

# Interim Report January–June 2017





# Interim Report Q2

## Financial performance in January–June

- Sales increased by 4% to SEK 585.5 (561.5) million. Excluding divestments, sales increased by 8%.
- Operating profit rose to SEK 50.7 (29.6) million, and adjusted for non-recurring items in the first quarter, operating profit increased to SEK 35.0 (29.6) million.
- Operating margin was 8.7% (5.3%), adjusted for non-recurring items in the first quarter, operating margin expanded by 0.7 percentage points to 6.0% (5.3%).
- Profit after financial items increased to SEK 48.4 (26.5) million.
- Profit after tax was up to SEK 38.5 (21.2) million, corresponding to SEK 1.33 (0.73) per share.
- Cash flow after investments amounted to SEK 79.1 (31.2) million, or SEK 2.74 (1.08) per share.

## Financial performance in April–June

- Sales increased by 9% to SEK 308.4 (282.4) million. Excluding divestments, sales increased by 12%.
- Operating profit rose to SEK 20.3 (15.4) million.
- Operating margin expanded by 1.1 percentage points to 6.6% (5.5%).
- Profit after financial items increased to SEK 19.3 (13.6) million.
- Profit after tax rose to SEK 11.6 (11.0) million, corresponding to SEK 0.40 (0.38) per share, of which SEK -0.14 (-) per share consisted of write-down of foreign deferred taxes.
- Cash flow after investments amounted to SEK 1.3 (4.1) million, or SEK 0.05 (0.14) per share.

## Events in the year

### Shareholders' meetings 2017

An Extraordinary General Meeting (EGM) in January, convened as a result of changes to NOTE's ownership structure, elected John Hedberg, Johan Hagberg and Per Ovrén to the Board and re-elected Kjell-Åke Andersson and Bahare Hederstierna as Board members for the period until the Annual General Meeting (AGM). John Hedberg was elected Chairman.

The AGM in April elected Mikael Norin as a Board member, and re-elected the other Board members.

### Sale of property in Lund

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

### Incentive programme

From its own holdings, NOTE's largest shareholder Creades AB has issued call options to senior managers of NOTE. These call options relate to some 2% of the total number of outstanding NOTE shares and run until 8 November 2017 inclusive.

NOTE's Annual General Meeting (AGM) resolved to introduce a long-term incentive programme (three years) for group management and key staff. The incentive program involves the issue of 600,000 share warrants, corresponding to approximately 2% of the number of outstanding NOTE shares. Pricing of the incentive programmes were on market terms, and both were fully subscribed.

### Changes to group management

Per Ovrén was appointed as NOTE's new CEO and President, and took up his position on 15 June. David Krantz was appointed as Sourcing Director and became a member of group management. He took up his position on 12 June.

### NOTE becomes myFC's volume manufacturing partner

NOTE signed an agreement on volume manufacture with Swedish innovator myFC. This company develops green energy solutions and is a world leader in micro fuel cells. Prototyping has been conducted at NOTE Lund, and volume manufacture will be at NOTE's unit in China.



# 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 customers that need advanced solutions in electronics production and logistics.

We can conclude that NOTE's custom working methods, with their focus on ensuring quality and delivery precision, have been critical success factors in achieving our current strong market positioning. My first operational phase within the company has been spent meeting customers and staff. My impressions to date are really positive. Our services deliver on our promises—not least in terms of quality and delivery precision—the foundation for growth going forward. The fact that so many of our customers are now indicating that they want to do more business with us corroborates this. Our committed people have deep understanding, long-term experience, and strong business drive. I'm really looking forward to trying to further enhance NOTE's progress.

## Progress in the first half-year

We achieved sales of SEK 585.5 million in the first half-year. The impact of exchange rates was limited, and adjusted for the divestment of our Norwegian operation (in the second quarter of the previous year), sales growth was 8%. Our positive progress accelerated in the second quarter when like-for-like sales growth was 12%.

The demand for NOTE's services progressed positively on several domestic markets—we saw increasing activity in Sweden, Finland and Estonia, while progress in the UK was slower. In China, we encountered difficulties in matching the previous year's strong sales at the beginning of this year. But progress accelerated significantly in the second quarter, and at present, the sales run-rate is in line with last year, which is positive. To satisfy the increased demand for manufacturing in Estonia, we will bring a new advanced surface mounting line on stream in the summer.

I'm delighted that our market initiatives now are paying off. We are continuing to secure new accounts, and have exciting projects for our already-strong customer base. Our recently announced partnership with innovator myFC, and several ongoing projects in the Internet of Things, represent great growth opportunities for us. We also think that our industrial, medtech and defence portfolio offers potential already in the second half-year, and ahead. Our order book, consisting of a combination of fixed orders and customer forecasts, continues to indicate positives sales progress in the year. Overall, we see potential for growth and increased market shares.

