

Year-end Report 2019



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Financial performance January–December

- Sales increased by 28% to SEK 1,760 (1,379) million. Excluding acquisitions, growth was 17%.
- Operating profit was up by 48% to SEK 124 (84) million. Adjusted for non-recurring costs in 2018, operating profit increased by 37% to SEK 124 (91) million.
- Operating margin widened by 1.0 percentage points to 7.1% (6.1%). Adjusted for non-recurring costs in 2018, the operating margin widened by 0.5 percentage points to 7.1% (6.6%).
- Profit after financial items rose to SEK 116 (79) million.
- Profit after tax increased by 44% to SEK 92 (64) million, corresponding to SEK 3.20 (2.22) per share.
- Cash flow after investments amounted to SEK 75 (-76) million, or SEK 2.60 (-2.63) per share.

Financial performance October–December

- Sales increased by 22% to SEK 483 (397) million. Excluding acquisitions, growth was 20%.
- Operating profit was up by 27% to SEK 35 (28) million.
- The operating margin widened by 0.3 percentage points to 7.4% (7.1%).
- Profit after financial items increased by 24% to SEK 33 (27) million.
- Profit after tax increased to SEK 26 (24) million, corresponding to SEK 0.90 (0.83) per share.
- Cash flow after investments amounted to SEK 96 (-81) million, or SEK 3.32 (-2.80) per share.

Dividend

The Board of Directors proposes that the dividend to shareholders increases by about 70% to SEK 1.20 (0.70) per share, equivalent to SEK 35 (20) million.

Events in the year

Continued growth—new customer partnerships

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

Shareholders' meetings and incentive programmes

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

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

Redemption of treasury shares

In December 2018, NOTE executed a repurchase programme totalling 1,000,000 treasury shares. The Board of Directors intends to propose that the AGM in April 2020 cancels these shares. This which would reduce the number of outstanding shares by just over 3%.

Financial targets

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

CEO's comments

Record progress for NOTE

2019 was a record year for NOTE. Our stated growth target is to increase market shares, and achieve minimum stable organic yearly growth of 10%. In 2019, we increased sales by 28% to SEK 1,760 million, our highest-ever sales level. Adjusted for the sales in Speedboard Assembly Services of the UK, which we acquired in the fourth quarter 2018, growth was 17%. We achieved growth on all domestic markets, and at all plants. It was also satisfying that in the fourth quarter, we increased our organic growth to 20%.

Our order books continue to expand and were about 25% larger than at the previous year-end. We have great confidence in the future and are now keeping the pace required to be one of the fastest growing companies in the industry.

Our business model builds on long-term customer relations and partnerships. One success factor is to continuously improve the quality and delivery precision of our services, where we're now at a sector-leading level. NOTE has a strong customer base, and partners with several of the Nordic leaders across a broad spectrum of sectors, from traditional industries to new, high-growth application segments. The potential to expand business with existing customers remains high. Consistent with our growth plan, we have successfully expanded our partnerships with several major customers, making a significant contribution to our growth in the year. One clear example is our growing sales to Swedish cycle helmet manufacturer Hövding, which more than doubled during the fourth quarter. Additionally, one of our largest customers in China gave NOTE its "Best Quality Award", simultaneously deciding to significantly expand its collaboration with us in 2020.

We're seeing great interest in our flexible and broad-based customer offering. Focusing on those market and technology segments where we're already strong, we were entrusted by a large base of new business customers in the year. New customer partnerships with high future potential include DeLaval, Maven Wireless and several new, exciting customers in communication and medtech. We're now about to start batch production and higher volumes on more new business than ever, which feels reassuring for our future.

Our positive earnings trend continued. Adjusted for non-recurring costs related to our change of CEO in 2018, operating profit was up by 37% to SEK 124 million. Calculated on the same basis, our operating margin expanded by 0.5 percentage points to 7.1%, both of which are our highest-ever levels. Return on operating capital was over 20%, and thus above our externally communicated profitability target. The earnings increase has several causes, including higher sales, stable margins on customer assignments, efficiency programmes completed and the strong progress of our Western European operations, especially in Sweden and Finland.

