

Interim Report January–September 2022

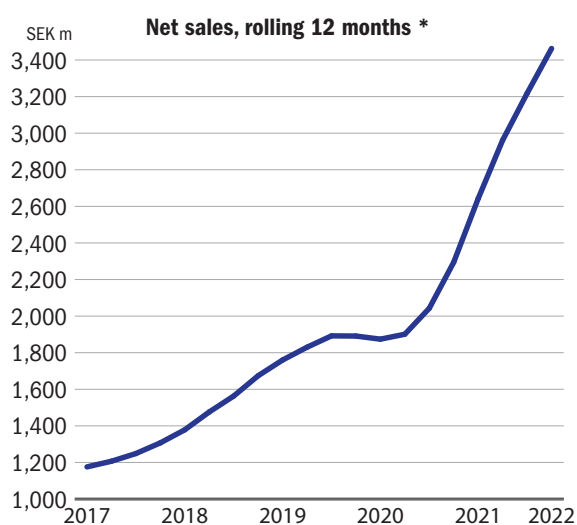


Financial performance in July–September

- Sales increased by 36% to SEK 930 (685) million. Adjusted for acquisitions and currency effects, organic growth was 18%. Approximately 6% of sales consisted of re-invoicing of extraordinary cost increases on electronic components.
- Operating profit was SEK 57 (64) million. Adjusted for doubtful debt of SEK 30 million and for currency revaluations of operating assets and liabilities in foreign currencies, underlying operating profit increased by 37% to SEK 92 (67) million.
- Operating margin was 6.2% (9.4%). Adjusted for the doubtful debt, currency revaluations of operating assets and liabilities in foreign currencies and adjusted for re-invoicing of extraordinary cost increases on electronic components, essentially without margin, the underlying operating margin increased by 0.4 percentage points to 10.2% (9.8%).
- Profit after financial items was SEK 47 (59) million.
- Profit after tax amounted to SEK 40 (48) million, corresponding to SEK 1.37 (1.68) per share.
- Cash flow after investments amounted to SEK -59 (-49) million, or SEK -2.04 (-1.71) per share. The quarter's cash flow includes the SEK -20 million payment for the acquisition of NOTE Herrljunga.

Financial performance in January–September

- Sales increased by 45% to SEK 2,649 (1,829) million. Adjusted for acquisitions and currency effects, organic growth was 25%. Approximately 5% of sales consisted of re-invoicing of extraordinary cost increases on electronic components.
- Operating profit was SEK 216 (164) million. Adjusted for the doubtful debt of SEK 30 million, and adjusted for currency revaluations of operating assets and liabilities in foreign currencies, the underlying operating profit increased by 53% to SEK 261 (170) million.
- Operating margin was 8.2% (9.0%). Adjusted for the doubtful debt, currency revaluations of operating assets and liabilities in foreign currencies and adjusted as well as re-invoicing of extraordinary cost increases on electronic components essentially without margin, the operating margin increased by 0.9 percentage points to 10.2% (9.3%).
- Profit after financial items was SEK 188 (155) million.
- Profit after tax amounted to SEK 155 (126) million, corresponding to SEK 5.35 (4.42) per share.
- Cash flow after investments was SEK -54 (-98) million, or SEK -1.86 (-3.43) per share. The year's cash flow includes the SEK -20 million payment for the acquisition of NOTE Herrljunga. Cash flow in the previous year was impacted by the SEK -68 million payment for the acquisition of iPRO of the UK.



* The subsidiary iPRO is included from June 2021 onwards, and the subsidiary NOTE Herrljunga is included from July 2022 onwards.

** Operating margin adjusted for non-recurring items, by SEK -16 million in Q1 2017, SEK +7 million in Q3 2018, SEK -5 million in Q4 2021 and SEK +30 million in Q3 2022.

Events in January-September

• Acquisition to increase in Sweden

In early-July, NOTE acquired all the shares of electronics manufacturer Dynamic Precision Solutions AB, now NOTE Herrljunga. The company's business model is reminiscent of NOTE's with its focus on long-term customer partnerships, high quality and good delivery precision. The company's customer base is mainly in Medtech and Industrial. The company was acquired with expected full-year 2022 sales of just over SEK 140 million. The company has performed strongly, and in the third quarter, sales were exceeding SEK 67 million, which is significantly above expectations. The company's operating margin is in line with NOTE's. Operations are conducted at leased premises of just over 5,000 m², which significantly increases production capacity in Sweden, NOTE's largest market.

• Continued strong underlying performance despite challenging component and currency markets, as well as a provision for doubtful debt in Q3

NOTE's high growth in recent years, combined with its methodical improvement work and rationalisations at all plants, has created the potential for profitable growth and continued operating margin expansion. This positive progress continued in the period. NOTE is reporting an underlying operating margin for the period of 10.2% (9.3%), an increase of 0.9 percentage points, and well in line with the long-term profitability target NOTE previously have communicated. For the period, NOTE is reporting an unadjusted operating margin of 8.2% (9.0%), which has been charged with the doubtful debt that NOTE previously reported, corresponding to SEK 30 million. This customer is active in charging electric vehicles on the British market and has been unable to refinance its business in the current market climate. The customer has filed for administration, and with the conservative valuation approach NOTE applies, a provision for NOTE's total risk exposure associated with the customer has been made. Additionally, NOTE's reported operating margin was negatively impacted due to that some 5% of NOTE's sales consisting of re-invoicing of extraordinary cost increases on electronic components linked to the shortage situation on the market. Since this is essentially without margin, it had a negative effect on NOTE's operating margin. Sharp appreciation of the USD, of over 20% in the period January to September, meant that currency revaluations of assets and liabilities in foreign currencies had a significant effect on NOTE's earnings. The following table illustrates the effect on NOTE's earnings performance:

	Reported earnings		Adjusted for extra-ordinary sales of materials		Adjusted for doubtful debt		Adjusted for currency*		Underlying profit		
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	Change
July-September, SEK m											
Operating profit	57	64	0	-	30	-	5	3	92	67	+37%
Operating margin	6.2%	9.4%	0.4%	-	3.2%	-	0.4%	0.4%	10.2%	9.8%	+0.4%
Profit after tax	40	48	0	-	24	-	7	4	71	52	+37%
Earnings per share	1.37	1.68	0	-	0.82	-	0.24	0.13	2.43	1.81	+0.62
January-September, SEK m											
Operating profit	216	164	0	-	30	-	15	6	261	170	+53%
Operating margin	8.2%	9.0%	0.4%	-	1.1%	-	0.5%	0.3%	10.2%	9.3%	+0.9%
Profit after tax	155	126	0	-	24	-	24	7	203	133	+53%
Earnings per share	5.35	4.42	0	-	0.82	-	0.82	0.24	6.99	4.66	+2.33

* Operating profit has been adjusted for currency revaluation of operating assets and liabilities in foreign currencies. Profit after tax has been adjusted for currency revaluations of operating assets and liabilities, as well as financial assets and liabilities in foreign currencies.