We are noting a more strained situation for electronics components and input goods, which has caused somewhat longer delivery lead-times. This is not an unusual situation and we maintain close dialogue with our customers and suppliers on this issue.

On the cost side, we executed another initiative in Sweden to ensure a flexible and effective cost structure. In the short term, this had a negative impact on our operating profit of some SEK 5 million in the first quarter. As early as the second quarter, we saw how our actions had made a positive contribution, in terms



*I'm delighted that our marketing initiatives now are paying off—sales in our units were up by 12% in Q2.*

of increased customer focus and improved profitability. To focus our business, we sold our industrial property in Lund, southern Sweden, which had a positive impact operating profit of just over SEK 20 million.

Our reported operating profit for the first half-year increased to SEK 50.7 (29.6) million. Adjusted for non-recurring items in the first quarter, underlying operating profit improved to SEK 35.0 (29.6) million, equivalent to an operating margin of 6.0% (5.3%). In the second quarter, the operating margin expanded by 1.1 percentage points to 6.6%, driven primarily by our Western European units.

Effective management of working capital is an important success factor for our growth, even if growth generally drives working capital in absolute terms. We work continuously on improving efficiency in this segment. Intelligent and thought-through logistics setups are vital to our own, and our customers', financing and cash flow. In the first half-year, cash flow after investments increased to SEK 79.1 (31.2) million, or SEK 2.74 (1.08) per share. We are well placed financially for our future. Our Balance Sheet is one of the sector's strongest, with low net debt and an equity ratio of 46.4%.

## Future

During the year, our main focus will be on increasing growth and turning the contracts we have secured into orders at our plants. This will primarily be achieved through expanded collaborations with current customers and the careful selection of new business partners. We will also continue to develop our people, our cost situation and ensure high utilisation of our working capital.

Per Ovrén

# Sales and results of operations

## Sales, January–June

NOTE sells to a large customer base, essentially active in engineering, communication, medtech, defence and advanced consumer electronics. Its customer base consists of global corporations active on the world market, as well as localised enterprises whose primary sales are in northern Europe.

The demand for NOTE's services progressed positively in the first half-year. In Western Europe, progress was positive in Sweden and Finland, while sales in the UK remained at a low level. The demand for manufacturing in our Estonian operation was also positive. As a result of very high demand from several major multinational customers, progress in our Chinese operation was very positive in the first half-year last year. Year to date this year, sales from our unit in China were down on the previous year.

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

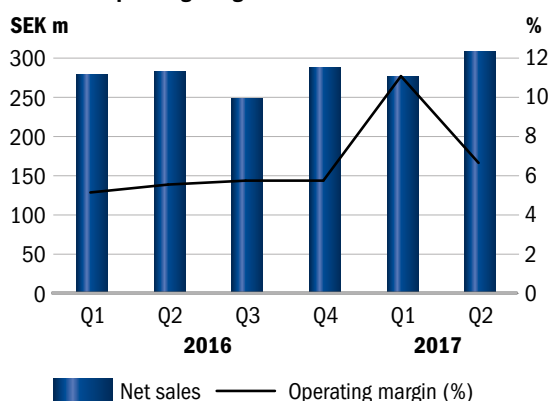
NOTE has also been working intensively for an extended period on expanding its customer base further, to boost sales and capacity utilisation in the group's units. As a result of these marketing initiatives, NOTE secured many new customer relationships. Several of these partnerships, which usually start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

Sales increased by 4% to SEK 585.5 (561.5) million in the first half-year, with a fairly marginal impact from exchange rate fluctuations. Adjusted for the sale of the Norwegian operation in the second quarter of the previous year, sales increased by 8%. The increased sales consisted of new products to existing customers, as well as the progressive impact of higher volumes to new business customers.

The 15 largest customers in sales terms represented 57% (59%) of group sales. Similar to the previous year, no single customer (group) generated more than about 10% (10%) of total sales.

The group's order book, consisting of a combination of fixed orders and customer forecasts, corroborated positive sales progress at the end of the period.

Sales and operating margin



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 the group's units for several years. This work is conducted locally at each unit and through a number of group-wide projects. Over and above initiatives to expand and develop its customer offering, NOTE's focus is on measures that improve delivery precision and quality, 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. This new, group-wide system is operational at all Swedish units, and also went live at its plant in Estonia during the second quarter. The ambition is to enable further rationalisation by harmonising internal processes and systems support across the group's units.

In the first half-year, gross margin declined somewhat to 11.6% (12.2%), essentially because of a lower service content in sales from China.

