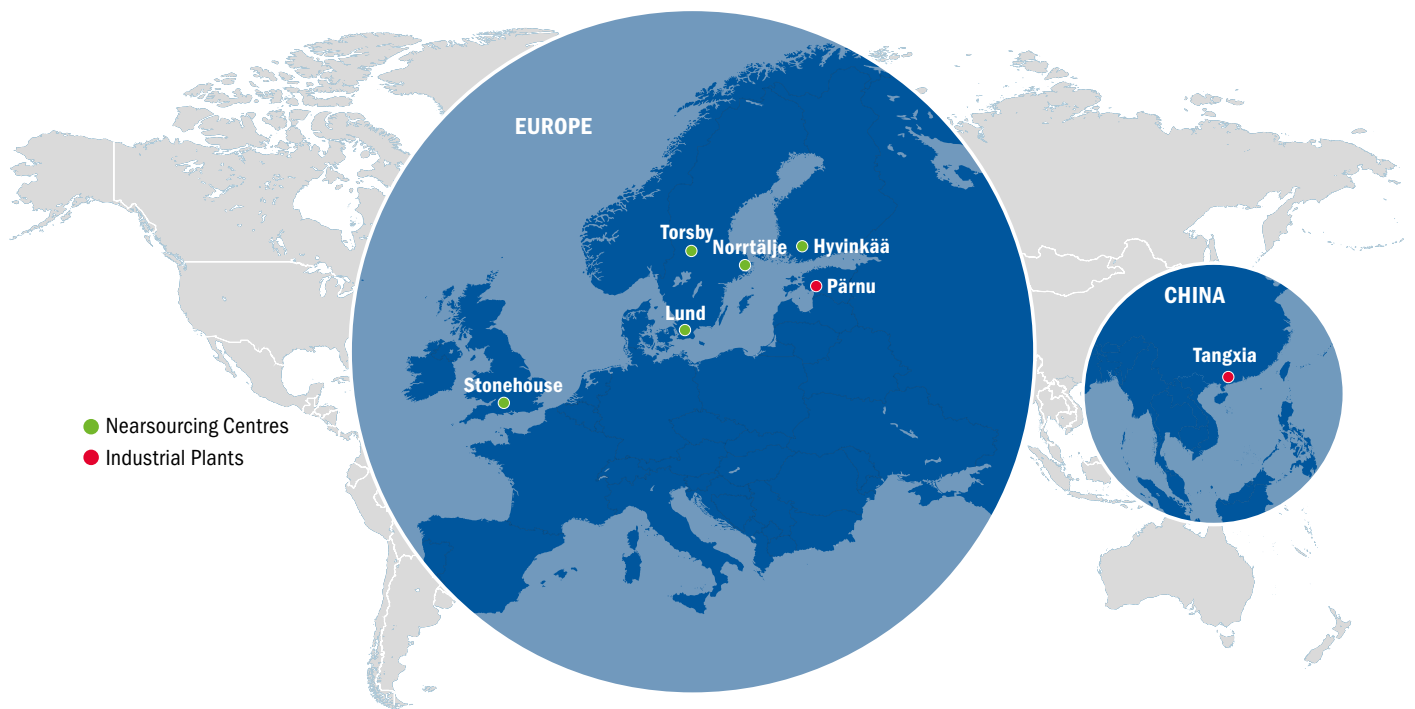
SEK million	2016 Q2	2015 Q2	2016 Q1-Q2	2015 Q1-Q2	Rolling 12 mth.	2015 full year
<b>Profit after tax</b>	<b>-23.8</b>	<b>-0.7</b>	<b>-23.7</b>	<b>8.3</b>	<b>-18.9</b>	<b>13.1</b>
<b>Other comprehensive income</b>						
Items that can be subsequently reversed in the income statement:						
Fair value reserve	0.8	-0.1	0.4	0.0	-0.6	-1.0
Tax on fair value reserve	-0.2	0.0	-0.1	0.0	0.1	0.2
<b>Total other comprehensive income after tax</b>	<b>0.6</b>	<b>-0.1</b>	<b>0.3</b>	<b>0.0</b>	<b>-0.5</b>	<b>-0.8</b>
<b>Comprehensive income after tax</b>	<b>-23.2</b>	<b>-0.8</b>	<b>-23.4</b>	<b>8.3</b>	<b>-19.4</b>	<b>12.3</b>