• Major successes on the market

NOTE is in a clear expansion phase. In Q1, NOTE communicated that its collaboration with a well-established international customer in its Industrial segment was performing significantly above estimates—sales of over SEK 130 million are already expected this year. In Industrial, NOTE reported a new partnership in June with a world leader in cutting and welding. Serial production will begin in the autumn, and the current partnership is expected to result in an annualised level of some SEK 70 million. In Communication, NOTE reported early in Q3 that it had secured a new deal with an existing telecom customer, where an expanded partnership is expected to result in increased volumes worth SEK 80 million annualised. Several new, high-potential projects in Medtech have recently transitioned to serial production, in Sweden and internationally. In Greentech, the substantial expansion of NOTE's customer Ferroamp was communicated in September, with its collaboration with NOTE expected to generate volumes of SEK 120 million as early as in 2023.

CEO's comments

Focusing on profitable growth

NOTE is one of the fastest-growing companies in our sector and a stable provider of EMS for customers with high standards. The combination of a clear growth agenda and strong customer offering, with continuous rationalisation on our cost side, have been contributors to increased market shares and progressively expanding margins. Our critical success factors are methodical work on assuring quality and delivery precision of the highest class to customers, and in these segments, we've secured a sector-leading position. By focusing on the market and technology segments where we're already strong, we've successfully secured a large number of new accounts in traditional industries, as well as in new, expansive application segments.

High growth in the period

NOTE's sales made record progress in the first three quarters of the year. Despite continued and complex challenges related to the shortage on the component market, in the first three quarters of the year, we succeeded in increasing sales by 45% to SEK 2,649 million. Adjusted for currency effects, acquisitions and some 5% of sales in this period being straight re-invoicing of extraordinary costs of materials linked to the shortage, and where sales are without margin, the sales increase was 20%. In Q3, we saw our strongest sales figure to date of SEK 930 million, an increase of 36%. Organic growth was 18%. In addition, approximately 6% consisted of re-invoicing of extraordinary cost of materials.

I'm delighted that we're continuing to grow in all customer segments. In Industrial—clearly our largest segment—we reported a growth number of 42%, and in Communication, previously negatively impacted by the pandemic, we achieved growth of 79%. Despite encountering progressively stronger comparative figures, growth in Sweden, our largest domestic market (excl. acquisitions) was 35%, and for our Western Europe segment overall, organic growth (excl. acquisitions) was 27%. On the UK market, we're encountering a slowdown, which we expect to persist in the first half-year 2023. For the first three quarters growth was only 2% (excl. acquisitions), while in Q3, we saw 0% growth. Sales from our plant in Estonia, which are mainly to customers in Sweden and Finland, continued their strong progress, with growth of 57%. Additionally, our sales in China, essentially to domestic end-customers, increased by 28%.

Continued brisk progress despite a challenging market

In the period, NOTE was compelled to provision for doubtful debt, which impacted our Q3 operating profit by SEK 30 million. As a manufacturing partner, we work closely with our customers and monitor their progress carefully. Due to a rapid turnaround on the market for refinancing growth companies, one of our customers in the British market was presented with liquidity challenges. The customer, active in charging electric vehicles, has filed for administration, and with NOTE's conservative valuation methodology, we accounted for the total risk exposure we have for this customer. This event does not affect NOTE's underlying business, which is still performing strongly. Our underlying operating profit for the first three quarters of the year was up by 53% to SEK 261 million, simultaneous with our underlying operating margin increasing by 0.9 percentage points to 10.2%.



Our Q3 was fundamentally strong. We're well-positioned to achieve our long-term targets for growth, profitability and sustainability.

For Q3 isolated, our underlying operating margin widened by 0.4 percentage points to 10.2%. Here, we have adjusted for the doubtful debt, currency translation effect and re-invoicing of extraordinary cost of materials without margin. These effects on comparability impacted our operating margin by some 2.0 percentage points for the first three quarters of the year, and corresponded to 4.0 percentage points for Q3 isolated. Accordingly, underlying profitability was consistent with our estimates, and the long-term profitability target we set for our business.

We have a highly functional business model and state-of-the-art, efficient plants. At the same time, we won't hesitate to keep investing to boost growth, automation levels and efficiency, which benefit ourselves and our customers. With our high growth rate, we are continuously striving to add more production capacity when required. Our latest acquisition in Herrljunga, Sweden in early-July, has created the potential to expand manufacturing capacity significantly in Sweden, our largest domestic market.

We're growing on an electronic components market that is clearly unbalanced. In this problematic situation, not least in terms of the availability of semiconductors, we made the early decision to increase both our procurement resources and inventories to ensure good supply of materials to customers where possible. The combination of this inventory build-up with our high growth obviously puts pressure on our cash flow. At the end of the period, our direct delivery delays were some SEK 200 million as a result of material shortages, which was a contributor to cash flow after investments year to date being limited to SEK -54 million, of which SEK 20 million was for the acquisition of NOTE Herrljunga. NOTE's financial situation remains very favourable.