Sales and administration overheads for the period were SEK 38.5 (37.4) million, or 6.6% (6.7%) of sales, of which 0.2 percentage points consisted of non-recurring items in the first quarter. Selling expenses in the previous year were relatively low as a result of a settlement with a former CEO.

Other operating expenses/income, which normally consist of revaluations of foreign currency assets and liabilities, were SEK +21.4 (–1.3) million, of which the effect of the property sale in Lund was SEK 20.6 million.

Operating profit in the first half-year was SEK 50.7 (29.6) million. Underlying operating profit, adjusted for the property sale and other non-recurring items, increased by SEK 5.4 million to SEK 35.0 (29.6) million. Computed on the same basis, operating margin expanded by 0.7 percentage points to 6.0% (5.3%).

Positive progress of cash flow helped net financial income/expense improve, to SEK –2.3 (–3.1) million.

Profit after financial items was SEK 48.4 (26.5) million, corresponding to a profit margin of 8.3% (4.7%).

Profit after tax was SEK 38.5 (21.2) million, or SEK 1.33 (0.73) per share. The non-recurring items in the first quarter, combined with a write-down of foreign deferred taxes, had a positive impact on profit per share of 0.49 SEK/share.

## Sales and results of operations, April–June

Strong demand for NOTE's services was evident in the second quarter. Sales continued to progress positively in Western Europe, especially in Sweden, and in Estonia. Sales in China increased on the first quarter, but remained below the previous year's level.

Sales in the second quarter increased by 9% to SEK 308.4 (282.4) million. For comparable units, excluding the divested operation in Norway, sales growth for the second quarter was 12%. Sales from the Estonian and Chinese units were 41% (41%) of consolidated sales.

The combination of increased sales with continued positive progress of costs, helped gross profit increase to SEK 36.5 (35.6) million. Gross margin reduced somewhat to 11.8% (12.6%), mainly because of a lower service sale share in China.

Sales and administration overheads for the period were SEK 18.6 (19.9) million, or 6.0% (7.1%) of sales.

Other operating income/expenses, which mainly consist of revaluations of assets and liabilities in foreign currencies, were SEK 2.4 (-0.3) million.

Mainly because of increased sales, combined with the continued stable progress of costs, operating profit increased to

SEK 20.3 (15.4) million. The operating margin expanded by 1.1 percentage points to 6.6% (5.5%).

Profit after financial items increased to SEK 19.3 (13.6) million, equivalent to an operating margin of 6.3% (4.8%).

## Cash flow and financial position

### Cash flow

Competing successfully in NOTE's high mix/low to medium volume market segment sets high standards on flexible manufacture, the effective supply of materials and the ability to deliver custom manufacturing and logistics solutions. Accordingly, NOTE faces a big challenge to continuously improve 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, which are largely linked to the complexity of materials supply and varying lead-times of electronic components.

The global market for electronic components can be considered fairly cyclical. Progress in the first half-year was relatively stable. But increasingly, extended lead-times and higher prices in several component segments became apparent. The supply of electronic components remained good, which benefitted NOTE's materials planning and logistics.

NOTE maintains a sharp focus on continuous rationalisation of its utilisation of working capital. However, capital tied up in stock, including customer advances for materials, was up 9% in the quarter, and was over 20% higher than the mid-point at the previous year. This is mainly associated with upscaled prototyping, starting up new manufacturing projects, and higher volumes on ongoing projects. Additionally, NOTE implemented a new logistics setup with a major international customer last quarter, which involved the storage of finished goods close to the customer's final assembly point.

Despite the sales increase, accounts receivable—trade reduced somewhat in the quarter, and were down by just over 5% on the mid-point of the previous year. Through focused initiatives, especially in the Chinese operation, the number of outstanding days of credit reduced significantly on the previous year. NOTE continuously monitors credit risks, and the progress of days of credit.

Accounts payable—trade, which are mainly sourced electronic components and other production materials, increased somewhat in the quarter, and were up by 19% on the mid-point of the previous year. NOTE is working actively to keep 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.

### Equity to assets ratio

**46.4%**

### Cash flow after investments

**+79,1** SEK million

The combination of continued positive profit performance, rationalisation in the working capital segment and the property sale in Lund, contributed to first half-year cash flow after investments of SEK 79.1 (31.2) million, equivalent to SEK 2.74 (1.08) 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 46.4% (44.4%). The dividend of SEK 20.2 million paid to shareholders in the second quarter reduced the equity to assets ratio by some 3 percentage points.

# Liquidity and investments

## Liquidity and net debt

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

The group's available cash and cash equivalents, including un-utilised overdraft facilities, were some SEK 138 (101) million at the mid-point of the year. Factored accounts receivable—trade were approximately SEK 112 (111) million. Net debt at the end of the period was SEK 2.7 (68.9) million.