The efficient management of working capital is an important success factor in our sector. In the first half-year, we faced major challenges with high capital tied-up in inventory. Primarily, this was an effect of growth, a large number of major projects in start-up and difficult conditions on the global market for electronic components. Through resolute action, we succeeded in significantly reducing inventory in the second-half-year, and our working capital is now in better balance. As a consequence, in the fourth quarter we achieved exceptionally strong cash flow after investments of SEK 96 million, or SEK 3.32 per share. For the full year, cash flow was SEK 75 million.



2019 was a record year for NOTE, with high growth, increased profitability and exceptionally strong cash flow in Q4.

We also prepared for continued growth in the year, both in terms of our skills, and through performance-enhancing investments in our equipment. In terms of finances and capacity, NOTE is well prepared to keep growing. Our liquidity is very satisfactory and our equity to assets ratio is just over 41%. In light of NOTE's strong financial position, the Board of Directors proposes that the dividend to shareholders increases by just over 70% to SEK 1.20/share.

Sustainability issues are becoming more important in our private and working lives. In my view, we've accepted challenges in this segment methodically and responsibly. It's a strength that as early as in 2011, NOTE was one of the first companies in its sector to join the UN Global Compact and adopt its ten principles on human rights, labour law, the environment and anti-corruption.

Future

The introduction of restrictions in global trade mean that increasingly, customers are migrating their supply chains from East to West. With our strong positioning in Europe, we actually see more opportunities than risks in this. In view of the spread of the Corona virus, we will keep our plant in China closed one week longer than planned during the first quarter.

We're partnering with many customers across several segments. Last autumn, we saw tendencies towards the market slowing down. But our view of the market is more positive now, and the high activity in current customer dialogue gives cause for more optimism. Based on our good order books, and supported by many new deals in ramp-up, there's good potential to maintain our high growth and keep improving profitability.

Johannes Lind-Widestam

Sales and results of operations

Sales, January–December

NOTE is one of the most competitive electronics manufacturers in the Nordics, and a stable business partner for Swedish and international companies that need advanced EMS solutions.

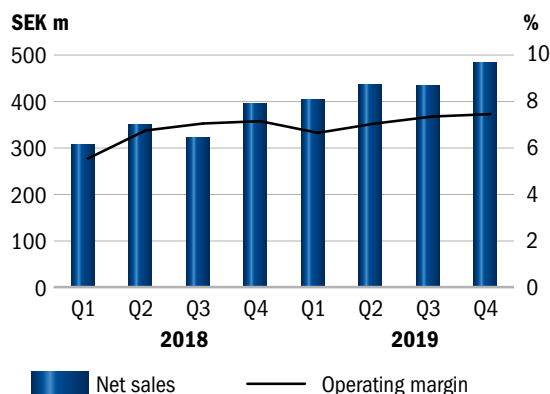
NOTE sells to a large customer base, essentially active in industry, communication, medtech, defence and high-end consumer electronics. Its customer base includes larger corporations active on the world market, as well as local enterprises whose primary sales are in northern Europe. Usually, customers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

The demand for NOTE's services progressed positively in the year. Sales rose by 28% to SEK 1,760 (1,379) million. Adjusted for the sales in Speedboard Assembly Services of the UK, which was acquired in the fourth quarter of 2018, growth was 17%. The positive impact of exchange rate movements, mainly USD and EUR, was about 3%.

The sales gains consisted of expanded partnerships on existing accounts, as well as the progressive impact of increased sales on new business accounts. Sales increased on all domestic markets, and from all plants. In Western Europe, sales growth (excluding acquisitions) of 17% was achieved. Sales performance was especially brisk in Sweden and Finland, particularly to industrial and medtech industry customers. The sales from our plant in Estonia—mainly to customers in northern Europe—performed positively. Growth was 23%, mainly due to one customer partnership in the communication segment and intensified collaborations with industrial customers. Sales from our plant in China, which are to local and global customers, grew by 13%.

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

In recent years, NOTE has secured many new accounts, both large global corporations and SMEs across Europe and Asia.



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

Several of these partnerships, which usually start with industrialisation services (service sales, prototyping and pilot series), have now resulted in batch production and higher volumes.

The 15 largest customers in sales terms represented 45% (53%) of group sales. No single customer (group) represented more than about 6% (10%) of total sales.

The group's order book, which is a combination of fixed orders and customer forecasts, progressed positively. At year-end, our order book was about 25% above the previous year's level.

