

# Q2 in brief

#### **Financial performance in April-June**

- Sales increased by 28% to SEK 642 (500) million. Adjusted for acquisitions and currency effects, growth was 27%.
- Operating profit was up by 44% to SEK 60 (42) million.
- Operating margin increased by 1.0 percentage point to 9.3% (8.3%).
- Profit after net financial items increased by 40% to SEK 58 (42) million.
- Profit after tax increased by 40% to SEK 47 (34) million, corresponding to SEK 1.66 (1.20) per share.
- Cash flow after investments and acquisitions amounted to SEK
   -53 (64) million, or SEK -1.85 (2.26) per share. The payment for
   the acquisition of iPRO affected cash flow by SEK -68 million.

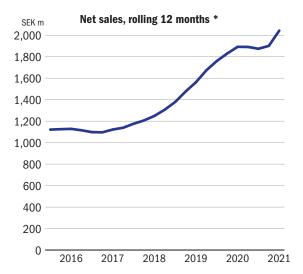
#### **Events in the period**

#### Strong growth and new businesses

NOTE has a clear growth agenda with the express target of increasing market shares and achieving stable organic growth of at least 10% per year. In the most recent three-year period, yearly organic growth has averaged over 15%.

The pandemic caused lower sales than expected last year. A strong market recovery was already apparent at the beginning of this year, and demand gathered further momentum in Q2, when organic growth, adjusted for currency effects, increased to 27%. Major customer partnerships announced, which achieved strong volume growth, include high-growth customers like Charge Amps, which sells electric vehicle charging products, and Plejd, active in the smart lighting segment.

Despite challenges linked to the pandemic, new business sales were at a record level. In early July, NOTE communicated an extensive partnership with Swedish medtech company Mölnlycke. In Q1, NOTE was appointed electronics production partner by a another leading international medtech company. The potential of this new partnership is significant, and annualised sales are estimated at just over SEK 85 million. NOTE also secured new businesses of comparable size with exisiting customers. In June, NOTE signed a deal with a major international customer,



#### Financial performance in January-June

- Sales increased by 17% to SEK 1,144 (975) million. Adjusted for acquisitions and currency effects, growth was 19%.
- Operating profit was up by 34% to SEK 100 (75) million.
- Operating margin increased by 1.0 percentage point to 8.7% (7.7%).
- Profit after net financial items increased by 38% to SEK 96 (70) million.
- Profit after tax increased by 39% to SEK 78 (56) million, corresponding to SEK 2.75 (2.01) per share.
- Cash flow after investments and acquisitions amounted to SEK -49 (127) million, or SEK -1.71 (4.48) per share. The payment for the acquisition of iPRO affected cash flow by SEK -68 million.

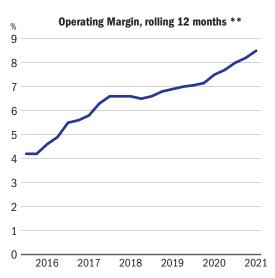
involving high-volume manufacture in China of a new programming module, designed to expand applications across industry, and in education. NOTE's biggest order ever, worth over SEK 150 million for delivery in 12-18 months, was placed on contract signing.

#### Acquisition for more expansion in the UK

At month end May/June, NOTE acquired iPRO Holdings of the UK, an enterprise specialising in manufacturing box build electronics products. Sales in the most recent 12-month period were just over SEK 330 million, within an operating margin comparable to NOTE's. Its customers are mainly in the Greentech, Medtech and Industrial segments. iPRO is in a high growth phase with several manufacturing contracts for charging products, including charging points for electric vehicles.

#### **NOTE's new Chairman**

NOTE's Annual General Meeting in April elected Claes Mellgren as its new Chairman. Claes has been a Board member of NOTE since 2019 and is a co-founder and principal owner of AQ Group, quoted on Nasdaq Stockholm's Mid Cap list.



- \* The subsidiary iPRO is included in net sales in June 2021 with SEK 31 million.
- \*\* The operating margin adjusted by SEK -16 million in Q1 2017 and +7 MSEK in Q3 2018 for non-recurring items.

