

# Interim Report January–June 2019



# Interim Report Q2

## Financial performance in January–June

- Sales increased by 28% to SEK 843 (658) million. Excluding acquisition, the growth was 15%.
- Operating profit up by 42% to SEK 57 (40) million.
- Operating margin widened by 0.7 percentage points to 6.8% (6.1%).
- Profit after financial items rose to SEK 53 (37) million.
- Profit after tax increased by 50% to SEK 44 (29) million, corresponding to SEK 1.51 (1.01) per share.
- Cash flow after investments amounted to SEK -22 (-5) million, or SEK -0.76 (-0.16) per share.

## Events in the first half-year

### Continued growth—new customer partnerships

NOTE has a clear growth agenda, with the expressed 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 first half-year include DeLaval, Maven Wireless, Micropower and UNIPOWER.

### 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 Directors 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 launched in 2017–2018 were repurchased in the second quarter. Given full exercise of warrants outstanding at the midpoint of the year, a total of 1,176,000 shares could be issued, or 4% of the total number of outstanding shares and votes. In December last year, NOTE executed a repurchase programme totalling 1,000,000 treasury shares.

## Financial performance in April–June

- Sales increased by 25% to SEK 437 (351) million. Excluding acquisition, the growth was 13%.
- Operating profit up by 30% to SEK 31 (23) million.
- Operating margin widened by 0.3 percentage points to 7.0% (6.7%).
- Profit after financial items rose to SEK 29 (22) million.
- Profit after tax increased by 37% to SEK 23 (17) million, corresponding to SEK 0.81 (0.59) per share.
- Cash flow after investments amounted to SEK -24 (-18) million, or SEK -0.82 (-0.62) per share.

## Events after the end of the period

### Laerdal Medical—new medtech customer

In July, NOTE commenced an electronics production partnership with Laerdal Medical of Norway—a leading vendor of training, educational and therapy products for lifesaving and emergency care. NOTE's plant in China will be providing industrialisation services and batch production. NOTE expects the partnership with Laerdal Medical to become one of its largest in the medtech sector.

# CEO's comments

## Focusing on profitable growth

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

Every day, we take responsibility for manufacturing function-critical products that are usually part of larger systems within customers' core business. Our focus on sector-leading quality and delivery precision are critical success factors, for ourselves and our customers.

Growing digitalisation across industry and in our everyday lives is driving the demand for electronics. Estimated yearly growth on our market for outsourced electronics is some 5%.

NOTE has been pursuing a clear growth agenda for several years. Our goal is to increase our market shares and achieve minimum stable sales growth of 10% per year. To succeed, we're working methodically from a strong and industrially diverse offering to expand our business and grow with our customers. Simultaneously, we work actively to secure new business customers in those technology and market segments where we're already successful. We also have the ambition of executing carefully selected acquisitions in our market niche. We consolidated our positioning on the UK market in the fourth quarter last year by acquiring Speedboard Assembly Services.

## Progress in the first half-year

We estimate that the potential to remain as one of the fastest growing companies in our sector is good. Our business model is based on long-term customer relationships and partnerships. Our customer base currently has several of the Nordic leaders in the industrial, communication and medtech sectors, and on the defence side. The partnerships we've recently commenced, examples being Plejd in smart lighting and Charge Amps, which develops charging solutions for electric vehicles, gathered good momentum in the first half-year.

There is great interest in our customer offering, and we're still securing a lot of new business customers. In the first half-year, we announced several new partnerships that offer great potential with customers such as DeLaval, Maven Wireless, Micropower and UNIPOWER. Recently, NOTE also gained Laerdal Medical of Norway as a partner. We think this collaboration may become one of our largest businesses in the medtech sector.

Sales increased by 28% in the first half-year, to SEK 843 million. Our organic growth—excluding the sales of our recent UK acquisition—was 15%, with some 3 percentage points from the positive impact of foreign currencies. Sales progressed strongly on all domestic markets, especially Sweden and Finland. Adjusted for Speedboard, growth in Western Europe was 16%. I'm also pleased that despite increasing global trade barriers, and mainly as a result of batch shipments to new business customers getting underway, our plants in Estonia and China also achieved positive growth.

Overall, sales in the first half-year were in line with estimates. However, we had previously expected to get extensive batch shipments to the defence industry underway as early as the first quarter this year. But we now expect them to gain momentum after the summer.



*Our positive trend continued in the first half-year. Sales growth was 28%, and operating profit increased by 42%.*

In earnings terms, our positive trend continued, mainly as a result of growth, stable progress of costs and strong performance in Western Europe, our operating profit increased by 42% to SEK 57 million. Our operating margin widened by 0.7 percentage points to 6.8%, and to 7.0% (6.7 %) in the second quarter.

We previously executed several successful programmes to increase profitability in our Swedish plants, as part of our improvement work. We're now using these experiences in the rationalisation projects we are executing in Estonia, the UK and China. In order to increase the rate of change, we made a change of leadership in China during the second quarter.