Future

Uncertainties on the global market have quickly altered conditions in several sectors. We're still seeing good opportunities to continue our positive progress. We have very strong order levels, with a range of exciting customers and projects in start-up phases. With our current market situation, we see good potential to achieve quarterly sales of SEK 1 billion for the first time ever, equivalent to growth of some 25%. For the full year 2022, this translates to sales of SEK 3.65 billion. We're well positioned to achieve our long-term targets for growth, profitability and sustainability.

Johannes Lind-Widestam

Comments on Q3

Sales, January–September

NOTE is a competitive electronics manufacturer, and a stable business partner for Swedish and international customers that need advanced EMS. NOTE's business model is based on long-term customer relationships and partnerships. NOTE sells to a large customer base, active in the Industrial, Communication, Medtech and Greentech segments. The customer base includes global corporations active worldwide, and local enterprises whose main sales are in Europe. Usually, customers outsource all EMS to one or several production partners. One clear trend, not least among new, innovative companies, is for customers increasingly demanding more manufacture of box build products. About half of NOTE's sales are box build.

Demand for NOTE's services kept progressing strongly in the first three quarters of the year. Sales increased by 45% to SEK 2,649 (1,829) million. After adjusting for sales added by UK acquisition iPRO in June last year, and by NOTE Herrljunga in July this year, as well as altered exchange rates, mainly the USD, EUR and GBP, growth was 25%. Readers should note that approximately 5% of sales consisted of re-invoicing of extraordinary cost increases on electronic components linked to the shortage situation in the market. These extra sales are essentially without margin.

The sales increase consisted of new business with established customers, and the progressive impact of increased sales to a large base of new business customers. Most of NOTE's new business customers are companies across Europe and Asia. Several of these customer assignments, which usually start with industrialisation services (service sales, prototyping and pilot series), have now transitioned to serial production and higher volumes.

Demand progressed very strongly on most of NOTE's domestic markets. In Sweden, NOTE's largest market, growth excluding the acquisition of NOTE Herrljunga was 35%. Growth from plants in Western Europe was 27%, adjusted for the extra sales of iPRO and NOTE Herrljunga. A demand slowdown was apparent on the UK market, and in the period, growth from NOTE's plants in the UK was 2% (excl. acquisitions). Previously, sales from the plant in China were mainly linked to international customers in Europe and the US. NOTE has worked successfully to regenerate its customer base, so most of its sales are now direct to customers in China or nearby markets. Sales and order intake in China progressed strongly. Despite an extended production stoppage linked to a stringent response to the pandemic, growth in China was 28%. Sales from the plant in Estonia, mainly to customers in northern Europe, were 57% above the previous year's high level, mainly because of increased serial production on several recently secured deals.

NOTE's 15 largest customers in sales terms made up 49% (51%) of group sales. No single customer (group) represented more than about 6% of total sales.

Successful new sales to new and current business customers, and continued healthy demand in all customer segments, were contributors to record-high order intake. Right from the start of the shortage that still persists on the global electronic component market, and with the aim of safeguarding the

availability of components and other production materials, NOTE has been working actively for customers to place fixed orders over longer periods than usual. In like-for-like terms, total order backlog at the end of the third quarter was just over 50% above the corresponding point of the previous year (excluding Herrljunga). Viewed in the same way, the order backlog for delivery for the rest of the year increased by just over 20% (excluding Herrljunga). NOTE's strong order position indicates high sales growth continuing, simultaneous with the supply of electronic components being highly significant to growth in the short term.

Results of operations, January–September

In order to keep sharpening competitiveness and create the potential for profitable 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. One clear example of outcomes of this improvement work is the company's positive trend of sales per employee over time.

Mainly as a consequence of increased sales and continued rationalisations on the cost side, gross profit increased by 31% to SEK 316 (242) million. Gross margin amounted to 11.9% (13.2%). The underlying gross margin* increased by 0.5 percentage points to 13.7% (13.2%). Primarily, the margin increase is a consequence of sales gains, stable margins on current customer assignments, and continued positive progress on costs.

Sales and administration overheads for the period were some SEK 13 million (18%) higher than the previous year, essentially because of the extra expenses from iPRO, which was acquired in June last year, and NOTE Herrljunga, acquired in July this year. These overheads were 3.2% (3.9%) of sales.

Other operating income/expenses, largely consisting of the revaluation of operating assets and liabilities in foreign currencies, were SEK -15 (-6) million. The cost increase relates mainly to sharp appreciation of the USD against the SEK in the second and third quarters.

Operating profit in the first three quarters of the year was SEK 216 (164) million. The underlying operating profit* increased by 53% to SEK 261 (170) million.

The operating margin was 8.2% (9.0%). The underlying operating margin* increased by 0.9 percentage points to 10.2% (9.3%).

An increased need for financing, mainly for working capital, contributed to financial expenses amounting to SEK -13 (-7) million net. Revaluations of financial assets and liabilities in foreign currencies, such as factoring liabilities in foreign currencies, amounted to SEK -15 (-2) million. In total, net financial income/expenses in the period were SEK -28 (-9) million.

Profit after net financial items was SEK 188 (155) million, equivalent to a profit margin of 7.1% (8.5%). The underlying profit after net financial items* increased by 52% to SEK 248 (163) million.

The tax expense for the period corresponded to 18% (19%)

of profit before tax.

Profit after tax was SEK 155 (126) million, corresponding to SEK 5.35 (4.42) per share. The underlying profit after tax* increased by 53% to SEK 203 (133) million, corresponding to SEK 6.99 (4.66) per share.

Sales and results of operations, July-September

The demand for NOTE's services made record progress in the third quarter. Sales increased by 36% to SEK 930 (685) million. Adjusted for the sales of NOTE Herrljunga, acquired at the beginning of July this year, and exchange rate fluctuations, organic growth was 18%. Re-invoicing of extraordinary costs for electronic components represented some 6% of third-quarter sales. This sale was essentially without margin.

Progress was especially strong in Sweden and Estonia, with sales gains of 30% (excluding acquisitions) and 69% respectively. Demand from NOTE's plant in China remained high, with growth of 20%. A demand slowdown was apparent on the UK market, and growth from NOTE's plants in the UK in the quarter was 0%.

Gross profit amounted to SEK 89 (92) million. The underlying gross margin* increased somewhat to 13.6% (13.4%).