## 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. Our business has had a strong performance for several years. The combination of a clear growth agenda and strong customer offering, with rationalisation on our cost side, have been contributors to increased market shares and progressively expanding margins. A critical success factor is our methodical improvement work on assuring quality and delivery precision of the highest class to customers, and in these segments, we've secured a sector-leading position.

Our business model builds on partnership and long-term customer relationships. Our customer base is varied, and we already partner with several of the northern European leaders across a broad spectrum of sectors. One of the cornerstones of our growth plans is to expand collaborations across our strong customer base—the potential to expand business here remains very substantial. At the same time, we're seeing great interest in NOTE's flexible and industrially broad-based offering. 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.

#### Progress in the first half-year

We already witnessed a clear demand recovery in Q1, especially in Sweden and China. The positive progress accelerated in Q2, translating into record order intake. At the mid-point of the year, order backlog for delivery in the second half-year, and in like-for-like terms, was over 40% above the previous year's level, and obviously, this lifts our optimism for the future.

Despite the spread of the pandemic, sales in the first half of the previous year maintained record levels. That's why I'm delighted that sales in the first half-year this year were up by 17% to SEK 1,144 million, our highest-ever level. Adjusted for acquisitions and currency effects, organic growth was 19%. Measured in the same way, organic growth in the second quarter was 27%, and thus clearly above our long-term target.

I'm also pleased about our recently completed acquisition of iPRO of the UK, which will significantly improve our positioning in the expansive Greentech segment. We're already seeing how UK manufacturing, hard hit by the pandemic, is on the verge of a clear recovery. iPRO is already in a highly expansive phase, with its customer base including several high-growth customers in electric vehicle charging solutions. Including iPRO, our pro forma sales for the past 12 months are just over SEK 2.3 billion.

In the wake of the pandemic, more focus on sustainability issues and increasing trade barriers in the global economy, we're witnessing clearly increased interest from European customers in locating production closer to their core businesses. This progress favours NOTE, with most of its factories and customers in Europe. But simultaneously, it has entailed a sharper focus on developing and regenerating our customer base in China. We've succeeded in this respect, and are already witnessing robust expansion of our business in China. Recently, we were also able to report our biggest deal ever—worth over SEK 150 million—from China for deliveries in the next 12-18 months.



# Record order intake and expansive acquisition boost our future potential.

I'm also delighted that in earnings terms, we're continuing our positive trend. Our operating profit in the first half-year increased by 34% to SEK 100 million, and our operating margin widened by 1.0 percentage points to 8.7%. For Q2, our profit increase was 44%, while operating margin grew to 9.3%—our highest ever. The profit improvement has been enabled by growth, stable margins on customer assignments, rationalisation executed on our cost side and brisk market progress in Europe and China.

Our business model is working well, and we operate modern, efficient plants. We are continuing to invest to increase growth and are running several projects to further expand our capacity and automation levels, including the extensive expansion of the plant at Torsby, Sweden, and we will soon be expanding our already modern machinery in China to satisfy increasing demand.

Over the past year-plus, the situation on the electronic components market has been pressurised, not least in terms of lead-times and the availability of semiconductors. That's why we took the early decision to upscale our inventory, so that if possible, we could ensure the ready supply of materials to customers. Combined with growth, this was a contributor to first half-year ongoing cash flow after investments of SEK 19 (127) million, in addition we also paid purchase consideration for iPRO of SEK -68 million. We still have a strong Balance Sheet, and are working actively to exploit new acquisition opportunities.

#### **Future**

Our orders are at record levels from current and new business customers, which makes us more optimistic about the future. Proceeding from the current market situation, we see good potential to achieve organic growth of over 20% for the full year. Including iPRO, we think full-year sales will be at least SEK 2.45 billion, corresponding to total growth of over 30%. For the full year, we continue to look forward to increased operating profit and a stronger operating margin.

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# Comments on the Half-year Interim Report

#### Sales, January-June

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, essentially active in the Industrial, Communication, Medtech and Greentech segments. The customer base includes both global corporations active worldwide, and local enterprises whose main sales are in northern Europe. Usually, customers outsource all EMS to one or several production partners. Another clear trend is for customers demanding more manufacture of box build products.