## Investments

Capital expenditure on fixed assets in the first half-year was SEK 7.9 (3.4) million, or 1.3% (0.6%) of sales. Investments primarily consisted of projects to increase efficiency and quality.

To satisfy greater demand for electronics production at the group's unit in Estonia, NOTE took a decision to invest in a new surface mounting line. The new equipment is based on the same technology used at sites including the facility in China. This new equipment is scheduled to come on stream during the third quarter. Plan depreciation and amortisation amounted to SEK 7.5 (7.0) 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 19.1 (14.9) million, and mainly related to intra-group services. In the first quarter, operating profit was positively impacted by the property sale in Lund, southern Sweden. In the second quarter of the previous year, net financial income/expense was negatively affected by the impairment of shares in subsidiaries, due to the sale of the Norwegian subsidiary. Net financial income/expense in the first half-year includes SEK 2.3 (4.6) million of dividends received from subsidiaries. Profit after tax was SEK 31.9 (-23.7) million.

## Annual General Meeting 2017

The AGM in April elected Mikael Norin, and re-elected the rest of the Board of Directors, with John Hedberg as Chairman. The AGM resolved to pay a dividend to shareholders of SEK 0.70 (0.70) per share, or SEK 20.2 (20.2) 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 manufacturing and logistics partners for the manufacture 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 business model, which is designed to increase sales growth while limiting overheads and capital expenditure in high-cost countries, is one way to mitigate the risks in operations.

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

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

# Accounting and valuation principles

NOTE observes International Financial Reporting Standards (IFRS) as endorsed by the European Union. Significant accounting and valuation principles are stated on pages 34–36 of the Annual Report for 2016. The group's Interim Report has been prepared in accordance with the Swedish Annual Accounts Act and IAS 34, Interim Financial Reporting. The parent company observes RFR2.

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.



John Hedberg  
Chairman



Kjell-Åke Andersson  
Board member



Johan Hagberg  
Board member



Bahare Hederstierna  
Board member



Mikael Norin  
Board member



Per Ovrén  
Board member



Christoffer Skogh  
Board member, Employee Representative

The Board of Directors of NOTE AB (publ)  
Stockholm, Sweden  
16 July 2017

## Consolidated six-year summary

SEK million	Rolling 12 mth.	2016	2015	2014	2013	2012
Net sales	1,122.1	1,098.1	1,121.5	964.0	907.0	1,029.2
Gross margin	11.7%	12.0%	10.9%	10.6%	8.0%	9.0%
Operating margin	7.2%	5.5%	4.0%	3.3%	1.0%	2.5%
Profit margin	6.8%	5.0%	3.5%	3.0%	0.1%	1.9%
Cash flow after investing activities	88.9	40.9	5.2	2.5	–2.0	97.0
Cash flow per share, SEK	3.08	1.42	0.18	0.09	–0.07	3.36
Equity per share, SEK	11.54	11.01	9.94	9.36	8.25	9.02
Return on operating capital	23.4%	16.1%	12.9%	10.1%	3.1%	7.9%
Return on equity	20.0%	14.9%	12.4%	9.7%	0.3%	4.9%
Equity to assets ratio	46.4%	45.8%	43.3%	44.1%	44.0%	45.2%
Average number of employees	914	987	940	893	847	884
Net sales per employee, SEK 000	1,228	1,113	1,193	1,080	1,071	1,164

## Consolidated quarterly summary

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

## 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	2017 Q2	2016 Q2	2017 Q1-Q2	2016 Q1-Q2	Rolling 12 mth.	2016 full year
Net sales	308.4	282.4	585.5	561.5	1,122.1	1,098.1
Cost of goods and services sold	-271.9	-246.8	-517.7	-493.2	-990.9	-966.4
<b>Gross profit</b>	<b>36.5</b>	<b>35.6</b>	<b>67.8</b>	<b>68.3</b>	<b>131.2</b>	<b>131.7</b>
Selling expenses	-10.9	-12.2	-24.7	-22.1	-44.9	-42.3
Administrative expenses	-7.7	-7.7	-13.8	-15.3	-28.0	-29.5
Other operating income/expenses	2.4	-0.3	21.4	-1.3	23.0	0.3
<b>Operating profit</b>	<b>20.3</b>	<b>15.4</b>	<b>50.7</b>	<b>29.6</b>	<b>81.3</b>	<b>60.2</b>
Net financial income/expenses	-1.0	-1.8	-2.3	-3.1	-4.9	-5.7
<b>Profit after financial items</b>	<b>19.3</b>	<b>13.6</b>	<b>48.4</b>	<b>26.5</b>	<b>76.4</b>	<b>54.5</b>
Income tax	-7.7	-2.6	-9.9	-5.3	-13.9	-9.3
<b>Profit after tax</b>	<b>11.6</b>	<b>11.0</b>	<b>38.5</b>	<b>21.2</b>	<b>62.5</b>	<b>45.2</b>