Sales and administration overheads for the period increased by 13% to SEK 27 (25) million, essentially as a result of extra costs in NOTE Herrljunga, acquired at the beginning of July this year. As a share of sales, overheads reduced to 2.9% (3.5%).

Other operating income/expenses, largely consisting of the revaluation of operating assets and liabilities in foreign currencies, were SEK -5 (-3) million. Essentially, the cost increase relates to depreciation of the SEK against USD and EUR.

Operating profit was SEK 57 (64) million. The underlying operating profit* increased by 37% to SEK 92 (67) million. This increase primarily resulted from growth, stable margins and continued positive progress on costs.

The operating margin was 6.2% (9.4%). The underlying operating margin* increased by 0.4 percentage points to 10.2% (9.8%).

An increased need for financing, mainly for working capital, contributed to financial expenses amounting to SEK -5 (-3) million net. Revaluations of financial assets and liabilities in foreign currencies, such as invoice factoring liabilities in foreign currencies, amounted to SEK -5 (-2) million. In total, net financial income/expenses for the period were SEK -10 (-5) million.

Profit after financial items was SEK 47 (59) million, equivalent to a profit margin of 5.1% (8.6%). The underlying profit after net financial items* increased by 34% to SEK 87 (64) million.

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 logistics solutions. Accordingly, NOTE puts a lot of focus on continuously improving its business methods and internal processes in these areas.

One of NOTE's key missions is to maintain a good and cost-efficient supply of materials to customers. The global market for

electronic components is usually considered fairly volatile, with limited supply of various types of components from time to time. Access to semiconductors has been an especially limiting factor in the industry in recent years. Accordingly, NOTE has done a lot of work in limiting disruptions and delays to the shipments of components it receives.

As part of these efforts, it has consciously upscaled its inventories of critical components. The high growth and direct shipping delays to customers of the order of SEK 200 million caused by the shortage on the component market, were contributors to capital tied-up in inventory being 45% higher than at the end of the third quarter of the previous year.

NOTE is making continuous efforts to monitor credit risks and limit the number of outstanding customer credit days. Accounts receivable—trade have automatically increased since year-end, and were 45% higher than at the corresponding point of the previous year. Essentially, the number of outstanding customer credit days was in line with the previous year's level.

Accounts payable—trade mainly consist of purchases of electronic components and other production materials. NOTE is working actively on a partner model on the supplier side, which has implications including sourcing being concentrated on fewer, quality-assured suppliers as far as possible. This working method simultaneously helps rationalise the utilisation of working capital. Accounts payable—trade increased by 29% since year-end, and were 33% higher than compared to the corresponding point of the previous year.

Despite continued positive profit performance, the increased need for working capital, mainly linked to growth and problems on the component market, resulted in cash flow after investments for the first three quarters of the year being limited to SEK -54 (-98) million, or SEK -1.86 (-3.43) per share. Cash flow for the year includes the SEK -20 million payment for the acquisition of NOTE Herrljunga. Cash flow for the previous year was impacted by the SEK -68 million payment for the acquisition of iPRO of the UK.

Liquidity and net debt

NOTE puts a sharp focus on measures that further improve the group's liquidity and cash flow.

The group's reported available cash and cash equivalents, including unused credit facilities, amounted to SEK 231 (171) million at the end of the period. Disregarding estimated financial liabilities on the additional right-of-use assets for leased properties under IFRS 16 (Leases), net debt at the end of the third quarter was SEK 386 (230) million.

Equity to assets ratio

NOTE has a strong financial position. According to NOTE's financial targets, its minimum equity to assets ratio should be 30%. At the end of the period, the equity to assets ratio was 39.1% (38.2%).

Investments

In the first three quarters of the year, expenditure on property, plant and equipment, excluding right-of-use assets for leased

* For definitions of underlying performance measures, see Financial definitions on page 7.

properties (IFRS 16 Leases), was SEK 50 (55) million, corresponding to 1.9% (3.0%) of sales, and mainly consisted of projects to increase capacity, efficiency and quality. Planned depreciation on property, plant and equipment, excluding right-of-use assets for leased properties (IFRS 16 Leases) increased to SEK 33 (26) million.

Parent company

The parent company, NOTE AB (publ), is primarily focused on the management, coordination and development of the group. Revenue in the period was SEK 29 (24) million, mainly from intra-group services. Profit after tax amounted to SEK 15 (7) million in the first three quarters of the year.

Other information

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 outstanding shares at end of the period.

Equity per share Equity divided by the number of outstanding 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.

Order backlog A combination of fixed orders and customer forecasts.

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.

Underlying gross margin Adjusted for doubtful debt and for the re-invoicing of extraordinary cost increases on electronic components, essentially without margin.

Underlying Operating Margin Adjusted for doubtful debt, currency revaluations of operating assets and liabilities in foreign currencies and re-invoicing of extraordinary cost increases on electronic components, essentially without margin.

Underlying operating profit Adjusted for doubtful debt and currency revaluations of operating assets and liabilities in foreign currencies.

Underlying profit after net financial items Adjusted for doubtful debt and adjusted for currency revaluations of operating assets and liabilities, as well as financial assets and liabilities in foreign currencies.

Underlying profit after tax Adjusted for doubtful debt and adjusted for currency revaluations of operating assets and liabilities, as well as financial assets and liabilities in foreign currencies.

Transactions with related parties

Within the framework of the three-year incentive programme launched in 2019, NOTE's CEO Johannes Lind-Widestam bought all 400,000 newly issued shares in February in accordance with the terms of the programme. In total, almost SEK 12 million was provided to the company. After some divestment to finance the share acquisition, Johannes' holding privately, via companies and related parties, amounts to 473,360 shares.

Annual General Meeting

At the Annual General Meeting in April, Anna Belfrage, Bahare Mackinowski, Charlotte Stjerngren, Claes Mellgren and Johan Hagberg were re-elected. Claes Mellgren was re-elected Chairman of the Board. In line with the Board's proposal the decision was made that no dividend be paid for the financial year 2021.