Results of operations, January–December

In order to make us more competitive and create the potential for profitable growth, NOTE has been conducting methodical improvement work at all the group's units. This work is conducted locally at each plant and through a number of group-wide projects. Over and above initiatives to expand and develop its customer offering, NOTE's focus is on measures that improve delivery precision and quality performance, and on cost and working capital rationalisation.

Mainly as a consequence of increased sales with stable margins to current and new business customers, gross profit increased by 20% to SEK 206 (172) million. Gross margins narrowed somewhat to 11.7% (12.5%), mainly due to an altered composition of customer assignments. This included large-scale batch deliveries with a relatively high share of materials for the communication industry commencing after the summer, while sales in China in 2018 had a higher service share, with no cost of materials.

Sales and administration overheads were SEK 82 (83) million for the period. Adjusted for non-recurring costs linked to the change of CEO in 2018, overheads were up by 8%, and essentially due to extra costs for Speedboard, which was acquired in the fourth quarter 2018. As a share of sales and adjusted for non-recurring costs in 2018, overheads were 4.7% (5.6%).

Other operating income/expenses, mainly consisting of the revaluation of assets and liabilities denominated in foreign currency, were SEK 0 (-5) million.

Operating profit increased by 48% to SEK 124 (84) million. Underlying operating profit adjusted for non-recurring costs of SEK 7 million in 2018, was up by 37% to SEK 124 (91) million. Calculated on the same basis, the operating margin widened by 0.5 percentage points to 7.1% (6.6%).

Mainly as a result of an increased net debt in the beginning of the year, net financial income/expense was SEK -8 (-5) million.

Profit after financial items increased by 47% to SEK 116 (79) million, equivalent to a profit margin of 6.6% (5.7%).

Profit after tax was up by 44% to SEK 92 (64) million, or SEK 3.20 (2.22) per share. The tax expense for the year was 20% (19%) of profit before tax.

Sales and results of operations, October–December

The demand for NOTE's services continued to progress positively in the fourth quarter. Sales increased by 22% to SEK 483 (397) million. Adjusted for Speedboard's sales, growth was 20%. Growth in Western Europe (excluding acquisitions) was 15%. Good growth continued from new and current business customers, mainly in Sweden and Finland, especially customers in medtech, across industry and in the defence segment. In the UK, sales growth was somewhat lower. Before the impending "Brexit", the market situation remained stable. Sales from our plant in Estonia, which are mainly to customers in Scandinavia and the rest of Northern Europe, performed very robustly, with growth of 53%, this is mainly a consequence of the start-up of batch deliveries to a new, high-growth customer in the communication segment. Sales from the plant in China achieved growth of 7%. Volumes in China increased significantly late in the quarter as a consequence of a significantly expanded partnership with one major international customer.

Largely as a result of increased sales and continued stable margins on ongoing customer assignments, gross profit increased by 8% to SEK 56 (52) million. The gross margin narrowed to 11.6% (13.2%), essentially due to an altered product mix on customer assignments.

Sales and administration overheads in the period were SEK 23 (21) million, or 4.7% (5.5 %) of sales.

Other operating income/expenses, essentially consisting of the revaluation of assets and liabilities denominated in foreign currencies, was SEK 2 (-3) million.

Largely because of a combination of increased sales and the continued positive progress of costs, operating profit was up by 27% to SEK 35 (28) million. The operating margin widened by 0.3 percentage points to 7.4% (7.1%).

Profit after financial items improved by 24% to SEK 33 (27) million, corresponding to a profit margin of 6.9% (6.8%).



Cash flow and financial position

Cash flow

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

In recent years, the global market for electronic components has been under strain, with implications including extended lead-times and limited availability of certain types of component. The combination of this problematic position on the component market, high sales growth and the start-up of many new manufacturing projects, contributed to capital tied up in inventory above desired levels in the spring. Some stabilisation of the component market, coupled with focused actions at all plants, helped reduce inventory significantly in the second half-year. So despite manufacturing and sales volume being over 20% higher, capital tied-up in inventory was at the same level as the previous year-end.

NOTE works continuously on monitoring credit risk and limiting the number of outstanding days of credit. Accounts receivable—trade, which had a natural increase in the year, were 17% higher at year-end than at the previous year-end. In view of the sales growth, the number of outstanding customer credit days was thus slightly lower than at the previous year-end.

Accounts payable—trade mainly consist of sourcing electronic components and other production materials. NOTE works actively on continuing to develop its partner model on the supplier side, which involves sourcing being concentrated on fewer, quality-assured providers. This also results in more efficient utilisation of working capital. Mainly as a result of this reduction in inventories during the last half-year, accounts payable—trade were somewhat lower than at the previous year-end.