Our growth, with a raft of new customer projects in ramp-up, combined with a still-strained global market for electronic components, meant that for some time, we have faced challenges in our utilisation of working capital, especially when it comes to capital tied up in stock.

Accordingly, cash flow after investments for the first half-year was limited to SEK -22 million. What is pleasing, however, is that late in the period, we broke our upward inventory trend, achieving significant inventory reduction. As we now get batch shipments on several new projects underway, we have good potential to streamline our inventories in the second half-year.

## Future

NOTE is well prepared financially for its future. Our focus is on growth, customer satisfaction and profitability. Because several of our major customer projects in ramp-up have now transferred to batch production, simultaneous with our order book growing to record levels, we see great potential to continue our positive progress.

A handwritten signature in blue ink, appearing to read 'Johannes Lind-Widestam'.

Johannes Lind-Widestam

# Sales and results of operations

## Sales, January–June

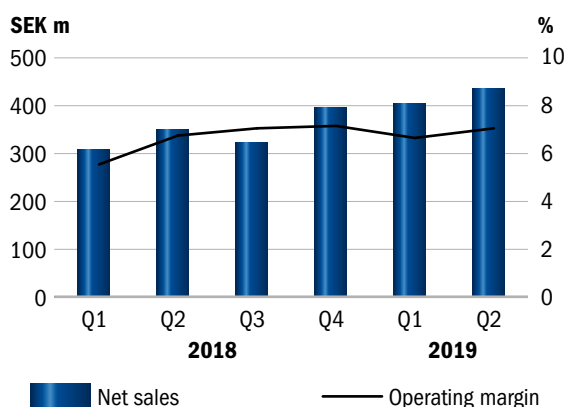
NOTE sells to a large customer base, essentially active in industry, communication, medtech, defence and high end consumer electronics. Its customer base consists of global corporations active on the world market, as well as local enterprises whose main sales are in northern Europe. Usually, customers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

The demand for NOTE's services continued to progress positively in the first half-year. Sales rose by 28% to SEK 843 (658) million. The impact of altered exchange rates, mainly USD and EUR, was positive, at some 3%. Approximately half of growth (13%) was from additional sales from UK company Speedboard Assembly Services, which was acquired in the fourth quarter of the previous year. Sales growth consisted of new business sales on existing accounts, as well as the progressive impact of increased sales on new business accounts.

Demand was good on all domestic markets. Adjusted for Speedboard's sales, sales in Western Europe increased by 16%. Demand was especially positive in Sweden and Finland, mainly from industrial, defence and medtech customers. Sales from our plant in China, which are to local and global customers, achieved 17% growth. Sales from our Estonian plant, mainly to customers in northern Europe, increased by about 9%.

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

Most of these new customers are companies in Europe and Asia. 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 operating margin above illustrates underlying profitability for 2018–2019. Operating profit for Q3 2018 has been increased by SEK 7 million due to non-recurring costs.

The 15 largest customers in sales terms represented 45% (56%) of group sales. No single customer (group) represented more than about 5% of total sales.

The group's order book, which consists of a combination of fixed orders and customer forecasts, indicated continued positive sales performance at the end of the period.

## Results of operations, January–June

In order to keep improving competitiveness and create the potential for growth, NOTE has been conducting methodical improvement work at all 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, and on cost and working capital rationalisation.

Mainly as a consequence of increased sales and stable margins on current customer assignments, gross profit increased by 26% to SEK 101 (79) million. Gross margins narrowed somewhat to 11.9% (12.1%), mainly because of an altered product mix. Factors included sales in China last year having a relatively high share of services without cost of materials.

Sales and administration overheads for the period increased, mainly as a result of the acquisition of Speedboard, to SEK 42 (38) million. As a share of sales, overheads reduced to 5.0% (5.7%).

Other operating income, essentially consisting of the revaluation of assets and liabilities denominated in foreign currencies, were SEK -2 (-1) million. Because it is active internationally, NOTE has fairly extensive management of foreign currencies, mainly EUR, USD and GBP.

Operating profit in the first half-year increased by 42% to SEK 57 (40) million, and NOTE's operating margin widened by 0.7 percentage points to 6.8% (6.1%).

The net financial income/expense was unchanged at SEK -4 (-4) million.

Profit after financial items increased by 45% to SEK 53 (37) million, corresponding to a profit margin of 6.3% (5.6%).

Profit after tax increased by 50% to SEK 44 (29) million, or SEK 1.51 (1.01) per share. The tax expense for the period corresponded to 18% (20%) of profit before tax.

## Sales and results of operations April–June

The demand for NOTE's services remained high in the second quarter. Sales increased by 25% to SEK 437 (351) million. Adjusted for the sales of Speedboard, growth was 13%. The sales increase was achieved on all domestic markets, especially Sweden and Finland. Underlying sales growth in Western Europe was 16%. NOTE's plants in Estonia and China also made strong progress, each with growth of 10%, essentially as an effect of the start-up of batch shipments to new business customers.

