

Financial performance in October-December

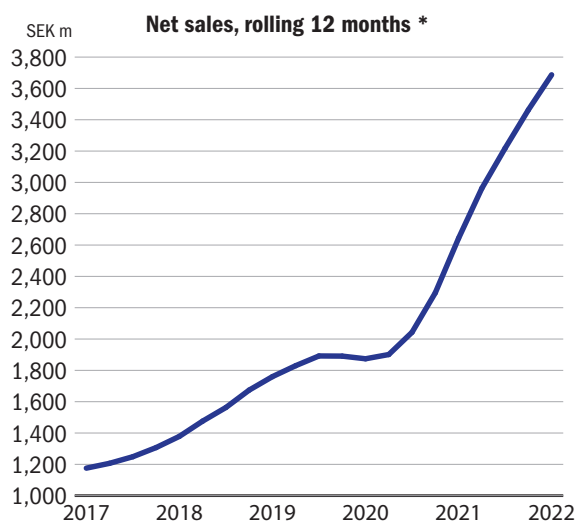
- Sales increased by 28% to SEK 1,038 (814) million. Adjusted for acquisitions and currency effects, organic growth was 8%. Re-invoicing of extraordinary cost increases on electronic components had no significant impact on growth as the corresponding re-invoicing also occurred during the fourth quarter of the previous year.
- Operating profit was SEK 129 (87) million and corresponded to an operating margin of 12.3% (10.6%). Adjusted for SEK +15 million profit effect linked to reversal of 50% of the SEK 30 million doubtful debt reported in Q3, and for currency revaluations of operating assets and liabilities in foreign currencies as well as re-invoicing of extraordinary cost increases of electronic components essentially without margin, the underlying operating profit increased by 41% to SEK 111 (79) million. The corresponding underlying operating margin increased by 1.0 percentage points to 11.2% (10.2%).
- Profit after financial items was SEK 123 (82) million.
- Profit after tax amounted to SEK 99 (68) million, corresponding to SEK 3.44 (2.39) per share.
- Cash flow after investments amounted to SEK 23 (-44) million, or SEK 0.79 (-1.54) per share. The quarter's cash flow includes a SEK -16 million payment of the contingent consideration for the acquisition of iPRO of the UK. Cash flow for the corresponding quarter of the previous year was impacted by a SEK -12 million payment for the acquisition of iPRO of the UK. Adjusted for acquisition-related payments, cash flow for the period was SEK +39 (-32) million.

Financial performance in January-December

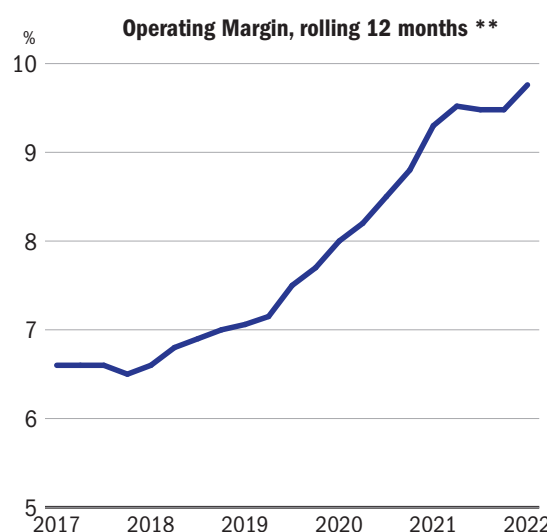
- Sales increased by 39% to SEK 3,687 (2,643) million. Adjusted for acquisitions and currency effects, organic growth was 20%. Approximately 5% of sales consisted of re-invoicing of extraordinary cost increases on electronic components.
- Operating profit was SEK 345 (251) million which corresponded to an operating margin of 9.3% (9.5%). Adjusted for the doubtful debt of SEK -15 million net, and adjusted for currency revaluations of operating assets and liabilities in foreign currencies as well as re-invoicing of extraordinary cost increases of electronic components essentially without margin, the underlying operating profit increased by 49% to SEK 372 (249) million. The corresponding underlying operating margin increased by 1.0 percentage points to 10.6% (9.6%).
- Profit after financial items was SEK 311 (237) million.
- Profit after tax amounted to SEK 254 (194) million, corresponding to SEK 8.79 (6.82) per share.
- Cash flow after investments was SEK -31 (-142) million, or SEK -1.07 (-4.97) per share. The year's cash flow includes the SEK -17 million payment for the acquisition of NOTE Herrljunga, and a SEK -16 million payment of a contingent consideration for the acquisition of iPRO of the UK in the previous year. Cash flow in the previous year was impacted by the SEK -80 million payment for the acquisition of iPRO of the UK. Adjusted for acquisition-related payments, cash flow for the year was SEK +2 (-62) million.