Equity to assets ratio

41.2%

Cash flow after investments

SEK 75 m

Continued positive earnings performance combined with rationalisation of working capital in the second half-year, mainly inventory, contributed to significant cash flow improvement. In the fourth quarter, cash flow after investments was SEK 96 (-81) million, corresponding to SEK 3.32 (-2.80) per share. Cash flow for the full year was SEK 75 (-76) million, or SEK 2.60 (-2.63) per share.

Equity to assets ratio

According to NOTE's externally communicated financial targets, the minimum equity to assets ratio should be 30%. At year-end, the equity to assets ratio increased to 41.2% (39.8%). The equity to assets ratio was negatively impacted by some two percentage points due to IFRS 16, which was adopted in the year. The ratio was negatively impacted by just under two percentage points more by the share dividend paid in the spring. The proposed dividend to shareholders of SEK 1.20 per share, or SEK 35 million, would reduce the equity to assets ratio by about three percentage points.

Liquidity and investments

Liquidity and net debt

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

The group's available cash and cash equivalents, including un-utilised overdraft facilities, were SEK 189 (128) million at year-end. Factored accounts receivable—trade were approximately SEK 224 (195) million. Excluding financial liabilities resulting from the adoption of IFRS 16 in 2019, net debt was approximately SEK 138 (157) million at year-end.

Investments

Capital expenditure on fixed assets was SEK 40 (29) million in the year, corresponding to 2.3% (2.1%) of sales. These investments mainly consisted of projects to increase efficiency and quality.

Plan depreciation and amortisation excluding amortisation of right-of-use assets (IFRS 16), increased to SEK 28 (19) 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 38 (37) million, and mainly related to intra-group services. Net financial items increased to SEK 76 (41) million, primarily through increased Group contributions.

The Parent Company's profit after tax amounted to SEK 44 (17) million.

Transactions with related parties

There were no transactions with related parties in the year.

EGM

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

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

AGM 2019

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

Significant operational risks

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

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

For a more detailed review of the group's operational and financial risks, refer to NOTE's Annual Report for 2018, more specifically to the Risks section on page 13, the Report of the Directors on page 40, as well as note 24, Financial risks and finance policy, on page 57-58.

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

Accounting and valuation principles

NOTE observes International Financial Reporting Standards (IFRS) as endorsed by the European Union. Significant accounting and valuation principles are stated on pages 48–50 of the Annual Report for 2018. The group's Interim Report has been prepared in accordance with the Swedish Annual Accounts Act and IAS 34, Interim Financial Reporting. The parent company observes RFR 2.

As of January 1, 2019, NOTE applies IFRS 16 Leases. This standard requires assets and liabilities attributable to leasing agreements, with some exceptions, to be recognized in the Balance Sheet. For machinery and other equipment, the new standard does not result in any changes since they have also previously been reported as Property, plant and equipment. The largest impact is that the group's rental agreements for properties are now reported as rights-of-use assets.

NOTE has chosen the simplified transition method to IFRS 16, meaning that no adjustment has been done to the financial reports for 2018. A loan interest rate of 1.6% has been used for the interest calculation of the lease debt linked to the right-of-use

assets. Right-of-use assets as of December 31, 2018, amounted to approximately SEK 66 million. In accordance with IFRS 16, the consolidated opening balances for 2019 have been adjusted, meaning that non-current assets (rights-of-use assets) have increased at the same time as financial liabilities increased by the corresponding amount.

All amounts are in millions of Swedish kronor (SEK million) unless otherwise stated.

Discrepancies between reports

Swedish and English-language versions of this Report have been produced. In the event of any discrepancy between the two, the Swedish version shall apply.