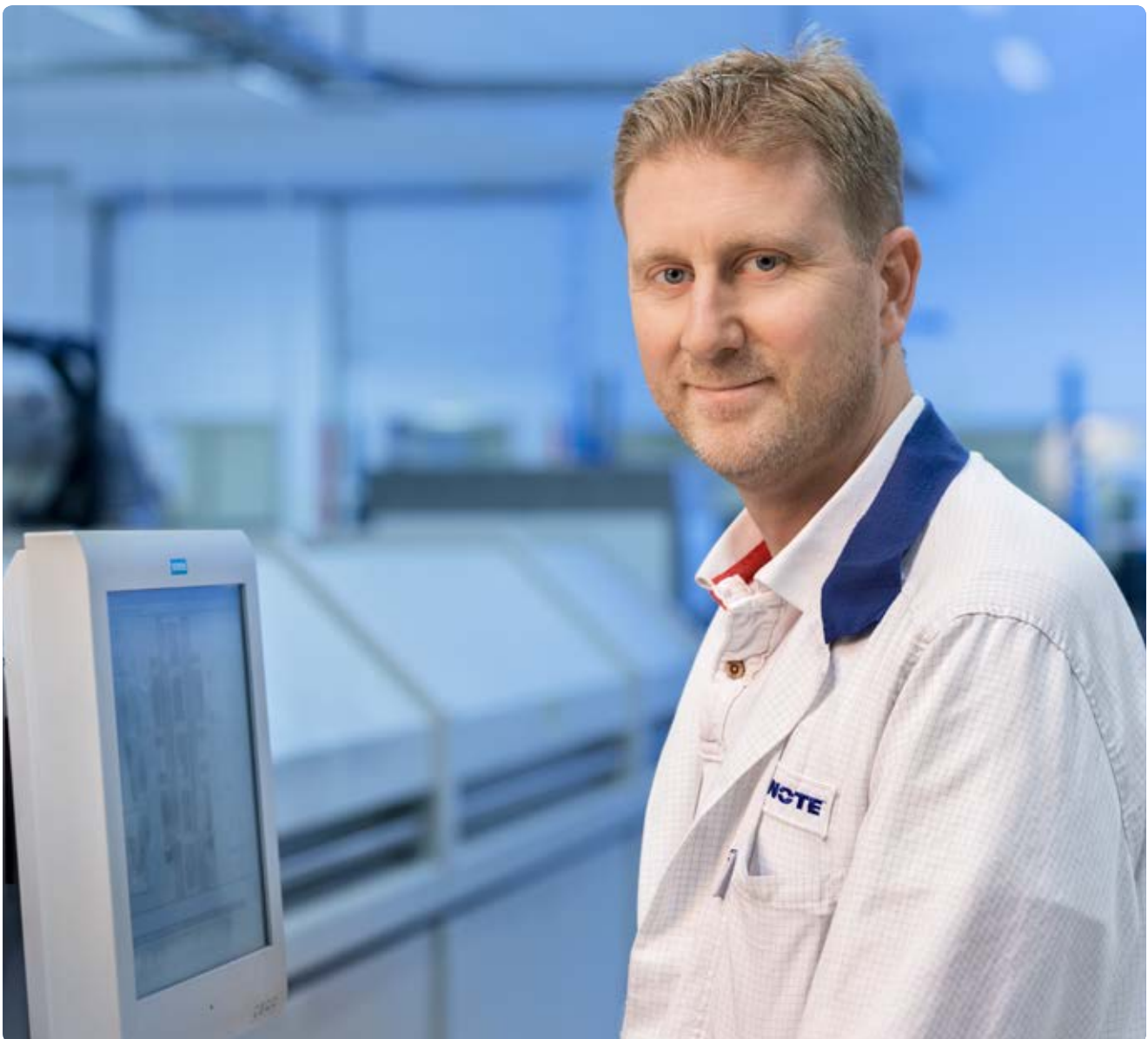
The combination of increased sales with continued good progress of costs, were contributors to gross profit increasing by 14% to SEK 51 (45) million. Gross margin narrowed somewhat to 11.7% (12.8%), mainly as a result of an altered product mix.

Sales and administration overheads for the period, which was charged with nearly SEK 2 million due to the change of management in China, increased somewhat to SEK 21 (20) million, or 4.7% (5.6%) of sales.

Other operating income/expenses, mainly consisting of the revaluation of assets and liabilities denominated in foreign currency, were SEK -0 (-2) million.

Primarily as a result of the combination of increased sales with continued stable progress of costs, operating profit improved by 30% to SEK 31 (23) million. The operating margin widened by 0.3 percentage points to 7.0% (6.7%).

Profit after financial items increased by 32% to SEK 29 (22) million, equivalent to a profit margin of 6.6% (6.2%).