Despite the current pandemic, demand for NOTE's services rose strongly in the first half-year. Sales increased by 17% to SEK 1,144 (975) million. Adjusted for extra sales in June through UK acquisition iPRO, and altered exchange rates, mainly the USD, EUR and GBP, organic growth was 19%.

The sales increase consisted of intensified partnerships 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 businesses across Europe and Asia. Several of these assignments, which usually start with industrialisation services (service sales, prototyping and pilot series), have now transitioned to batch production and higher volumes.

Demand progressed very strongly in Sweden, with growth of over 22% on the previous year. After extensive restrictions and closures across UK industry in response to the pandemic, there was a gradual demand recovery in the UK, which helped push organic growth in the first half-year to over 6%. Sales from NOTE's plant in China are to local and global customers. Driven primarily by new business customers and projects, growth in China was over 45%. Sales from the plant in Estonia, mainly to customers in Sweden and Finland, were in line with the previous year's strong level, with several new customer partnerships in ramp-up.

Overall, sales in Western Europe increased by 20%. Essentially, growth was sourced from sales to customers in Greentech, which include several high-growth companies in the energy and environmental segments.

NOTE's growth and robust new business customer sales in recent years should be viewed against the background of a market evolving rapidly. Previously, industrial customers were keen to locate EMS in Asia. Amplified by increasing restrictions to global trade, and a sharper focus on sustainability issues, there is a clear trend for European customers increasingly demanding development and manufacturing services closer to home. With expanded capacity and several efficient plants in Europe, NOTE's organisation is well prepared to address this progress.

NOTE's 15 largest customers in sales terms represented 54% (49%) of group sales. No single customer (group) represented more than about 7% of total sales.

A sustained high level of new business sales and clear demand recovery across industry were contributors to high order intake in the period. Against the background of the strained position on the global market for electronic components, and to safeguard the availability of components and other production materials, NOTE has been working actively for customers to place fixed orders over a longer period than usual. By the midpoint of the year, the group's order backlog for delivery in the second half of this year, and in like-for-like terms, was over 40% above the previous year's level, supporting continued strong sales performance.

#### Results of operations, January-June

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. An obvious result of the improvement work is the company's positive trend of sales per employee over time.

Mainly as a consequence of increased sales and stable margins on current customer assignments, gross profit increased by 28% to SEK 150 (117) million. Gross margin increased by 1.1 percentage points to 13.1% (12.0%).

Sales and administration overheads for the period were SEK 3 million (8%) higher than the previous year, essentially a consequence of expenses linked to the acquisition of iPRO. These overheads were 4.2% (4.5%) of sales.

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

Operating profit in the first half-year improved by 34% to SEK 100 (75) million, and the operating margin increased by 1.0 percentage point to 8.7% (7.7%).

Ahead of the acquisition of iPRO of the UK at month end May/June, NOTE returned to its previous higher level of invoice factoring. Net financial income/expenses improved to SEK -4 (-5) million in the period.

Profit after net financial items increased by 38% to SEK 96 (70) million, which means the profit margin increased to 8.4% (7.1%).

Profit after tax was up by 39% to SEK 78 (56) million, or SEK 2.75 (2.01) per share. The tax expense for the period corresponded to 19% (19%) of profit before tax.

#### Sales and results of operations April-June

The demand for NOTE's services made record progress in the second quarter. Sales increased by 28% to SEK 642 (500) million. Adjusted for the sales of iPRO, acquired at month end May/June, and exchange rate fluctuations, organic growth was 27%. Progress was especially brisk in Sweden and China, with sales gains of 28% and 55% respectively.

Sales in the UK, which fell significantly in the wake of the pandemic last year, made a clear recovery, up by 48% on the second quarter of the previous year. Demand from NOTE's plant in Estonia remained at a high and stable level.

Primarily as a consequence of the sales increase, stable margins on current customer assignments and continued good cost performance, gross profit increased by 45% to SEK 87 (59) million. NOTE's gross margin widened by 1.5 percentage points to 13.5% (12.0%).

Sales and administration overheads for the period increased by 18% to SEK 27 (22) million. Most of the cost increase consisted of the extra costs of iPRO and external expenses related to the acquisition, mainly for legal consulting, of nearly SEK 2 million. Overheads reduced to 4.2% (4.6%) of sales.