Johannes Lind-Widestam
CEO and President

Kista, Sweden, 4 February 2020



Consolidated quarterly summary

SEK million	2019 Q4	2019 Q3	2019 Q2	2019 Q1	2018 Q4	2018 Q3	2018 Q2	2018 Q1
Net sales	483	434	437	405	397	324	351	308
Gross margin	11.6%	11.5%	11.7%	12.1%	13.2%	12.4%	12.8%	11.3%
Operating margin	7.4%	7.3%	7.0%	6.6%	7.1%	4.8%	6.7%	5.5%
Profit margin	6.9%	6.8%	6.6%	6.1%	6.8%	4.6%	6.2%	4.9%
Cash flow after investing activities	96	1	-24	2	-81	9	-18	13
Cash flow per share, SEK	3.32	0.03	-0.82	0.06	-2.80	0.33	-0.62	0.46
Equity per share, SEK	16.1	15.4	14.4	14.3	13.3	13.2	13.0	13.3
Equity to assets ratio	41.2%	38.7%	36.7%	36.8%	39.8%	46.2%	44.9%	46.8%
Average number of employees	1,092	1,070	1,070	1,045	1,058	983	951	927
Net sales per employee, SEK 000	442	406	409	388	375	329	369	332

Consolidated six-year summary

SEK million	2019	2018	2017	2016	2015	2014
Net sales	1,760	1,379	1,176	1,098	1,122	964
Gross margin	11.7%	12.5%	11.9%	12.0%	10.9%	10.6%
Operating margin	7.1%	6.1%	7.9%	5.5%	4.0%	3.3%
Profit margin	6.6%	5.7%	7.6%	5.0%	3.5%	3.0%
Cash flow after investing activities	75	-76	70	41	5	3
Cash flow per share, SEK	2.60	-2.63	2.41	1.42	0.18	0.09
Equity per share, SEK	16.1	13.3	12.8	11.0	9.9	9.4
Return on operating capital	20.7%	17.8%	24.2%	16.1%	12.9%	10.1%
Return on equity	21.7%	17.1%	21.0%	14.9%	12.4%	9.7%
Equity to assets ratio	41.2%	39.8%	48.8%	45.8%	43.3%	44.1%
Average number of employees	1,070	980	912	987	940	893
Net sales per employee, SEK 000	1,645	1,407	1,289	1,113	1,193	1,080

Consolidated Income Statement

SEK million	2019 Q4	2018 Q4	2019 Full year	2018 Full year
Net sales	483	397	1,760	1,379
Cost of goods and services sold	-427	-345	-1,554	-1,207
Gross profit	56	52	206	172
Selling expenses	-14	-12	-49	-51
Administrative expenses	-9	-9	-33	-32
Other operating income/expenses	2	-3	0	-5
Operating profit	35	28	124	84
Net financial income/expenses	-2	-1	-8	-5
Profit after financial items	33	27	116	79
Income tax	-7	-3	-24	-15
Profit after tax	26	24	92	64

Consolidated Statement of Other Comprehensive Income

SEK million	2019 Q4	2018 Q4	2019 Full year	2018 Full year
Profit after tax	26	24	92	64
Other comprehensive income				
Items that can be subsequently reversed in the income statement:				
Exchange rate differences	-5	1	11	6
Cash flow hedges	0	0	0	0
Tax on hedges and exchange rate difference	0	0	-2	0
Total other comprehensive income after tax	-5	1	9	6
Comprehensive income after tax	21	25	101	70

Earnings per share

	2019 Q4	2018 Q4	2019 Full year	2018 Full year
Number of shares at end of period (000)	28,873	28,873	28,873	28,873
Weighted average number of shares (000)*	28,873	28,873	28,873	28,873
Weighted average number of shares (000)**	29,141	28,873	28,973	28,890
Earnings per share, SEK*	0.90	0.83	3.20	2.22
Earnings per share, SEK**	0.90	0.83	3.18	2.22

* Before dilution

** After dilution

Consolidated Balance Sheet

SEK million	2019 31 Dec.	2018 31 Dec.
Assets		
Goodwill	110	107
Intangible assets—customer relationships	13	15
Other intangible assets	14	13
Right of use assets	54	-
Property, plant and equipment	96	80
Deferred tax assets	1	2
Other financial assets	0	1
Total non-current assets	288	218
Inventories	370	370
Accounts receivable—trade	380	327
Other current receivables	18	19
Cash and bank balances	73	31
Total current asset	841	747
TOTAL ASSETS	1,129	965
Equity and liabilities		
Equity	465	384
Liabilities		
Long-term interest-bearing liabilities	21	12
Long-term liabilities, right of use asset	38	-
Deferred tax liabilities	12	8
Other long term provisions	-	9
Total non-current liabilities	71	29
Current interest-bearing liabilities	191	176
Short-term liabilities, right of use asset	16	-
Accounts payable—trade	270	273
Other current liabilities	109	103
Other short term provisions	7	-
Total current liabilities	593	552
TOTAL EQUITY AND LIABILITIES	1,129	965