Dividend

To ensure maximum financial freedom to act during the sector's current structural transformation, the Board of Directors is proposing that no dividend is paid for 2022.



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



** Operating margin adjusted for non-recurring items, by SEK -16 million in Q1 2017, SEK +7 million in Q3 2018, SEK -5 million in Q4 2021, SEK +30 million in Q3 2022 and SEK -15 million in Q4 2022.

Events in October-December

• Resumption of activities by the customer that caused NOTE's doubtful debt had a SEK 15 million positive profit effect in Q4

In its Q3 Interim Report, NOTE charged operating profit with SEK 30 million of doubtful debt. The customer is active in electric vehicle charging on the UK market, and in current market conditions, was unable to refinance its business, and accordingly filed for administration. Applying a conservative valuation perspective, NOTE made a provision for the full risk exposure associated with this customer in Q3. In early-Q4, the customer was acquired by another company in the same sector, which subsequently continued operations, and the existing partnership with NOTE. Due to positive progress in the fourth quarter of the year, NOTE's opinion is that the doubtful debt will be significantly below its initial estimate, and 50% has been reversed to operating profit, resulting in a SEK 15 million positive effect on operating profit in Q4. For the full year, the impact of the doubtful debt was SEK -15 million.

Events in January-December

• Acquisition to increase growth in Sweden

In early-July, NOTE acquired all the shares of electronics manufacturer Dynamic Precision Solutions AB, now NOTE Herrljunga. The company's business model is reminiscent of NOTE's with its focus on long-term customer partnerships, high quality and good delivery precision. The company's customer base is mainly in Medtech and Industrial. The company was acquired with expected full-year 2022 sales of just over SEK 140 million. The company has performed strongly, and in the half-year the company has been part of the NOTE group, sales were just over SEK 154 million, which is significantly above expectations. The company's operating margin is in line with NOTE's. Operations are conducted at leased premises of just over 5,000 m², which significantly increases production capacity in Sweden, NOTE's largest market.

• Continued strong underlying profit performance despite challenging component and currency markets, as well as the impact of doubtful debt

NOTE's high growth in recent years, combined with its methodical improvement work and rationalisations at all plants, has created the potential for profitable growth and continued operating margin expansion. This positive progress continued in the year. NOTE is reporting an underlying operating margin for the year of 10.6% (9.6%), an increase of 1.0 percentage points, and well in line with the long-term profitability target NOTE has previously communicated. NOTE's reported unadjusted operating margin for the year was 9.3% (9.5%), and has been charged with the doubtful debt of SEK 15 million. Additionally, NOTE's reported operating margin was negatively impacted due to some 5% of sales being re-invoicing of extraordinary cost increases on electronic components linked to the shortage situation on the market. Since this is essentially without margin, it had a negative effect on NOTE's operating margin. Sharp appreciation of the USD, of just over 15% in the year, meant that currency revaluations of assets and liabilities in foreign currencies had a significant effect on NOTE's earnings. The following table illustrates the effect on NOTE's profit and loss:

	Reported earnings		Adjusted for extra-ordinary sales of materials		Adjusted for non-recurring items*		Adjusted for currency**		Underlying profit		
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	Change
October-December, SEK m											
Operating profit	129	87	-	-	-15	-5	-3	-3	111	79	41%
Operating margin	12.3%	10.6%	0.7%	0.6%	-1.5%	-0.6%	-0.3%	-0.4%	11.2%	10.2%	1.0%
Profit after tax	99	68	-	-	-12	-4	-4	-1	83	63	+33%
Earnings per share	3.44	2.39	-	-	-0.41	-0.14	-0.14	-0.03	2.89	2.22	+30%
January-December, SEK m											
Operating profit	345	251	-	-	15	-5	12	3	372	249	+49%
Operating margin	9.3%	9.5%	0.5%	0.2%	0.4%	-0.2%	0.4%	0.1%	10.6%	9.6%	+1.0%
Profit after tax	254	194	-	-	12	-4	20	6	286	196	+46%
Earnings per share	8.79	6.82	-	-	0.41	-0.14	0.70	0.21	9.90	6.89	+44%