Other operating income/expenses, mainly consisting of revaluations of operating assets and liabilities, amounted to SEK 0 (+5) million.

Mainly because of growth, stable margins and continued positive progress on costs, operating profit increased by 44% to SEK 60 (42) million. NOTE's operating margin widened by 1.0 percentage points to 9.3% (8.3%).

Net financial items for the period were SEK -2 (0) million. Profit after financial items increased by 40% to SEK 58 (42) 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 segments.

The global market for electronics components is generally considered fairly volatile, with limited supply of various types of component from time to time. One of NOTE's key missions is to maintain a good supply of materials to customers continuously. Access to semiconductors has been a limiting factor in the industry for over a year, and accordingly, NOTE has put a lot of work into mitigating disruptions and delays to inward shipments of components. As part of these efforts, the inventory of critical components was deliberately increased. Combined with a higher growth rate, this was a contributor to capital tied-up in inventory being 55% higher than at the mid-point of the previous year. Acquired company iPRO's inventory increased inventory by 16%.

NOTE is making continuous efforts to monitor the number of outstanding days of customer credit. With sales growth, accounts receivable—trade have automatically increased since year-end, and were 58% higher than the corresponding point of the previous year. Including iPRO, the number of outstanding days of customer credit was consistent 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 significantly on year-end, and were 67% higher than at the mid-point of the previous year.

Cash flow in the first quarter of the previous year was positively impacted by just over SEK 30 million due to a changed factoring solution in Estonia. Despite continued positive profit performance, the acquisition of iPRO and increased need for working capital resulting from growth limited first-half-year cash flow after investments to SEK -49 (127) million, corresponding to SEK -1.71 (4.48) per share. The payment for the acquisition of iPRO affected cash flow by SEK -68 million.

#### **Equity to assets ratio**

NOTE has a strong financial position. According to NOTE's externally communicated financial targets, its minimum equity to assets ratio should be 30%. At the mid-point of the year and after the acquisition of iPRO, the equity to assets ratio was 38.6% (42.9%).

#### Liquidity and net debt

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

Against the background of strong cash flow in recent years, the purchase consideration paid for iPRO was financed within existing credit facilities. The group's reported available cash and cash equivalents including unused credit facilities, amounted to SEK 227 (277) million at the mid-point of the year. 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 quarter was SEK 158 (31) million.

#### Investments

Capital expenditure on property, plant and equipment in the first half-year, excluding right-of-use assets for leased properties, was SEK 30 (30) million, corresponding to 2.6% (3.1%) of sales, and mainly consisted of projects to increase capacity, efficiency and quality.

Plan depreciation on property, plant and equipment, excluding right-of-use assets for leased properties, increased to SEK 16 (12) 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 16 (19) million, mainly from intra-group services. Profit after tax for the first half-year amounted to SEK 4 (-5) million.

## Other information

#### **Transactions with related parties**

Within the framework of the three-year incentive programme launched in 2018, senior executives purchased all 211,000 newly issued shares in May in accordance with the terms of the programme. In total, the company received just over SEK 6 million. No other transactions with related parties were made during the first half of the year. In the ongoing incentive programme from 2019, there are a total of 400,000 warrants corresponding to just over 1% of the number of outstanding shares.

#### **Annual General Meeting**

At the Annual General Meeting in April, Anna Belfrage, Bahare Hederstierna, Charlotte Stjerngren, Claes Mellgren and Johan Hagberg were re-elected. Claes Mellgren was elected Chairman of the Board. In line with the Board's proposal the decision was made that no dividend be paid for the 2020 financial year.

#### 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 2020, more specifically to the Risks section on page 13, the Report of the Directors on page 43, as well as note 24, Financial risks and finance policy, on page 61–62.

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 50-52 of the Annual Report for 2020. 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.

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

#### Notes to the Group's financial reports

At month end May/June, all shares in iPRO Holding Ltd in Haddenham, Buckinghamshire, United Kingdom, were acquired. iPRO's sales in the last 12 months before the acquisition amounted to just over SEK 330 million with an operating margin in line with NOTE's. The number of employees at the mid-point of the

half year amounted to 110 people. The acquisition strengthens NOTE's position in the UK market and contributes to further growth in the expansive customer segment Greentech. The initial purchase price of SEK 79 million was paid in connection with the acquisition in early June. In favorable circumstances, linked to future growth and profitability in iPRO during 2021-2022, a maximum additional purchase price of SEK 27 million may be paid. The acquisition analysis is based on the maximum purchase price.