# 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 faces a major challenge in 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 extended lead-times and limited supply of certain types of component. The combination of this problematic position on the component market with good growth and many new manufacturing projects starting up, has meant that capital tied-up in inventories has been higher than desired for a period. However, the upward inventory trend was broken late in the period, after events including batch shipments to new business customers starting in China and Estonia. Capital tied-up in inventories, including supplier advances for materials, increased by 18% on year-end. The increase compared to the mid-point of the previous year was 38%, with the acquisition of Speedboard of the UK in the fourth quarter representing about half.

NOTE works continuously on monitoring credit risk and limiting the number of outstanding days of credit. As a natural consequence of sales growth, accounts receivable—trade increased, and were up by 28% on the mid-point of the previous year. Accordingly, the number of outstanding days of credit were at approximately the same level as the previous year.

Accounts payable—trade, mainly consisting of sourcing electronic components and other production materials, increased by 6% on year-end, and were 14% higher than at the mid-point of the previous year.

## Equity to assets ratio

# 36.7 %

## Cash flow after investments

# SEK -22 m

An increased need for working capital as a consequence of sales growth helped limit first half-year cash flow after investments to SEK -22 (-5) million, or SEK -0.76 (-0.16) per share.

## Equity to assets ratio

According to NOTE's externally communicated financial targets, the minimum equity to assets ratio is 30%. At the mid-point of the year, the equity to assets ratio was 36.7% (44.9%). In 2019, the equity to assets ratio was negatively impacted by about 2 percentage points by IFRS 16, which was adopted at year-end. In the second quarter, a dividend of SEK 20 million was paid to shareholders, which reduced the equity to assets ratio by approximately 2 percentage points.

# Liquidity and investments

## Liquidity and net debt

NOTE is retaining 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 some SEK 62 (111) million at the mid-point of the year. Factored accounts receivable—trade were approximately SEK 180 (179) million. Excluding financial liabilities resulting from the adoption of IFRS 16, net debt was approximately SEK 219 (58) million at the end of the period.

## Investments

Capital expenditure on fixed assets in the first half-year was SEK 15 (12) million. Capital expenditure corresponded to 1.7% (1.8%) of sales, and mainly consisted of projects to increase efficiency and quality.

Plan depreciation and amortisation increased to SEK 22 (9) million, of which SEK 8 million consisted of additional amortisation, mainly of leased premises, after the adoption of IFRS 16.

## Parent company

The parent company, NOTE AB (publ), is primarily focused on the management, coordination and development of the group. Revenue for the period was SEK 19 (20) million, and mainly related to intra-group services. Profit after tax for the first half year was SEK 2 (1) million.

### Transactions with related parties

There were no transactions with related parties in the first half year.

### EGM 2019

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 President and 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 complete product lifecycles, 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.

The IASB published a new standard on leases in January 2016, IFRS 16 Leases, which will replace IAS 17 Leases and the associated SIC and IFRIC interpretation statements. This standard requires that assets and liabilities attributable to all lease arrangements, with certain exceptions, are recognised in the Balance Sheet. This standard applies to financial years beginning 1 January 2019.

NOTE has chosen the simplified transition method to IFRS 16, meaning that no adjustment has been done to the financial reporting for 2018. The property rental contracts for the group are included in the base for the calculation, while other leased equipment is excluded since the value of this equipment is regarded as non-material. For the calculation of interest on leasing debt, an interest of 1.6% per annum has been used.

Actual leasing obligations per 31 Dec 2018 amounted to approximately SEK 68 million. In line with IFRS 16, the consolidated opening balances 2019 have been adjusted, meaning that non-current assets (right of use assets) have been increased with some SEK 66 million. The financial debts have been increased with the same amount.

Earnings per share are reported in line with IAS 33 Earnings per share.

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

### Discrepancies between reports

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

### Audit review

As in previous years, 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.



Johan Hagberg  
Chairman



Kjell-Åke Andersson  
Board member



Anna Belfrage  
Board member



Kaj Falkenlund  
Board member



Bahare Hederstierna  
Board member



Claes Mellgren  
Board member



Charlotte Stjerngren  
Board member



Christoffer Skogh  
Board member, Employee representative

The Board of Directors of NOTE AB (publ)  
Kista, Sweden  
15 July 2019



## Consolidated quarterly summary

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

## Consolidated six-year summary

SEK million	Rolling 12 months	2018	2017	2016	2015	2014
Net sales	1,563	1,379	1,176	1,098	1,122	964
Gross margin	12.3%	12.5%	11.9%	12.0%	10.9%	10.6%
Operating margin	6.5%	6.1%	7.9%	5.5%	4.0%	3.3%
Profit margin	6.1%	5.7%	7.6%	5.0%	3.5%	3.0%
Cash flow after investing activities	-94	-76	70	41	5	3
Cash flow per share, SEK	-3.25	-2.63	2.41	1.42	0.18	0.09
Equity per share, SEK	14.4	13.3	12.8	11.0	9.9	9.4
Return on operating capital	17.8%	17.8%	24.2%	16.1%	12.9%	10.1%
Return on equity	19.9%	17.1%	21.0%	14.9%	12.4%	9.7%
Equity to assets ratio	36.7%	39.8%	48.8%	45.8%	43.3%	44.1%
Average number of employees	1,039	980	912	987	940	893
Net sales per employee, SEK 000	1,504	1,407	1,289	1,113	1,193	1,080