## Consolidated Statement of Other Comprehensive Income

SEK million	2017 Q2	2016 Q2	2017 Q1-Q2	2016 Q1-Q2	Rolling 12 mth.	2016 full year
<b>Profit after tax</b>	<b>11.6</b>	<b>11.0</b>	<b>38.5</b>	<b>21.2</b>	<b>62.5</b>	<b>45.2</b>
<b>Other comprehensive income</b>						
Items that can be subsequently reversed in the income statement:						
Payment warrants	0.5	-	0.5	-	0.5	-
Exchange rate differences	-2.5	4.6	-3.5	3.4	-0.8	6.1
Cash flow hedges	0.0	0.0	0.0	0.0	0.0	0.0
Tax on hedges and exchange rate difference	0.0	-0.2	0.0	-0.1	-0.1	-0.2
<b>Total other comprehensive income after tax</b>	<b>-2.0</b>	<b>4.4</b>	<b>-3.0</b>	<b>3.3</b>	<b>-0.4</b>	<b>5.9</b>
<b>Comprehensive income after tax</b>	<b>9.6</b>	<b>15.4</b>	<b>35.5</b>	<b>24.5</b>	<b>62.1</b>	<b>51.1</b>

## Earnings per share

	2017 Q2	2016 Q2	2017 Q1-Q2	2016 Q1-Q2	Rolling 12 mth.	2016 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	0.40	0.38	1.33	0.73	2.16	1.57

# Consolidated Balance Sheet

SEK million	2017 30 June	2016 30 June	2016 31 Dec
<b>Assets</b>			
Goodwill	70.2	70.3	70.4
Other intangible assets	10.0	9.7	10.0
Property, plant and equipment	54.4	61.3	65.3
Deferred tax assets	1.8	5.3	5.0
Other financial assets	1.5	1.5	1.6
<b>Total non-current assets</b>	<b>137.9</b>	<b>148.1</b>	<b>152.3</b>
Inventories	250.8	200.8	206.3
Accounts receivable—trade	230.2	242.7	249.8
Other current receivables	17.9	19.7	14.5
Cash and bank balances	82.1	45.3	71.6
<b>Total current assets</b>	<b>581.0</b>	<b>508.5</b>	<b>542.2</b>
<b>TOTAL ASSETS</b>	<b>718.9</b>	<b>656.6</b>	<b>694.5</b>
<b>Equity and liabilities</b>			
<b>Equity</b>	<b>333.3</b>	<b>291.4</b>	<b>318.0</b>
<b>Liabilities</b>			
Long-term interest-bearing liabilities	5.8	8.6	6.8
Deferred tax liabilities	1.4	2.4	2.5
<b>Total non-current liabilities</b>	<b>7.2</b>	<b>11.0</b>	<b>9.3</b>
Current interest-bearing liabilities	79.0	105.6	125.2
Accounts payable—trade	208.9	175.3	171.3
Other current liabilities	90.5	73.3	70.7
<b>Total current liabilities</b>	<b>378.4</b>	<b>354.2</b>	<b>367.2</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>718.9</b>	<b>656.6</b>	<b>694.5</b>

# Consolidated Change in Equity

SEK million	2017 Q2	2016 Q2	2017 Q1–Q2	2016 Q1–Q2	Rolling 12 mth.	2016 full year
Opening equity	343.9	296.2	318.0	287.1	291.4	287.1
Comprehensive income after tax	9.6	15.4	35.5	24.5	62.1	51.1
Dividend	-20.2	-20.2	-20.2	-20.2	-20.2	-20.2
<b>Closing equity</b>	<b>333.3</b>	<b>291.4</b>	<b>333.3</b>	<b>291.4</b>	<b>333.3</b>	<b>318.0</b>