Consolidated Change in Equity

SEK million	2019 Q4	2018 Q4	2019 Full year	2018 Full year
Opening equity	444	381	384	369
Effect of change in accounting principle	-	-	-	-4
Total	444	381	384	365
Comprehensive income after tax	21	25	101	70
Payment warrants	-	-	0	0
Repurchase of shares	-	-22	-	-22
Dividend	-	-	-20	-29
Closing equity	465	384	465	384

Consolidated Cash Flow Statement

SEK million	2019 Q4	2018 Q4	2019 Full year	2018 Full year
Operating activities				
Profit after financial items	33	27	116	79
Reversed depreciation and amortisation	11	6	44	19
Other non-cash items	5	0	1	-3
Tax paid	0	3	-20	-11
Change in working capital	52	-27	-45	-57
Cash flow from operating activities	101	9	96	27
Cash flow from investing activities	-5	-90	-21	-103
Cash flow from financing activities	-64	59	-33	18
Change in cash and cash equivalents	32	-22	42	-58
Cash and cash equivalents				
At beginning of period	42	53	31	87
Cash flow after investing activities	96	-81	75	-76
Cash flow from financing activities	-64	59	-33	18
Exchange rate difference in cash and cash equivalents	-1	0	0	2
Cash and cash equivalents at end of period	73	31	73	31
Un-utilised credits	116	97	116	97
Available cash and cash equivalents	189	128	189	128

Operating segments

NOTE's operating segment Western Europe consist of units located in geographical regions with high industrial activity and innovation standards in Sweden, Finland and the UK. These units provide advanced production technology services in close collaboration with customers, such as component selection, developing test equipment, prototyping and batch production.

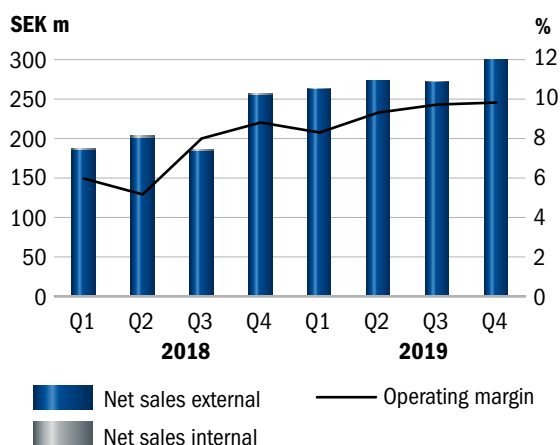
Operating segment Rest of World, located in Estonia and China, are close to large end markets and in regions with strong

traditions of production and high competence levels. In addition to development-oriented services, these units also offer cost-efficient volume production of PCBAs and box build products.

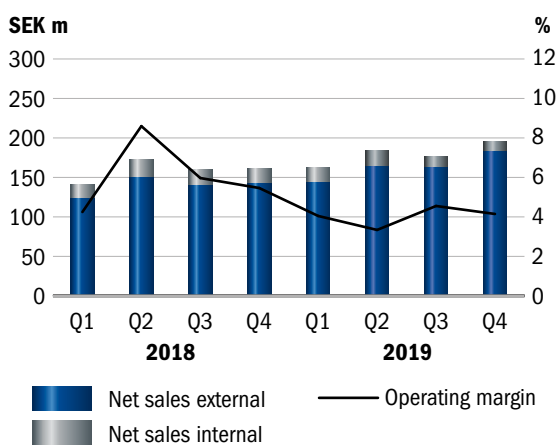
Intra-Group are group-wide business support functions in the parent company and for the sourcing operations in NOTE Components. The segment also includes group eliminations.