# Consolidated Income Statement

SEK million	2019 Q2	2018 Q2	2019 Q1-Q2	2018 Q1-Q2	Rolling 12 months	2018 Full year
Net sales	437	351	843	658	1,563	1,379
Cost of goods and services sold	-386	-306	-742	-579	-1,370	-1,207
<b>Gross profit</b>	<b>51</b>	<b>45</b>	<b>101</b>	<b>79</b>	<b>193</b>	<b>172</b>
Selling expenses	-13	-12	-25	-22	-54	-51
Administrative expenses	-8	-8	-17	-16	-34	-32
Other operating income/expenses	0	-2	-2	-1	-4	-5
<b>Operating profit</b>	<b>31</b>	<b>23</b>	<b>57</b>	<b>40</b>	<b>101</b>	<b>84</b>
Net financial income/expenses	-2	-1	-4	-3	-5	-5
<b>Profit after financial items</b>	<b>29</b>	<b>22</b>	<b>53</b>	<b>37</b>	<b>96</b>	<b>79</b>
Income tax	-6	-5	-9	-8	-17	-15
<b>Profit after tax</b>	<b>23</b>	<b>17</b>	<b>44</b>	<b>29</b>	<b>79</b>	<b>64</b>

# Consolidated Statement of Other Comprehensive Income

SEK million	2019 Q2	2018 Q2	2019 Q1-Q2	2018 Q1-Q2	Rolling 12 months	2018 Full year
<b>Profit after tax</b>	<b>23</b>	<b>17</b>	<b>44</b>	<b>29</b>	<b>79</b>	<b>64</b>
<b>Other comprehensive income</b>						
Items that can be subsequently reversed in the income statement:						
Exchange rate differences	-1	3	8	11	2	5
Cash flow hedges	-	-	-	-	-	-
Tax on hedges and exchange rate difference	-	-	-	-	-	-
<b>Total other comprehensive income after tax</b>	<b>-1</b>	<b>3</b>	<b>8</b>	<b>11</b>	<b>2</b>	<b>5</b>
<b>Comprehensive income after tax</b>	<b>22</b>	<b>20</b>	<b>52</b>	<b>40</b>	<b>81</b>	<b>69</b>

# Earnings per share

	2019 Q2	2018 Q2	2019 Q1-Q2	2018 Q1-Q2	Rolling 12 months	2018 Full year
Number of shares at end of period (000)	28,873	28,873	28,873	28,873	28,873	28,873
Weighted average number of shares (000)*	28,873	28,873	28,873	28,873	28,873	28,873
Weighted average number of shares (000)**	30,049	28,873	30,049	28,917	30,049	28,873
Earnings per share, SEK*	0.81	0.59	1.51	1.01	2.73	2.22
Earnings per share, SEK**	0.78	0.59	1.45	1.01	2.62	2.22

\* Before dilution

\*\* After dilution

# Consolidated Balance Sheet

SEK million	2019 30 June	2018 30 June	2018 31 Dec
<b>Assets</b>			
Goodwill	109	71	107
Intangible assets—customer relationships	14	-	15
Other intangible assets	12	10	13
Right of use assets	58	-	-
Property, plant and equipment	85	69	80
Deferred tax assets	2	3	2
Other financial assets	1	1	1
<b>Total non-current assets</b>	<b>281</b>	<b>154</b>	<b>218</b>
Inventories	437	316	370
Accounts receivable—trade	362	284	327
Other current receivables	22	29	19
Cash and bank balances	31	55	31
<b>Total current asset</b>	<b>852</b>	<b>684</b>	<b>747</b>
<b>TOTAL ASSETS</b>	<b>1,133</b>	<b>838</b>	<b>965</b>
<b>Equity and liabilities</b>			
<b>Equity</b>	<b>416</b>	<b>376</b>	<b>384</b>
<b>Liabilities</b>			
Long-term interest-bearing liabilities	15	13	12
Long-term liabilities, right of use asset	43	-	-
Deferred tax liabilities	8		8
Other long term liabilities	6	2	9
<b>Total non-current liabilities</b>	<b>72</b>	<b>15</b>	<b>29</b>
Current interest-bearing liabilities	235	100	176
Short-term liabilities, right of use asset	15	-	-
Accounts payable—trade	291	254	273
Other current liabilities	103	93	103
<b>Total current liabilities</b>	<b>645</b>	<b>447</b>	<b>552</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,133</b>	<b>838</b>	<b>965</b>