Information on purchase price, acquired net assets and goodwill is shown in the table below:

#### NOTE 1 Acquisitions

Assets and liabilities taken over in the acquisition	2021	
Total purchase consideration	106	
Intangible assets - customer relationships	21	
Right-of-use assets - rented properties	8	
Property, plant and equipment	6	
Inventories	63	
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Accounts receivable - trade and other current receivables	65	
Cash and cash equivalents	11	
Long-term interest-bearing liabilities	-13	
Long-term liabilities, right of use asset—rented properties	-5	
Short-term interest-bearing liabilities	-18	
Short-term liabilities, right of use asset—rented properties	-3	
Deferred tax liability	-4	
Accounts payable-trade and other operating liabilities	-54	
Acquired identifiable net assets	76	
Goodwill	30	
Total acquired net assets	106	
Cash flow relating to acquisitions in the period		
Purchase consideration paid	79	
Cash in acquired entity	-11	
Net outflow, cash and cash equivalents	68	

External transaction costs for the acquisition amounted to approximately SEK 2 million and were mainly attributable to costs for local lawyers and other advisers. These costs are reported on the line for administrative expenses in the consolidated income statement and are included in current operations in the cash flow analysis.

In connection with the acquisition, existing customer relationships were identified to a total value of SEK 21 million. The goodwill of SEK 30 million that arose in connection with the acquisition is mainly attributable to the company's expertise and processes in the market for charging solutions for electric vehicles and in medtech. In addition, expected coordination gains with NOTE's other operations.

#### **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.

#### **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, the Interim Report for the first half year 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.

Claes Mellgren
Chairman

Anna Belfrage

Board member

Bahare Hederstierna

Board member

Charlotte Stjerngren

Board member

Johan Hayberg

Johan Hagberg

Board member

Christoffer Skogh

Board member, Employee representative

Johan Lantz

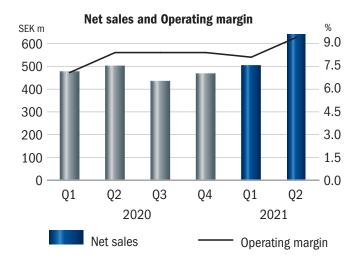
Board member, Employee representative

The Board of Directors of NOTE AB (publ) Stockholm, Sweden 12 July 2021

# Consolidated summary

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SEK million	2021 Q2	2021 Q1	2020 Q4	2020 Q3	2020 Q2	2020 Q1
Net sales	642	502	466	433	500	475
Gross margin	13.5%	12.6%	12.6%	11.2%	12.0%	12.1%
Operating margin	9.3%	8.0%	8.3%	8.3%	8.3%	7.0%
Profit margin	9.1%	7.5%	8.4%	7.8%	8.4%	5.8%
Cash flow after investing activities	-53	4	44	1	64	63
Cash flow per share, SEK	-1.85	0.14	1.55	0.04	2.26	2.26
Equity per share, SEK	23.3	21.7	20.0	19.5	18.6	18.1
Equity to assets ratio	38.6%	47.7%	51.2%	45.0%	42.9%	40.9%
Average number of employees	1,186	1,091	1,086	1,103	1,124	1,090
Net sales per employee, SEK 000	541	460	429	393	445	436



### Six-year summary

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SEK million	Rolling 12 mth.	2020	2019	2018	2017	2016
Net sales	2,043	1,874	1,760	1,379	1,176	1,098
Gross margin	12.6%	12.0%	11.7%	12.5%	11.9%	12.0%
Operating margin	8.5%	8.0%	7.1%	6.1%	7.9%	5.5%
Profit margin	8.3%	7.6%	6.6%	5.7%	7.6%	5.0%
Cash flow after investing activities	-4	172	75	-76	70	41
Cash flow per share, SEK	-0.14	6.06	2.69	-2.63	2.41	1.42
Equity per share, SEK	23.3	20.0	16.7	13.3	12.8	11.0
Return on operating capital	23.1%	22.7%	20.7%	17.8%	24.2%	16.1%
Return on equity	23.2%	22.5%	21.7%	17.1%	21.0%	14.9%
Equity to assets ratio	38.6%	51.2%	41.2%	39.8%	48.8%	45.8%
Average number of employees	1,116	1,101	1,070	980	912	987
Net sales per employee, SEK 000	1,831	1,702	1,645	1,407	1,289	1,113