SEK million	2019 Q4	2018 Q4	2019 Full year	2018 Full year
WESTERN EUROPE				
External net sales	300	255	1,106	824
Internal net sales	0	2	4	11
Operating profit	29	22	101	59
Operating margin	9.7%	8.7%	9.2%	7.0%
Inventories	237	218	237	218
External accounts receivable—trade	238	219	238	219
Average number of employees	496	395	468	339
REST OF WORLD				
External net sales	183	142	654	555
Internal net sales	12	19	65	80
Operating profit	8	9	29	39
Operating margin	4.1%	5.4%	4.1%	6.1%
Inventories	133	152	133	152
External accounts receivable—trade	142	108	142	108
Average number of employees	577	643	585	620
INTRA-GROUP				
Internal net sales	-12	-21	-69	-91
Operating profit	-2	-3	-6	-14
External accounts receivable—trade	0	0	0	0
Average number of employees	19	20	17	21

Western Europe



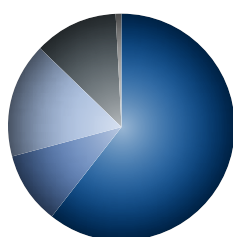
Rest of World



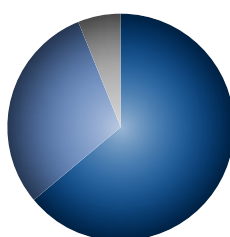
Sales per customer segment

SEK million	2019 Q4	2018 Q4	2019 Full year	2018 Full year
WESTERN EUROPE				
Industrial	177	160	671	544
Communication	26	31	114	87
Medtech	57	35	181	112
Defence	38	25	133	77
High end consumer	2	4	7	4
Total external sales	300	255	1,106	824
REST OF WORLD				
Industrial	109	88	419	347
Communication	61	47	196	174
Medtech	0	1	0	4
Defence	0	0	0	0
High end consumer	13	6	39	30
Total external sales	183	142	654	555
TOTAL				
Industrial	286	248	1,090	891
Communication	87	78	310	261
Medtech	57	36	181	116
Defence	38	25	133	77
High end consumer	15	10	46	34
Total external sales	483	397	1,760	1,379

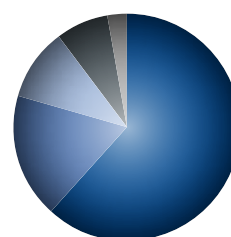
Western Europe Full year



Rest of World Full year



Total Full year



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

Parent Company Income Statement

SEK million	2019 Q4	2018 Q4	2019 Full year	2018 Full year
Net sales	10	9	38	37
Cost of services sold	-5	-3	-16	-16
Gross profit	5	6	22	21
Selling expenses	-5	-4	-18	-21
Administrative expenses	-3	-4	-11	-12
Other operating income/expenses	-1	-2	6	-1
Operating profit	-4	-4	-1	-13
Net financial income/expenses	72	40	76	41
Profit after financial items	68	36	75	28
Appropriations	-19	-7	-19	-7
Profit before tax	49	29	56	21
Income tax	-10	-4	-12	-4
Profit after tax	39	25	44	17

Parent Company Statement of Other Comprehensive Income

SEK million	2019 Q4	2018 Q4	2019 Full year	2018 Full year
Profit after tax	39	25	44	17
Other comprehensive income				
Items that can be subsequently reversed in the income statement:	-	-	-	-
Total other comprehensive income	-	-	-	-
Comprehensive income after tax	39	25	44	17

Parent Company Balance Sheet

SEK million	2019 31 Dec.	2018 31 Dec.
Assets		
Intangible assets	4	4
Property, plant and equipment	1	1
Long-term receivables from group companies	149	80
Financial non-current assets	221	221
Total non-current assets	375	306
Receivables from group companies	19	67
Other current receivables	3	7
Cash and bank balances	25	-6
Total current assets	47	68
TOTAL ASSETS	422	374
Equity and liabilities		
Equity	240	216
Untaxed reserves	26	7
Liabilities		
Liabilities to financial institutions	1	-
Liabilities to group companies	138	129
Other current liabilities and provisions	17	22
Total current liabilities	156	151
TOTAL EQUITY AND LIABILITIES	422	374

Parent Company Change in Equity

SEK million	2019 Q4	2018 Q4	2019 Full year	2018 Full year
Opening equity	201	213	216	250
Comprehensive income after tax	39	25	44	17
Repurchase of shares	-	-22	-	-22
Dividend	-	-	-20	-29
Closing equity	240	216	240	216

Financial definitions

Average number of employees

Average number of employees calculated on the basis of hours worked.

Cash flow per share

Cash flow after investments divided by the number of shares at end of the period (before dilution).

Equity per share

Equity divided by the number of shares at end of the period (before dilution).

Equity to assets ratio

Equity as a percentage of total assets.

Gross profit margin

Gross profit as a percentage of net sales.