## Consolidated Change in Equity

SEK million	2019 Q2	2018 Q2	2019 Q1-Q2	2018 Q1-Q2	Rolling 12 months	2018 Full year
Opening equity	414	385	384	369	376	369
Effect of change in accounting principle	-	-	-	-4	-	-4
<b>Total</b>	<b>414</b>	<b>385</b>	<b>384</b>	<b>365</b>	<b>376</b>	<b>365</b>
Comprehensive income after tax	22	20	52	40	81	70
Payment warrants	0	0	0	0	0	0
Repurchase of shares	-	-	-	-	-22	-22
Dividend	-20	-29	-20	-29	-20	-29
<b>Closing equity</b>	<b>416</b>	<b>376</b>	<b>416</b>	<b>376</b>	<b>416</b>	<b>384</b>

## Consolidated Cash Flow Statement

SEK million	2019 Q2	2018 Q2	2019 Q1-Q2	2018 Q1-Q2	Rolling 12 months	2018 Full year
<b>Operating activities</b>						
Profit after financial items	29	21	53	37	95	79
Reversed depreciation and amortisation	11	5	22	9	32	19
Other non-cash items	1	-5	-5	-5	-3	-3
Tax paid	-6	-5	-13	-10	-14	-11
Change in working capital	-54	-29	-72	-26	-103	-57
<b>Cash flow from operating activities</b>	<b>-20</b>	<b>-13</b>	<b>-15</b>	<b>5</b>	<b>8</b>	<b>27</b>
<b>Cash flow from investing activities</b>	<b>-4</b>	<b>-5</b>	<b>-7</b>	<b>-9</b>	<b>-101</b>	<b>-103</b>
<b>Cash flow from financing activities</b>	<b>-12</b>	<b>-30</b>	<b>22</b>	<b>-31</b>	<b>70</b>	<b>18</b>
<b>Change in cash and cash equivalents</b>	<b>-12</b>	<b>-48</b>	<b>0</b>	<b>-35</b>	<b>-24</b>	<b>-58</b>
<b>Cash and cash equivalents</b>						
At beginning of period	44	102	31	87	55	87
Cash flow after investing activities	-24	-18	-22	-5	-94	-76
Cash flow from financing activities	12	-30	22	-30	70	18
Exchange rate difference in cash	-1	1	1	3	0	2
<b>Cash and cash equivalents at end of period</b>	<b>31</b>	<b>55</b>	<b>31</b>	<b>55</b>	<b>31</b>	<b>31</b>
Un-utilised credits	31	56	31	56	31	97
<b>Available cash and cash equivalents</b>	<b>62</b>	<b>111</b>	<b>62</b>	<b>111</b>	<b>62</b>	<b>128</b>

# 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.

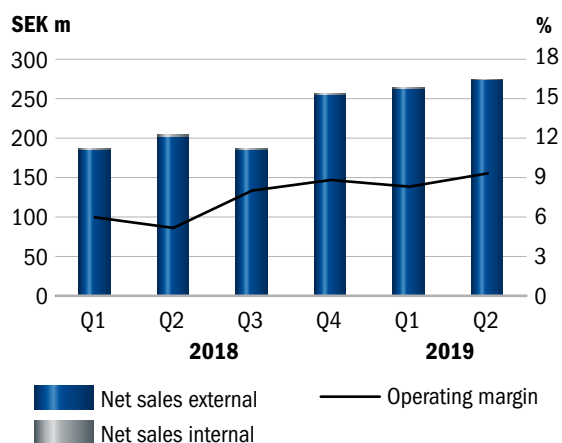
Operating segment Rest of World, located in Estonia and China, are close to large end markets and in regions with strong

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.

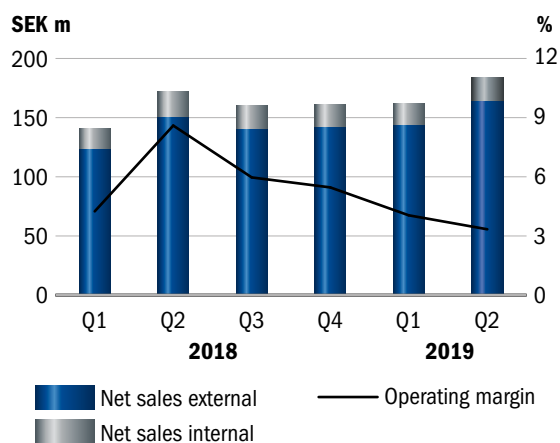
Intra-Group are group-wide business support functions in the parent company and for the sourcing operations in NOTE Components.