Notes on the consolidated financial statements

At the beginning of July, NOTE acquired all the shares of electronics manufacturer Dynamic Precision Solutions AB, now NOTE Herrljunga. NOTE Herrljunga's estimated sales for the full year 2022 are SEK 140 million, with an operating margin in line with NOTE's. At acquisition, the employee headcount was about 30 people. Through the acquisition, NOTE is adding a fourth plant to its manufacturing capacity in Sweden, which means securing a presence close to customers in western Sweden. The initial purchase consideration of SEK 20 million was paid on completing the transaction at the beginning of July. In favourable circumstances, related to NOTE Herrljunga's profitability target for 2022, maximum contingent consideration of SEK 24 million may be payable. The purchase price allocation is based on the maximum purchase consideration.

Information on the purchase consideration, acquired net assets and goodwill are stated in the following table:

NOTE 1 Acquisitions

Assets and liabilities taken over at acquisition	2022
Total purchase consideration	44
Intangible assets—customer relationships	10
Inventories	39
Accounts receivable—trade and other current receivables	18
Cash and cash equivalents	3
Long-term interest-bearing liabilities	-9
Current interest-bearing liabilities	-1
Deferred tax liability	-2
Accounts payable—trade and other current operating liabilities	-36
Acquired identifiable net assets	22
Goodwill	22
Total acquired net assets	44
Total acquired net assets	
Purchase consideration paid	20
Cash held by acquired entity	-3
Net outflow, cash and cash equivalents	17

External transaction expenses for the acquisition were approximately SEK 1 million, and related mainly to expenses for local legal counsel and other consultants. These expenses are reported on the administration costs line of the Consolidated Income Statement, and are included in operating activities in the Cash Flow Statement.

In tandem with the acquisition, existing customer relations with a total value of SEK 10 million were identified. The goodwill of SEK 22 million that arose in tandem with the acquisition relates mainly to the company's competences and processes in PCBA manufacture and box build, and to expected co-ordination gains with NOTE's other operations.

Very limited impact of the war in Ukraine

Since sales to customers and sourcing of materials in Russia and Ukraine last year was at a marginal level, NOTE anticipates a very limited direct impact on its business in the near term.

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.

For a more detailed review of the group's operational and financial risks, refer to NOTE's Annual Report for 2021, specifically to the Risks section on page 15, the Report of the Directors on page 43, as well as note 24, Financial risks and finance policy, on page 65–66.

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 EU. Significant accounting and valuation principles are stated on pages 54–56 of the Annual Report for 2021. 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.

From 2021 onwards, NOTE is reporting sales in four customer segments—Industrial, Communication, Medtech, and Greentech. Reclassifications of customers are natural, which is reflected in quarterly and cumulative figures for the full period.

All amounts are in 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.

The Board of Directors in NOTE AB (publ)

Stockholm, Sweden, 16 October 2022

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 2022 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.

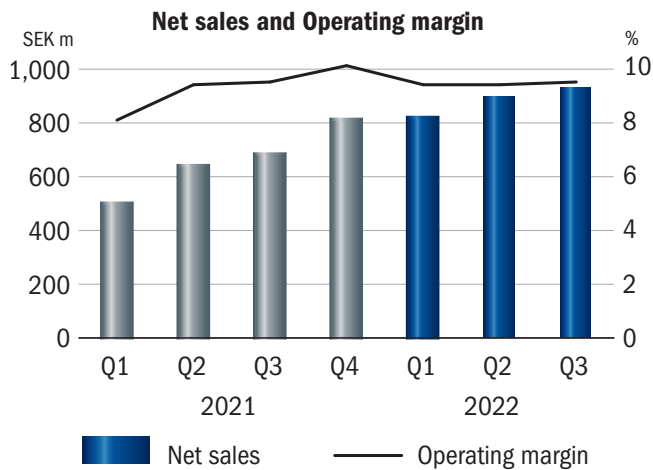
Andreas Skogh
Authorized Public Accountant
Öhrlings PricewaterhouseCoopers AB

Stockholm, Sweden, 17 October 2022

Consolidated summary

Quarterly summary

SEK million	2022 Q3	2022 Q2	2022 Q1	2021 Q4	2021 Q3	2021 Q2	2021 Q1
Net sales	930	898	821	814	685	642	502
Gross margin	9.6%	13.5%	12.8%	13.7%	13.4%	13.5%	12.6%
Operating margin	6.2%	9.3%	9.3%	10.6%	9.4%	9.3%	8.0%
Profit margin	5.1%	8.0%	8.4%	10.0%	8.6%	9.1%	7.5%
Cash flow after investing activities	-59	-4	9	-44	-49	-53	4
Cash flow per share, SEK	-2.04	-0.14	0.31	-1.54	-1.71	-1.85	0.14
Equity per share, SEK	34.5	32.8	30.2	28.0	25.2	23.3	21.7
Equity to assets ratio	39.1%	40.8%	40.9%	38.6%	38.2%	38.6%	47.7%
Average number of employees	1,393	1,346	1,319	1,314	1,283	1,186	1,091
Net sales per employee, SEK 000	668	667	622	619	534	541	460



The operating margin in the chart above adjusted for items of non-recurring with SEK -5 m in Q4 2021 and SEK+30 m in Q3 2022.

Six-year summary

SEK million	Rolling 12 mth.	2021	2020	2019	2018	2017
Net sales	3,463	2,643	1,874	1,760	1,379	1,176
Gross margin	12.5%	13.4%	12.0%	11.7%	12.5%	11.9%
Operating margin	8.8%	9.5%	8.0%	7.1%	6.1%	7.9%
Profit margin	7.8%	9.0%	7.6%	6.6%	5.7%	7.6%
Cash flow after investing activities	-98	-142	172	75	-76	70
Cash flow per share, SEK	-3.38	-4.97	6.06	2.69	-2.63	2.41
Equity per share, SEK	34.5	28.0	20.0	16.7	13.3	12.8
Return on operating capital	24.3%	27.6%	22.7%	20.7%	17.8%	24.2%
Return on equity	25.9%	28.4%	22.5%	21.7%	17.1%	21.0%
Equity to assets ratio	39.1%	38.6%	51.2%	41.2%	39.8%	48.8%
Average number of employees	1,343	1,218	1,101	1,070	980	912
Net sales per employee, SEK 000	2,579	2,170	1,702	1,645	1,407	1,289