# Consolidated Cash Flow Statement

SEK million	2017 Q2	2016 Q2	2017 Q1-Q2	2016 Q1-Q2	Rolling 12 mth.	2016 full year
<b>Operating activities</b>						
Profit after financial items	19.3	13.6	48.4	26.5	76.4	54.5
Reversed depreciation and amortisation	3.7	3.4	7.5	7.0	15.3	14.8
Other non-cash items	0.5	-0.2	-16.9	5.7	-24.3	-1.8
Tax paid	-2.9	-2.3	-4.1	-6.9	2.4	-0.4
Change in working capital	-14.0	-8.4	8.1	2.7	-13.1	-18.5
<b>Cash flow from operating activities</b>	<b>6.6</b>	<b>6.1</b>	<b>43.0</b>	<b>35.0</b>	<b>56.7</b>	<b>48.6</b>
<b>Cash flow from investing activities</b>	<b>-5.3</b>	<b>-2.0</b>	<b>36.1</b>	<b>-3.8</b>	<b>32.2</b>	<b>-7.7</b>
<b>Cash flow from financing activities</b>	<b>-60.8</b>	<b>-16.4</b>	<b>-67.6</b>	<b>-33.1</b>	<b>-51.5</b>	<b>-17.0</b>
<b>Change in cash and cash equivalents</b>	<b>-59.5</b>	<b>-12.3</b>	<b>11.5</b>	<b>-1.9</b>	<b>37.4</b>	<b>23.9</b>
<b>Cash and cash equivalents</b>						
At beginning of period	142.6	56.8	71.6	47.3	45.2	47.3
Cash flow after investing activities	1.3	4.1	79.1	31.2	88.9	40.9
Cash flow from financing activities	-60.8	-16.4	-67.6	-33.1	-51.5	-17.0
Exchange rate difference in cash and cash equivalents	-1.0	0.8	-1.0	-0.1	-0.5	0.4
<b>Cash and cash equivalents at end of period</b>	<b>82.1</b>	<b>45.3</b>	<b>82.1</b>	<b>45.3</b>	<b>82.1</b>	<b>71.6</b>
Un-utilised credits	55.6	55.4	55.6	55.4	55.6	55.5
<b>Available cash and cash equivalents</b>	<b>137.7</b>	<b>100.7</b>	<b>137.7</b>	<b>100.7</b>	<b>137.7</b>	<b>127.1</b>



# Operating segments

Western Europe, previously called Nearsourcing Centres, 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 serial production.

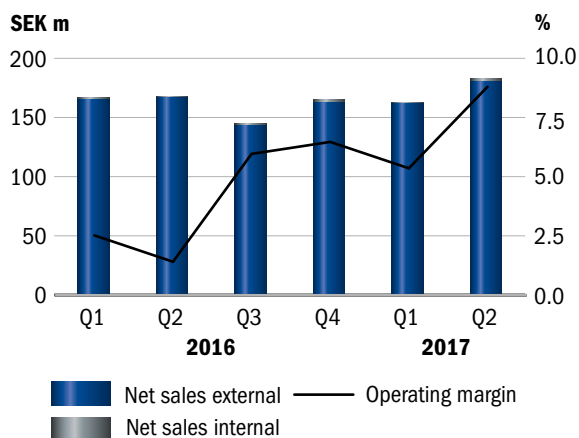
Rest of World, previously called Industrial Plants, located in

Estonia and China, are close to large end markets and in regions with strong traditions of production and high competence levels. In addition to development-oriented services, these units also offer cost-efficient volume production of PCBAs and box build products.

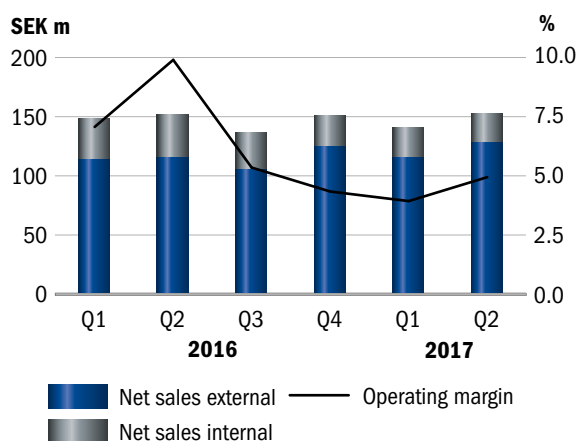
Intra-Group are group-wide business support functions in the parent company and for the sourcing operations in NOTE Components.