SEK million	2019 Q2	2018 Q2	2019 Q1-Q2	2018 Q1-Q2	Rolling 12 months	2018 Full year
<b>WESTERN EUROPE</b>						
External net sales	273	201	535	385	973	824
Internal net sales	1	3	3	6	8	11
Operating profit	25	10	47	21	84	59
Operating margin	9.2%	5.1%	8,7%	5.5%	8,6%	7.0%
Inventories	264	164	264	164	264	217
External accounts receivable–trade	223	171	223	171	223	219
Average number of employees	464	323	450	316	405	339
<b>REST OF WORLD</b>						
External net sales	164	150	308	273	590	555
Internal net sales	20	23	39	40	79	80
Operating profit	6	15	13	21	30	39
Operating margin	3.3%	8.5%	3.6%	6.5%	4.5%	6.1%
Inventories	173	152	173	152	173	152
External accounts receivable–trade	139	113	139	113	139	108
Average number of employees	590	606	591	602	616	620
<b>INTRA-GROUP</b>						
Internal net sales	-21	-26	-42	-46	-87	-91
Operating profit	-1	-1	-2	-2	-13	-14
External accounts receivable–trade	-	-	-	-	-	-
Average number of employees	16	22	17	21	18	21

## Western Europe



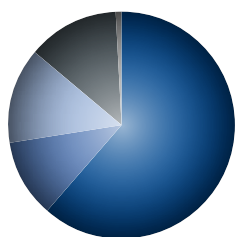
## Rest of World



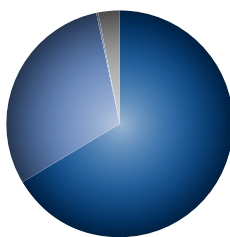
# Sales per customer segment

SEK million	2019 Q2	2018 Q2	2019 Q1-Q2	2018 Q1-Q2	Rolling 12 months	2018 Full year
<b>WESTERN EUROPE</b>						
Industrial	163	134	329	266	607	545
Communication	33	20	60	37	110	87
Medtech	41	30	73	50	135	112
Defence	34	17	70	32	115	77
High end consumer	2	0	3	0	7	4
<b>Total external sales</b>	<b>273</b>	<b>201</b>	<b>535</b>	<b>385</b>	<b>973</b>	<b>824</b>
<b>REST OF WORLD</b>						
Industrial	114	92	205	175	377	347
Communication	45	51	93	83	184	174
Medtech	0	2	1	2	3	4
Defence	-	-	-	-	-	-
High end consumer	5	5	9	13	26	30
<b>Total external sales</b>	<b>164</b>	<b>150</b>	<b>308</b>	<b>273</b>	<b>590</b>	<b>555</b>
<b>TOTAL</b>						
Industrial	277	226	534	441	984	891
Communication	78	71	153	120	293	261
Medtech	41	31	74	52	138	116
Defence	34	17	70	32	115	77
High end consumer	7	6	12	13	33	34
<b>Total external sales</b>	<b>437</b>	<b>351</b>	<b>843</b>	<b>658</b>	<b>1,563</b>	<b>1,379</b>

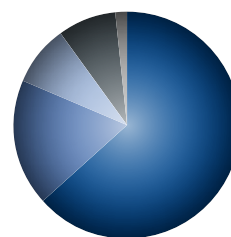
Western Europe Q1-Q2



Rest of World Q1-Q2



Total Q1-Q2



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

## Parent Company Income Statement

SEK million	2019 Q2	2018 Q2	2019 Q1-Q2	2018 Q1-Q2	Rolling 12 months	2018 Full year
Net sales	10	11	19	20	37	37
Cost of services sold	-4	-5	-8	-9	-15	-16
<b>Gross profit</b>	<b>6</b>	<b>6</b>	<b>11</b>	<b>11</b>	<b>22</b>	<b>21</b>
Selling expenses	-5	-4	-9	-6	-24	-21
Administrative expenses	-2	-3	-5	-6	-12	-12
Other operating income/expenses	-3	1	3	1	1	-1
<b>Operating profit</b>	<b>-4</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-13</b>	<b>-13</b>
Net financial income/expenses	1	1	2	1	42	41
<b>Profit after financial items</b>	<b>-3</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>29</b>	<b>28</b>
Appropriations	-	-	-	-	-7	-7
<b>Profit before tax</b>	<b>-3</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>22</b>	<b>21</b>
Income tax	-	-	-	-	-4	-4
<b>Profit after tax</b>	<b>-3</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>18</b>	<b>17</b>

## Parent Company Statement of Other Comprehensive Income

SEK million	2019 Q2	2018 Q2	2019 Q1-Q2	2018 Q1-Q2	Rolling 12 months	2018 Full year
<b>Profit after tax</b>	<b>-3</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>18</b>	<b>17</b>
<b>Other comprehensive income</b>						
Items that can be subsequently reversed in the income statement:	-	-	-	-	-	-
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Comprehensive income after tax</b>	<b>-3</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>18</b>	<b>17</b>