Consolidated Financial Reports

Income Statement

SEK million	2022 Q3	2021 Q3	2022 Q1-Q3	2021 Q1-Q3	Rolling 12 mth.	2021 Full year
Net sales	930	685	2,649	1,829	3,463	2,643
Cost of goods and services sold	-841	-593	-2,333	-1,587	-3,035	-2,289
Gross profit	89	92	316	242	428	354
Selling expenses	-16	-15	-50	-42	-67	-59
Administrative expenses	-11	-10	-35	-30	-46	-41
Other operating income/expenses	-5	-3	-15	-6	-12	-3
Operating profit	57	64	216	164	303	251
Net financial income/expenses	-10	-5	-28	-9	-33	-14
Profit after financial items	47	59	188	155	270	237
Income tax	-7	-11	-33	-29	-47	-43
Profit after tax	40	48	155	126	223	194

Other Comprehensive Income

SEK million	2022 Q3	2021 Q3	2022 Q1-Q3	2021 Q1-Q3	Rolling 12 mth.	2021 Full year
Profit after tax	40	48	155	126	223	194
Other comprehensive income						
Items that can be subsequently reversed in the income statement:						
Exchange rate differences	11	7	36	21	50	35
Cash flow hedges	0	0	0	0	0	0
Tax on hedges and exchange rate difference	-1	-1	-2	-2	-3	-3
Total other comprehensive income after tax	10	6	34	19	47	32
Comprehensive income after tax	50	54	189	145	270	226

Earnings per Share

	2022 Q3	2021 Q3	2022 Q1-Q3	2021 Q1-Q3	Rolling 12 mth.	2021 Full year
Number of shares at end of period (000)	28,984	28,584	28,984	28,584	28,984	28,584
Weighted average number of shares (000)*	28,984	28,584	28,887	28,470	28,821	28,445
Weighted average number of shares (000)**	28,984	28,891	28,969	28,828	28,959	28,864
Earnings per share, SEK*	1.37	1.68	5.35	4.42	7.73	6.82
Earnings per share, SEK**	1.37	1.66	5.34	4.37	7.69	6.72

* Before dilution

** After dilution

Balance Sheet

SEK million	2022 30 Sep	2021 30 Sep	2021 31 Dec
Assets			
Goodwill	164	139	141
Intangible assets—customer relationships	30	27	25
Other intangible assets	8	10	10
Right of use assets—rented properties	90	65	102
Property, plant and equipment	195	172	174
Deferred tax assets	8	6	5
Other financial assets	2	1	1
Total non-current assets	497	420	458
Inventories	1,096	757	798
Accounts receivable—trade	821	568	675
Other current receivables	69	52	44
Cash and bank balances	80	85	99
Total current asset	2,066	1,462	1,616
TOTAL ASSETS	2,563	1,882	2,074
Equity and liabilities			
Equity	1,001	719	800
Liabilities			
Long-term interest-bearing liabilities	93	94	79
Long-term liabilities, right of use asset—rented properties	68	47	79
Deferred tax liabilities	29	18	28
Total non-current liabilities	190	159	186
Current interest-bearing liabilities	373	221	287
Short-term liabilities, right of use asset—rented properties	24	19	23
Accounts payable—trade	766	576	595
Other current liabilities	208	187	182
Other short term provisions	1	1	1
Total current liabilities	1,372	1,004	1,088
TOTAL EQUITY AND LIABILITIES	2,563	1,882	2,074

Change in Equity

SEK million	2022 Q3	2021 Q3	2022 Q1-Q3	2021 Q1-Q3	Rolling 12 mth.	2021 Full year
Opening equity	951	665	800	568	719	568
Comprehensive income after tax	50	54	189	145	270	226
New share issue	-	-	12	6	12	6
Closing equity	1,001	719	1,001	719	1,001	800

Cash Flow Statement

SEK million	2022 Q3	2021 Q3	2022 Q1-Q3	2021 Q1-Q3	Rolling 12 mth.	2021 Full year
Operating activities						
Profit after financial items	47	59	188	155	270	237
Reversed depreciation and amortisation	21	18	61	47	80	66
Other non-cash items	31	11	32	10	23	1
Tax paid	-12	-5	-58	-21	-54	-17
Change in working capital	-123	-125	-235	-203	-352	-320
Cash flow from operating activities	-36	-42	-12	-12	-33	-33
Cash flow from investing activities	-23	-7	-42	-86	-65	-109
Cash flow from financing activities	42	22	31	112	87	168
Change in cash and cash equivalents	-17	-27	-23	14	-11	26
Cash and cash equivalents						
At beginning of period	96	111	99	68	85	68
Cash flow after investing activities	-59	-49	-54	-98	-98	-142
Cash flow from financing activities	42	22	31	112	87	168
Exchange rate difference in cash and cash equivalents	1	1	4	3	6	5
Cash and cash equivalents at end of period	80	85	80	85	80	99
Un-utilised credits	151	86	151	86	151	116
Available cash and cash equivalents	231	171	231	171	231	215