SEK million	2017 Q2	2016 Q2	2017 Q1-Q2	2016 Q1-Q2	Rolling 12 mth.	2016 full year
<b>WESTERN EUROPE</b>						
External net sales	180.5	166.5	342.0	331.9	648.2	638.1
Internal net sales	2.7	1.4	4.0	2.7	7.5	6.2
Operating profit	15.9	2.4	24.6	6.5	43.7	25.6
Operating margin	8.7%	1.4%	7.1%	1.9%	6.7%	4.0%
Inventories	126.7	99.5	126.7	99.5	126.7	106.6
External accounts receivable—trade	127.8	126.9	127.8	126.9	127.8	126.2
Average number of employees	280	309	278	321	282	298
<b>REST OF WORLD</b>						
External net sales	127.9	115.9	243.5	229.6	473.9	460.0
Internal net sales	24.5	35.8	49.4	70.4	106.2	127.2
Operating profit	7.5	14.9	13.0	25.3	26.7	39.0
Operating margin	4.9%	9.8%	4.4%	8.4%	4.6%	6.6%
Inventories	124.1	101.3	124.1	101.3	124.1	99.7
External accounts receivable—trade	101.6	115.6	101.6	115.6	101.6	123.2
Average number of employees	589	720	582	692	613	670
<b>INTRA-GROUP</b>						
Internal net sales	-27.2	-37.2	-53.4	-73.1	-113.7	-133.4
Operating profit	-3.1	-1.9	13.1	-2.2	10.9	-4.4
External accounts receivable—trade	0.8	0.2	0.8	0.2	0.8	0.4
Average number of employees	17	18	18	18	19	19

Sales and operating margin Western Europe



Sales and operating margin Rest of World



# Parent Company Income Statement

SEK million	2017 Q2	2016 Q2	2017 Q1-Q2	2016 Q1-Q2	Rolling 12 mth.	2016 full year
Net sales	9.0	8.0	19.1	14.9	36.0	31.8
Cost of services sold	-4.1	-4.4	-9.1	-8.6	-16.6	-16.1
<b>Gross profit</b>	<b>4.9</b>	<b>3.6</b>	<b>10.0</b>	<b>6.3</b>	<b>19.4</b>	<b>15.7</b>
Selling expenses	-3.1	-2.5	-7.9	-3.0	-15.9	-11.0
Administrative expenses	-3.0	-2.8	-6.0	-5.3	-11.9	-11.2
Other operating income/expenses	-0.1	-4.3	33.2	-4.3	22.4	-15.1
<b>Operating profit</b>	<b>-1.3</b>	<b>-6.0</b>	<b>29.3</b>	<b>-6.3</b>	<b>14.0</b>	<b>-21.6</b>
Net financial income/expenses	0.2	-17.9	2.6	-17.5	27.3	7.2
<b>Profit after financial items</b>	<b>-1.1</b>	<b>-23.9</b>	<b>31.9</b>	<b>-23.8</b>	<b>41.3</b>	<b>-14.4</b>
Appropriations	-	-	-	-	-	-
<b>Profit before tax</b>	<b>-1.1</b>	<b>-23.9</b>	<b>31.9</b>	<b>-23.8</b>	<b>41.3</b>	<b>-14.4</b>
Income tax	-	0.1	-	0.1	-3.9	-3.8
<b>Profit after tax</b>	<b>-1.1</b>	<b>-23.8</b>	<b>31.9</b>	<b>-23.7</b>	<b>37.4</b>	<b>-18.2</b>

# Parent Company Statement of Other Comprehensive Income

SEK million	2017 Q2	2016 Q2	2017 Q1-Q2	2016 Q1-Q2	Rolling 12 mth.	2016 full year
<b>Profit after tax</b>	<b>-1.1</b>	<b>-23.8</b>	<b>31.9</b>	<b>-23.7</b>	<b>37.4</b>	<b>-18.2</b>
<b>Other comprehensive income</b>						
Items that can be subsequently reversed in the income statement:						
Fair value reserve	0.1	0.8	-0.1	0.4	0.1	0.6
Tax on fair value reserve	0.0	-0.2	0.0	-0.1	-0.1	-0.2
<b>Total other comprehensive income after tax</b>	<b>0.1</b>	<b>0.6</b>	<b>-0.1</b>	<b>0.3</b>	<b>0.0</b>	<b>0.4</b>
<b>Comprehensive income after tax</b>	<b>-1.0</b>	<b>-23.2</b>	<b>31.8</b>	<b>-23.4</b>	<b>37.4</b>	<b>-17.8</b>