# **Consolidated Financial Reports**

**Income Statement** 

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SEK million	2021 Q2	2020 Q2	2021 Q1-Q2	2020 Q1-Q2	Rolling 12 mth.	2020 Full year
Net sales	642	500	1,144	975	2,043	1,874
Cost of goods and services sold	-555	-441	-994	-858	-1,785	-1,649
Gross profit	87	59	150	117	258	225
Selling expenses	-15	-13	-27	-27	-51	-51
Administrative expenses	-12	-9	-20	-17	-37	-34
Other operating income/expenses	0	5	-3	2	4	9
Operating profit	60	42	100	75	174	149
Net financial income/expenses	-2	0	-4	-5	-5	-6
Profit after financial items	58	42	96	70	169	143
Income tax	-11	-8	-18	-14	-31	-27
Profit after tax	47	34	78	56	138	116

**Other Comprehensive Income** 

	2021	2020	2021	2020	Rolling	2020
SEK million	Q2	Q2	Q1-Q2	Q1-Q2	12 mth.	Full year
Profit after tax	47	34	78	56	138	116
Other comprehensive income						
Items that can be subsequently reversed in the income statement:						
Exchange rate differences	-5	-23	14	-7	-7	-28
Cash flow hedges	0	0	0	0	0	0
Tax on hedges and exchange rate difference	1	1	-1	1	1	3
Total other comprehensive income after tax	-4	-22	13	-6	-6	-25
Comprehensive income after tax	43	12	91	50	132	91

**Earnings per Share** 

	2021 Q2	2020 Q2	2021 Q1-Q2	2020 Q1-Q2	Rolling 12 mth.	2020 Full year
Number of shares at end of period (000)	28,584	28,373	28,584	28,373	28,584	28,373
Weighted average number of shares (000)*	28,451	28,087	28,412	27,980	28,392	28,178
Weighted average number of shares (000)**	28,816	28,394	28,710	28,309	28,648	28,548
Earnings per share, SEK*	1.66	1.20	2.75	2.01	4.85	4.11
Earnings per share, SEK**	1.64	1.19	2.72	1.98	4.80	4.05

<sup>\*</sup> Before dilution \*\* After dilution

### **Balance Sheet**

SEK million	2021 30 June	2020 30 June	2020 31 Dec
Assets			
Goodwill	138	107	106
Intangible assets—customer relationships	28	11	9
Other intangible assets	12	13	11
Right of use assets—rented properties	70	55	55
Property, plant and equipment	157	112	137
Deferred tax assets	5	5	6
Other financial assets	1	1	1
Total non-current assets	411	304	325
Inventories	618	397	354
Accounts receivable—trade	546	346	338
Other current receivables	36	21	25
Cash and bank balances	111	160	68
Total current asset	1,311	924	785
TOTAL ASSETS	1,722	1,228	1,110
Equity and liabilities			
Equity	665	527	568
Liabilities			
Long-term interest-bearing liabilities	92	25	55
Long-term liabilities, right of use asset—rented properties	51	40	40
Deferred tax liabilities	19	11	15
Other long term provisions	0	1	
Total non-current liabilities	162	77	110
Current interest-bearing liabilities	177	166	41
Short-term liabilities, right of use asset—rented properties	20	16	17
Accounts payable—trade	525	315	246
Other current liabilities	172	126	127
Other short term provisions	1	1	1
Total current liabilities	895	624	432
TOTAL EQUITY AND LIABILITIES	1,722	1,228	1,110

## **Change in Equity**

	2021	2020	2021	2020	Rolling	2020
SEK million	Q2	Q2	Q1-Q2	Q1-Q2	12 mth.	Full year
Opening equity	616	503	568	465	527	465
Comprehensive income after tax	43	12	91	50	132	91
New share issue	6	12	6	12	6	12
Closing equity	665	527	665	527	665	568