Operating Segments

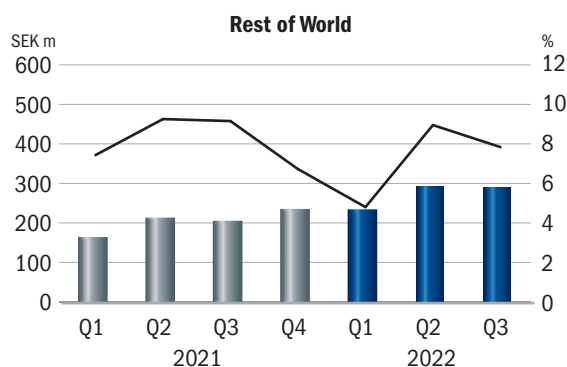
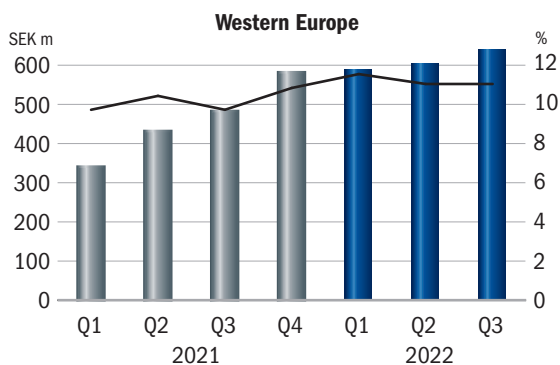
NOTE's operating segment Western Europe consist of units located in geographical regions with high industrial activity and innovation standards in Sweden, Finland and the UK. These units provide advanced production technology services in close collaboration with customers, such as component selection, developing test equipment, prototyping and serial 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	2022 Q3	2021 Q3	2022 Q1-Q3	2021 Q1-Q3	Rolling 12 mth.	2021 Full year
WESTERN EUROPE						
External net sales	641	483	1,836	1,256	2,418	1,838
Internal net sales	1	17	3	23	9	29
Operating profit	40	48	173	126	241	194
Operating margin	6.2%	9.6%	9.4%	9.9%	9.9%	10.4%
Inventories	775	508	775	508	775	558
External accounts receivable—trade	577	409	577	409	577	477
Average number of employees	799	718	778	629	765	658
REST OF WORLD						
External net sales	289	202	813	573	1,045	805
Internal net sales	19	30	40	58	60	78
Operating profit	24	21	63	55	80	72
Operating margin	7.8%	9.1%	7.4%	8.7%	7.2%	8.1%
Inventories	321	249	321	249	321	240
External accounts receivable—trade	241	157	241	157	241	196
Average number of employees	579	547	577	540	563	543
INTRA-GROUP						
Internal net sales	-20	-47	-43	-81	-69	-107
Operating profit	-7	-5	-20	-17	-18	-15
External accounts receivable—trade	3	2	3	2	3	2
Average number of employees	15	18	15	17	15	17



The operating margin in the chart above adjusted for items of non-recurring with SEK -5 m in Q4 2021 and SEK +30 m in Q3 2022.

■ Net sales external

— Operating margin

Sales per Customer Segment

NOTE divides its sales into four customer segments: Industrial, Communication, Medtech and Greentech.

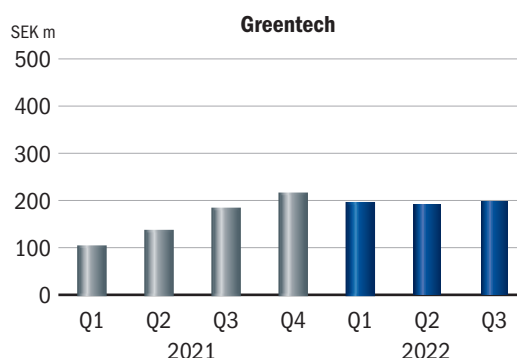
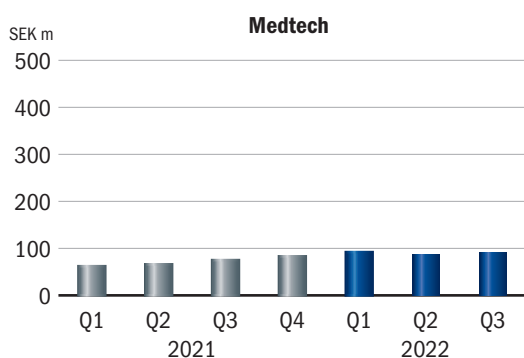
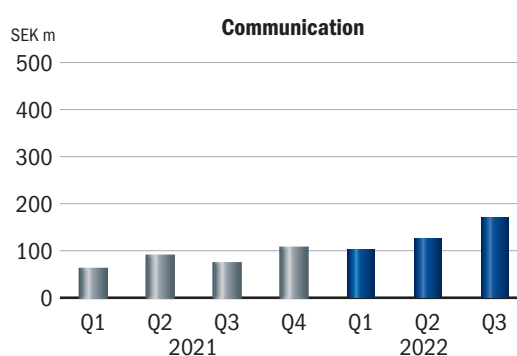
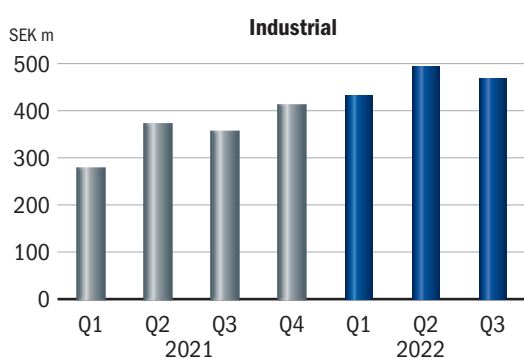
Industrial: With high quality and flexibility, products are manufactured in areas such as automation, control, infrastructure, energy and construction technology.

Communication: One of NOTE's core areas since the company was founded. The extensive and rapid development requires technical competence and equipment at the forefront.

Medtech: Medical technology products in diagnostics, treatment and X-ray are the basis in the segment. Medtech has been part of NOTE for many years.

Greentech: The new segment Greentech consists of customers active in the fast-growing green technology shift. Here you will find customers with products that contribute positively to increased sustainability, for example to the transition from fossil to renewable energy or to optimisation of energy consumption.