# Parent Company Balance Sheet

SEK million	2016 30 June	2015 30 June	2015 31 Dec
<b>Assets</b>			
Intangible assets	0.7	0.8	0.8
Property, plant and equipment	0.3	-	0.1
Deferred tax assets	1.3	4.1	1.3
Long-term receivables from group companies	31.0	42.4	36.5
Financial non-current assets	221.4	243.7	248.6
<b>Total non-current assets</b>	<b>254.7</b>	<b>291.0</b>	<b>287.3</b>
Accounts receivable—trade	0.1	-	-
Receivables from group companies	38.5	36.3	35.6
Other current receivables	2.4	1.4	2.3
Cash and bank balances	10.0	7.4	28.4
<b>Total current assets</b>	<b>51.0</b>	<b>45.1</b>	<b>66.3</b>
<b>TOTAL ASSETS</b>	<b>305.7</b>	<b>336.1</b>	<b>353.6</b>
<b>Equity and liabilities</b>			
<b>Equity</b>	<b>209.8</b>	<b>249.4</b>	<b>253.4</b>
<b>Liabilities</b>			
Liabilities to group companies	84.0	77.9	86.8
Other current liabilities and provisions	11.9	8.8	13.4
<b>Total current liabilities</b>	<b>95.9</b>	<b>86.7</b>	<b>100.2</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>305.7</b>	<b>336.1</b>	<b>353.6</b>

# Parent Company Change in Equity

SEK million	2016 Q2	2015 Q2	2016 Q1–Q2	2015 Q1–Q2	Rolling 12 mth.	2015 full year
Opening equity	253.2	264.6	253.4	261.0	249.4	261.0
Comprehensive income after tax	-23.2	-0.8	-23.4	8.3	-19.4	12.3
Dividend	-20.2	-14.4	-20.2	-14.4	-20.2	-14.4
Effect of change in accounting principle	-	-	-	-5.5	-	-5.5
<b>Closing equity</b>	<b>209.8</b>	<b>249.4</b>	<b>209.8</b>	<b>249.4</b>	<b>209.8</b>	<b>253.4</b>



## + This is NOTE

### Vision

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

### Business concept

NOTE is a leading northern European manufacturing and logistics 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.

### Nearsourcing Centres and Industrial Plants

The business is organised to address the differing needs of its customers optimally.

NOTE's Nearsourcing Centres provide advanced production technology services in close collaboration with customers, such as component selection, developing test equipment, prototyping and serial production.

NOTE's Industrial Plants offer development-oriented services and cost-efficient volume production of PCBAs and box build products.

## + Financial information

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

### Calendar

Interim Report, Jan–Sep 25 Oct 2016

### 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)8 568 99003, +46 (0)70-977 0686  
E-mail: [henrik.nygren@note.eu](mailto:henrik.nygren@note.eu)



**NOTE AB (publ)**

Box 711  
Vendevägen 85 A  
182 17 Danderyd  
Sweden

**NOTE Components AB**

Box 711  
Vendevägen 85 A  
182 17 Danderyd  
Sweden

**NOTE Hyvinkää Oy**

Avainkierto 3  
05840 Hyvinkää  
Finland

**NOTE Lund AB**

Maskinvägen 3  
227 30 Lund  
Sweden

**NOTE Norrtälje AB**

Box 185  
Vilhelm Mobergs gata 18  
761 22 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

**IONOTE Electronics  
(Dongguan) Ltd**

No. 6 Ling 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)