Net debt

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

Net sales per employee

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

Operating capital

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

Operating margin

Operating profit as a percentage of net sales.

Order backlog

A combination of fixed orders and customer forecasts.

Profit margin

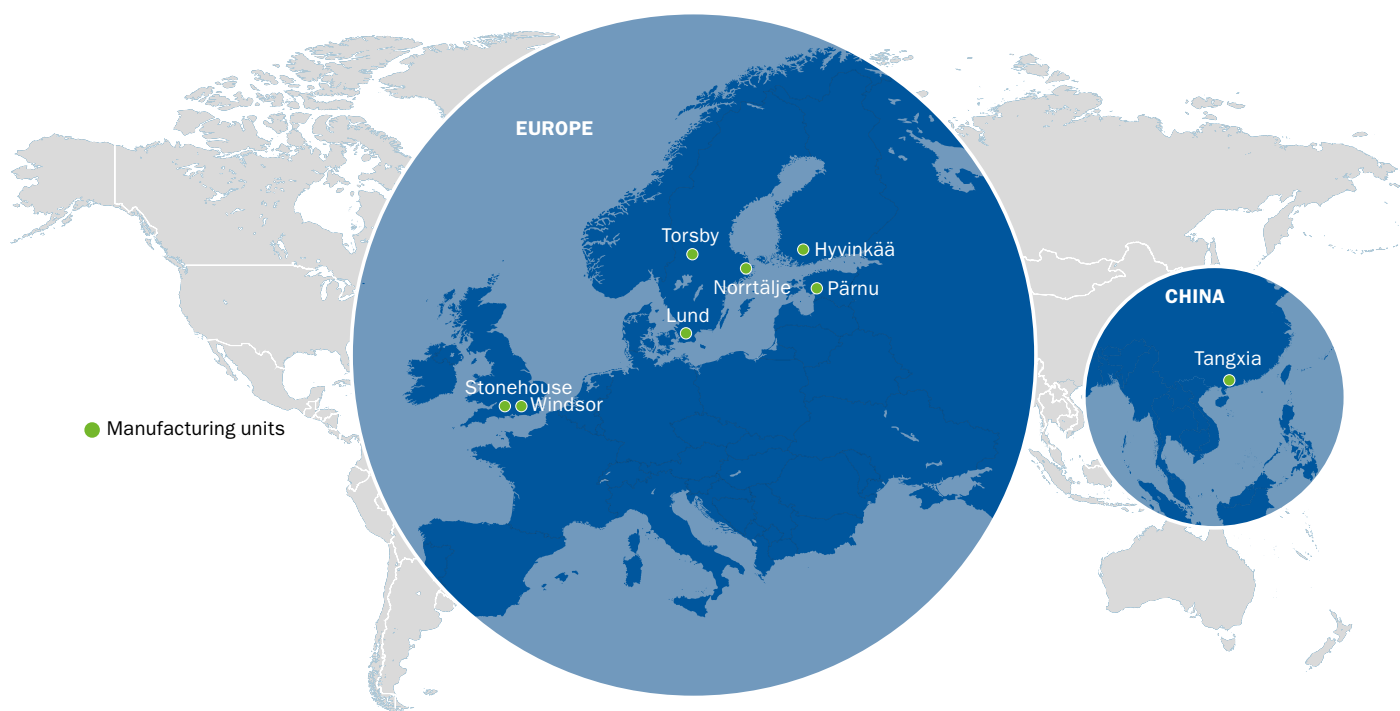
Profit after financial items as a percentage of net sales.

Return on equity

Net profit as a percentage of the average equity for the most recent twelve-month period.

Return on operating capital

Operating profit as a percentage of the average operating capital for the most recent twelve-month period.



This is NOTE

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

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

logistics solutions as well as value-added consulting services for the best total cost. The customer offering covers complete product lifecycles from design to after-sales.

In Western Europe, NOTE has plants located in geographical regions with high industrial activity and innovation capabilities. At these plants, NOTE provides sophisticated production technology services in close partnership with customers, such as component selection, developing test equipment, prototyping and batch production.

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

Financial information

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

Calendar

Interim Report Q1	23 Apr 2020
Interim Report Q2	16 Jul 2020
Interim Report Q3	22 Oct 2020

Annual Report

The Annual Report for 2019 will be published on NOTE's website, www.note.eu, week 14.

Annual General Meeting

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

Ordering financial information

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

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