SEK million	2022 Q3	2021 Q3	2022 Q1-Q3	2021 Q1-Q3	Rolling 12 mth.	2021 Full year
WESTERN EUROPE						
Industrial	317	230	910	631	1,185	906
Communication	74	23	162	74	199	111
Medtech	78	66	252	186	333	267
Greentech	172	164	512	365	701	554
Total external sales	641	483	1,836	1,256	2,418	1,838
REST OF WORLD						
Industrial	152	125	484	353	620	489
Communication	97	50	238	149	307	218
Medtech	14	9	20	17	22	19
Greentech	26	18	71	54	96	79
Total external sales	289	202	813	573	1,045	805
TOTAL						
Industrial	469	355	1,394	984	1,805	1,395
Communication	171	73	400	223	506	329
Medtech	92	75	272	203	355	286
Greentech	198	182	583	419	797	633
Total external sales	930	685	2,649	1,829	3,463	2,643



Parent Company Financial Reports

Income Statement

SEK million	2022 Q3	2021 Q3	2022 Q1-Q3	2021 Q1-Q3	Rolling 12 mth.	2021 Full year
Net sales	9	8	29	24	38	33
Cost of services sold	-3	-3	-11	-9	-15	-13
Gross profit	6	5	18	15	23	20
Selling expenses	-4	-3	-11	-9	-16	-14
Administrative expenses	-2	-3	-9	-9	-12	-12
Other operating income/expenses	1	2	10	8	17	15
Operating profit	1	1	8	5	12	9
Net financial income/expenses	4	2	11	3	13	5
Profit after financial items	5	3	19	8	25	14
Appropriations	-	-	-	-	-4	-4
Profit before tax	5	3	19	8	21	10
Income tax	-1	0	-4	-1	-5	-2
Profit after tax	4	3	15	7	16	8

Other Comprehensive Income

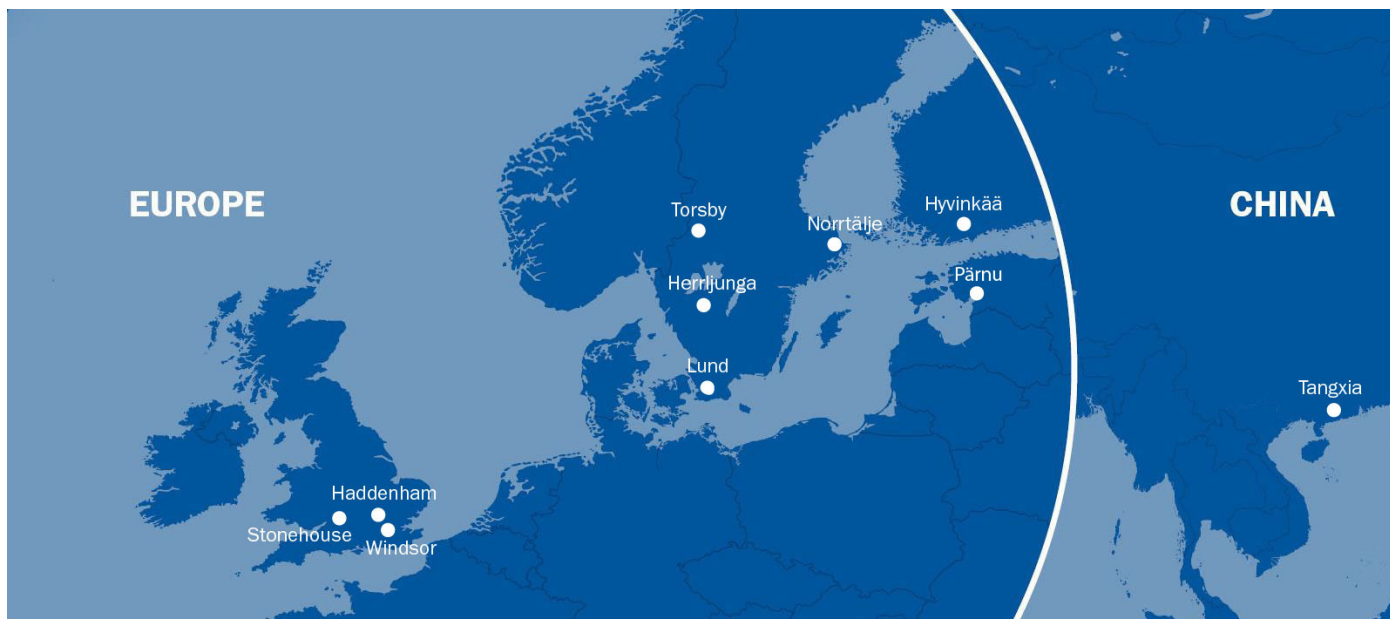
SEK million	2022 Q3	2021 Q3	2022 Q1-Q3	2021 Q1-Q3	Rolling 12 mth.	2021 Full year
Profit after tax	4	3	15	7	16	8
Other comprehensive income						
Items that can be subsequently reversed in the income statement:	-	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-	-
Comprehensive income after tax	4	3	15	7	16	8

Balance Sheet

SEK million	2022 30 Sep	2021 30 Sep	2021 31 Dec
Assets			
Intangible assets	2	3	2
Property, plant and equipment	0	0	0
Long-term receivables from group companies	233	205	217
Financial non-current assets	241	197	197
Total non-current assets	476	405	416
Receivables from group companies	41	20	27
Other current receivables	23	20	14
Cash and bank balances	1	2	19
Total current assets	65	42	60
TOTAL ASSETS	541	447	476
Equity and liabilities			
Equity	292	264	265
Untaxed reserves	10	7	10
Liabilities			
Liabilities to financial institutions	86	31	0
Liabilities to group companies	141	134	186
Other current liabilities and provisions	12	11	15
Total current liabilities	239	176	201
TOTAL EQUITY AND LIABILITIES	541	447	476

Change in Equity

SEK million	2022 Q3	2021 Q3	2022 Q1-Q3	2021 Q1-Q3	Rolling 12 mth.	2021 Full year
Opening equity	288	261	265	251	264	251
Comprehensive income after tax	4	3	15	7	16	8
New share issue	-	-	12	6	12	6
Closing equity	292	264	292	264	292	265



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 the Industrial, Communication, Medtech and Greentech segments. 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 serial 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 serial production of PCBAs and box build products are provided.

The NOTE share has been available on Nasdaq Stockholm OMX Mid Cap since the turn of the year 2021-2022.

Financial information

NOTE AB (publ)
Corporate ID no. 556408-8770
Photo: Jann Lipka

Calendar

Year-end Report 2022	27 Jan 2023
Interim Report Q1	19 Apr 2023

Annual General Meeting

The AGM will be held at Westmanska Palatset in Stockholm, Sweden, at 2 p.m. on 19 April 2023.

Ordering Financial Information

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

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