### **Cash Flow Statement**

Justi Flow Statement	2021	2020	2021	2020	Rolling	2020
SEK million	Q2	Q2	Q1-Q2	Q1-Q2	12 mth.	Full year
Operating activities						
Profit after financial items	58	42	96	70	169	143
Reversed depreciation and amortisation	16	13	29	24	54	49
Other non-cash items	-2	0	-1	5	7	13
Tax paid	-7	-6	-16	-12	-22	-18
Change in working capital	-43	18	-78	48	-124	2
Cash flow from operating activities	22	67	30	135	84	189
Cash flow from investing activities	-75	-3	-79	-8	-88	-17
Cash flow from financing activities	86	-26	90	-39	-43	-172
Change in cash and cash equivalents	33	38	41	88	-47	0
Cash and cash equivalents						
At beginning of period	79	126	68	73	160	73
Cash flow after investing activities	-53	64	-49	127	-4	172
Cash flow from financing activities	86	-26	90	-39	-43	-172
Exchange rate difference in cash and cash equivalents	-1	-4	2	-1	-2	-5
Cash and cash equivalents at end of period	111	160	111	160	111	68
Un-utilised credits	116	117	116	117	116	116
Available cash and cash equivalents	227	277	227	277	227	184

#### **Operating Segments**

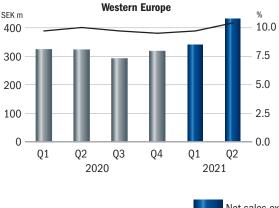
NOTE's operating segment Western Europe consist of units located in geographical regions with high industrial activity and innovation standards in Sweden, Finland and the UK. These units provide advanced production technology services in close collaboration with customers, such as component selection,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

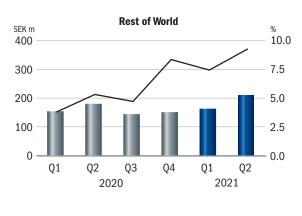
Operating segment Rest of World, located in Estonia and China, are close to large end markets and in regions with strong

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	2021 Q2	2020 Q2	2021 Q1-Q2	2020 Q1-Q2	Rolling 12 mth.	2020 Full year
WESTERN EUROPE	4-	4-	4- 4-	4- 4-		
External net sales	432	322	773	645	1,381	1,253
Internal net sales	5	1	6	2	8	4
Operating profit	45	32	78	63	136	121
Operating margin	10.3%	9.9%	10.0%	9.6%	9.8%	9.6%
Inventories	419	247	419	247	419	233
External accounts receivable—trade	384	236	384	236	384	246
Average number of employees	621	526	585	519	556	523
REST OF WORLD						
External net sales	210	178	371	330	662	621
Internal net sales	19	9	28	17	42	31
Operating profit	21	10	34	16	54	36
Operating margin	9.2%	5.3%	8.5%	4.7%	7.7%	5.6%
Inventories	199	150	199	150	199	121
External accounts receivable—trade	161	109	161	109	161	92
Average number of employees	548	580	537	570	542	559
INTRA-GROUP						
Internal net sales	-24	-10	-34	-19	-50	-35
Operating profit	-6	0	-12	-4	-16	-8
External accounts receivable—trade	1	1	1	1	1	0
Average number of employees	17	18	17	18	18	19





Net sales external

Operating margin

#### **Sales per Customer Segment**

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

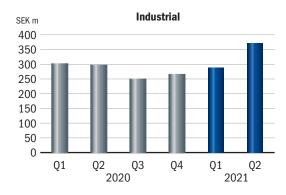
Industrial: With high quality and flexibility, products are manufactured in areas such as automation, control, infrastructure, energy and construction technology.

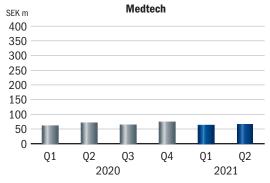
Communication: One of NOTE's core areas since the company was founded. The extensive and rapid development requires technical competence and equipment at the forefront.