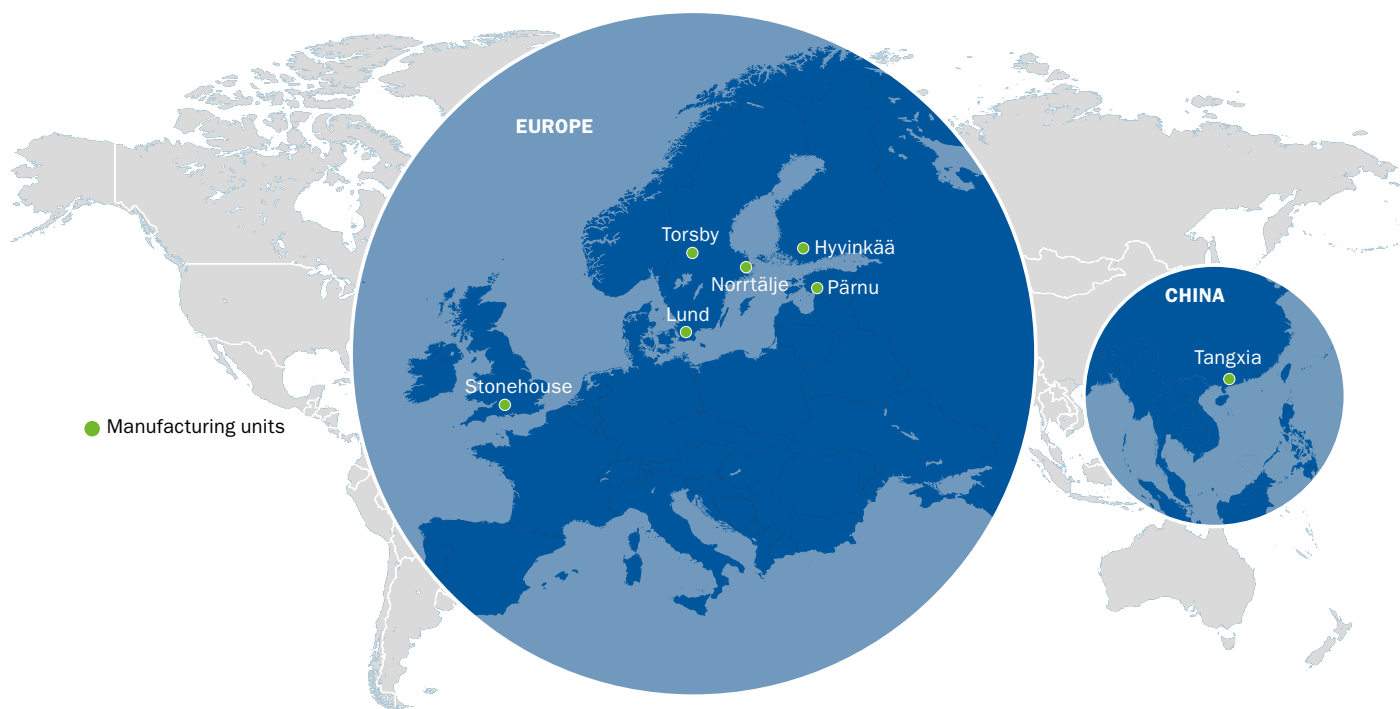
# Parent Company Balance Sheet

SEK million	2017 30 June	2016 30 June	2016 31 Dec
<b>Assets</b>			
Intangible assets	1.2	0.7	1.2
Property, plant and equipment	0.5	0.3	0.2
Deferred tax assets	-	1.3	-
Long-term receivables from group companies	4.7	31.0	9.6
Financial non-current assets	221.4	221.4	221.4
<b>Total non-current assets</b>	<b>227.8</b>	<b>254.7</b>	<b>232.4</b>
Accounts receivable—trade	-	0.1	-
Receivables from group companies	48.6	38.5	43.9
Other current receivables	1.3	2.4	1.5
Cash and bank balances	47.4	10.0	34.9
<b>Total current assets</b>	<b>97.3</b>	<b>51.0</b>	<b>80.3</b>
<b>TOTAL ASSETS</b>	<b>325.1</b>	<b>305.7</b>	<b>312.7</b>
<b>Equity and liabilities</b>			
<b>Equity</b>	<b>227.0</b>	<b>209.8</b>	<b>215.4</b>
<b>Liabilities</b>			
Liabilities to group companies	85.2	84.0	79.5
Other current liabilities and provisions	12.9	11.9	17.8
<b>Total current liabilities</b>	<b>98.1</b>	<b>95.9</b>	<b>97.3</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>325.1</b>	<b>305.7</b>	<b>312.7</b>

# Parent Company Change in Equity

SEK million	2017 Q2	2016 Q2	2017 Q1-Q2	2016 Q1-Q2	Rullande 12 mån.	2016 Helår
Opening equity	248.2	253.2	215.4	253.4	209.8	253.4
Comprehensive income after tax	-1.0	-23.2	31.8	-23.4	37.4	-17.8
Dividend	-20.2	-20.2	-20.2	-20.2	-20.2	-20.2
<b>Closing equity</b>	<b>227.0</b>	<b>209.8</b>	<b>227.0</b>	<b>209.8</b>	<b>227.0</b>	<b>215.4</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.

### Geographical presence

NOTE is organised to address its customers' varying needs optimally. Operations in Sweden, Finland and the UK deliver sophisticated production technologies services in close collaboration with customers, such as component selection, developing test equipment, prototyping and serial production.

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

## Financial information

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

### Calendar

Interim Report, Jan—Sep

17 Oct 2017

### 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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