# Parent Company Balance Sheet

SEK million	2019 30 June	2018 30 June	2018 31 Dec
<b>Assets</b>			
Intangible assets	4	2	4
Property, plant and equipment	0	0	1
Long-term receivables from group companies	97	-	80
Financial non-current assets	221	221	221
<b>Total non-current assets</b>	<b>323</b>	<b>223</b>	<b>306</b>
Receivables from group companies	70	71	67
Other current receivables	10	9	7
Cash and bank balances	-	19	-6
<b>Total current assets</b>	<b>80</b>	<b>99</b>	<b>68</b>
<b>TOTAL ASSETS</b>	<b>403</b>	<b>322</b>	<b>374</b>
<b>Equity and liabilities</b>			
<b>Equity</b>	<b>198</b>	<b>221</b>	<b>216</b>
<b>Untaxed reserves</b>	<b>7</b>	<b>-</b>	<b>7</b>
<b>Liabilities</b>			
Liabilities to financial institutions	58	-	-
Liabilities to group companies	126	91	129
Other current liabilities and provisions	14	10	22
<b>Total current liabilities</b>	<b>198</b>	<b>101</b>	<b>151</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>403</b>	<b>322</b>	<b>374</b>

# Parent Company Change in Equity

SEK million	2019 Q2	2018 Q2	2019 Q1-Q2	2018 Q1-Q2	Rolling 12 months	2018 Full year
Opening equity	221	249	216	249	221	250
Comprehensive income after tax	-3	1	2	1	18	17
Repurchase of shares	-	-	-	-	-22	-22
Dividend	-20	-29	-20	-29	-20	-29
<b>Closing equity</b>	<b>198</b>	<b>221</b>	<b>198</b>	<b>221</b>	<b>198</b>	<b>216</b>

# 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.

**Profit margin**

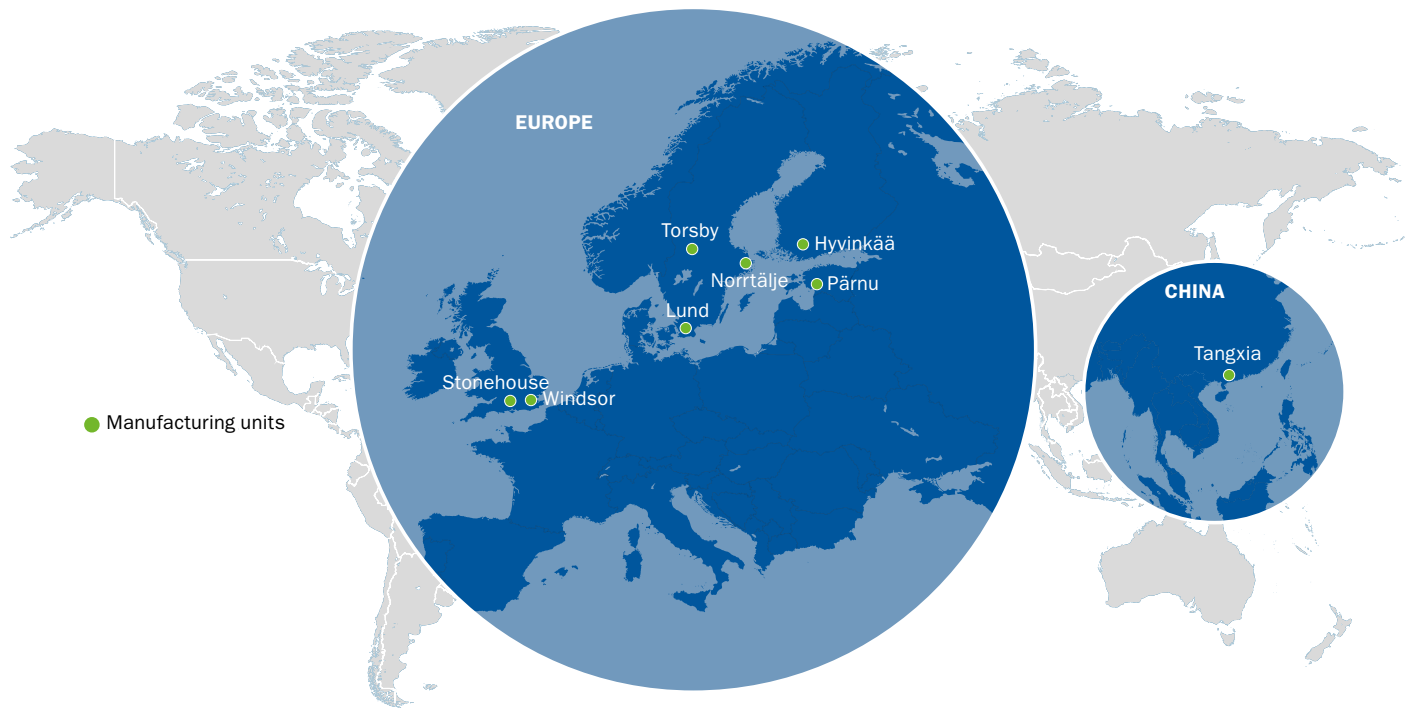
Profit after financial items as a percentage of net sales.

**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 Q3

22 Oct 2019

#### 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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