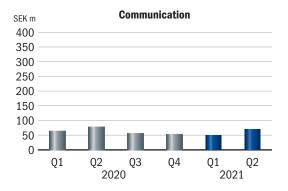
Medtech: Medical technology products in diagnostics, treatment and X-ray are the basis in the segment. Medtech has been part of NOTE for many years.

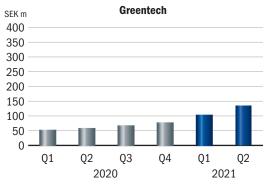
Greentech: The new segment Greentech consists of customers active in the fast-growing green technology shift. Here you will find customers with products that contribute positively to increased sustainability, for example to the transition from fossil to renewable energy or to optimisation of energy consumption.

SEK million	2021 Q2	2020 Q2	2021 Q1-Q2	2020 Q1-Q2	Rolling 12 mth.	2020 Full year
WESTERN EUROPE						
Industrial	223	189	401	394	729	722
Communication	31	25	51	49	97	95
Medtech	62	69	120	129	252	261
Greentech	116	39	201	73	303	175
Total external sales	432	322	773	645	1,381	1,253
REST OF WORLD						
Industrial	148	107	258	203	444	389
Communication	39	52	69	91	130	152
Medtech	4	1	8	1	12	5
Greentech	19	18	36	35	76	75
Total external sales	210	178	371	330	662	621
TOTAL						
Industrial	371	296	659	597	1,173	1,111
Communication	70	77	120	140	227	247
Medtech	66	70	128	130	264	266
Greentech	135	57	237	108	379	250
Total external sales	642	500	1,144	975	2,043	1,874









# Parent Company Financial Reports

Income	Statement
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SEK million	2021 Q2	2020 Q2	2021 Q1-Q2	2020 Q1-Q2	Rolling 12 mth.	2020 Full year
Net sales	8	9	16	19	35	38
Cost of services sold	-3	-3	-6	-6	-14	-14
Gross profit	5	6	10	13	21	24
Selling expenses	-3	-4	-6	-8	-15	-17
Administrative expenses	-3	-3	-6	-6	-12	-12
Other operating income/expenses	-2	-7	6	-5	-3	-14
Operating profit	-3	-8	4	-6	-9	-19
Net financial income/expenses	0	-1	1	0	0	-1
Profit after financial items	-3	-9	5	-6	-9	-20
Appropriations	-	_	-	-	19	19
Profit before tax	-3	-9	5	-6	10	-1
Income tax	1	2	-1	1	-2	0
Profit after tax	-2	-7	4	-5	8	-1

### **Other Comprehensive Income**

SEK million	2021 Q2	2020 Q2	2021 Q1-Q2	2020 Q1-Q2	Rolling 12 mth.	2020 Full year
Profit after tax	-2	-7	4	-5	8	-1
Other comprehensive income						
Items that can be subsequently reversed in the income statement:	-	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-	-
Comprehensive income after tax	-2	-7	4	-5	8	-1

### **Balance Sheet**

SEK million	2021 30 June	2020 30 June	2020 31 Dec
Assets			
Intangible assets	3	3	3
Property, plant and equipment	0	1	1
Long-term receivables from group companies	196	142	106
Financial non-current assets	221	221	221
Total non-current assets	420	367	331
Receivables from group companies	18	16	11
Other current receivables	19	4	7
Cash and bank balances	25	113	11
Total current assets	62	133	29
TOTAL ASSETS	482	500	360
Equity and liabilities			
Equity	261	247	251
Untaxed reserves	7	26	7
Liabilities			
Liabilities to financial institutions	0	0	0
Liabilities to group companies	202	219	88
Other current liabilities and provisions	12	8	14
Total current liabilities	214	227	102
TOTAL EQUITY AND LIABILITIES	482	500	360

**Change in Equity** 

SEK million	2021 Q2	2020 Q2	2021 Q1-Q2	2020 Q1-Q2	Rolling 12 mth.	2020 Full year
Opening equity	257	242	251	240	247	240
Comprehensive income after tax	-2	-7	4	-5	8	-1
New share issue	6	12	6	12	6	12
Closing equity	261	247	261	247	261	251



#### 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 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 Q3 19 Oct 2021

#### **Ordering Financial Information**

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

Website: www.note-ems.com E-mail: info@note-ems.com Tel: +46 (0)8-568 990 00

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