* Non-recurring items for 2022 consist of SEK -15 million net for doubtful debt in 2022, and repayment of previous premiums paid for contractual pension and insurance in Sweden of SEK +5 million.

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

• Major successes on the market

NOTE is in a clear expansion phase. In Q1, NOTE communicated that its collaboration with a well-established international customer in its Industrial segment was performing significantly above estimates—already in 2022 sales of over SEK 130 million was expected. In Industrial, NOTE reported a new partnership in June with a world leader in cutting and welding. Serial production began in the autumn, and the current partnership is expected to result in an annualised level of some SEK 70 million. In Communication, NOTE reported early in Q3 that it had secured a new deal with an existing telecom customer, where the expanded partnership is expected to generate higher volumes, worth SEK 80 million annualised. Several new, high-potential projects in Medtech have recently transitioned to serial production, in Sweden and internationally. In Greentech, the substantial expansion of NOTE's customer Ferroamp was communicated in September, with its collaboration with NOTE expected to generate volumes of SEK 120 million as early as in 2023.

Events after the end of the period

- **NOTE acquires real estate for continued expansion in Sweden**

In early-2023, NOTE agreed with the current owner on the acquisition of the plant and surrounding land where NOTE Torsby conducts operations. NOTE Torsby currently leases this real estate. The plant size is just over 7,000 m², which was expanded as recently as 2021. The acquisition also includes land of just over 54,000 m², enabling continued expansion of operations in Torsby to address increasing demand. The purchase price is SEK 41.5 million.

CEO's comments



Focusing on profitable growth

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

High growth in the year

NOTE's sales in the year made record progress. Despite continued and complex challenges related to the shortage on the component market, we achieved growth of 39%. Adjusted for currency effects and acquisitions, growth was 20%. In Q4 the group's sales exceeded SEK 1 billion in a single quarter for the first time. Fourth-quarter sales of SEK 1,038 million equate to growth of 28%. Adjusted for currency effects and acquisitions, growth was 8%.

Despite encountering progressively stronger comparative figures, growth in Sweden, our largest domestic market was 32% (excl. acquisitions), and for our Western Europe segment overall, organic growth (excl. acquisitions) was 21%. However, on the UK market, we're seeing a slowdown. This is expected to persist in the first half-year 2023, which is due to a lower demand for charging products for electric vehicles and delays in the start-up of projects. Sales from our plant in Estonia, which are mainly to customers in Sweden and Finland, continued their strong progress, with growth of 55%. Our sales in China, essentially to domestic end-customers, also increased by 29%.

I'm delighted that we're growing in all customer segments. Industrial, clearly our largest segment, reported a growth rate of 37%, and in Communication, which was previously impacted negatively by the pandemic, we achieved growth of 78%. Sales in Medtech gathered momentum in the fourth quarter, with a growth of 100%. Growth for the full-year amounted to 54%. Our Greentech segment was negatively impacted by a demand slowdown in the UK, and growth for the full year was 18%. We expect progressively stronger progress in the Greentech segment in 2023.

Continued brisk progress despite a challenging market

NOTE's operations are continuing to make strong progress. Underlying operating profit for the year increased by 49% to SEK 372 million, simultaneous with our underlying operating margin increasing by 1.0 percentage points to 10.6%, which is adjusted for the doubtful debt, currency translation effects and re-invoicing of extraordinary cost of materials without margin. Accordingly, underlying profitability was consistent with our estimates, and slightly above the long-term profitability target we set for our business.

With our high growth rate, we are continuously striving to add more production capacity when required. Our latest acquisition in

Strong progress for NOTE in the year, with high growth and record operating profit despite challenges on the market.

Herrljunga, Sweden in early-July, has created the potential to expand manufacturing capacity substantially in Sweden, our largest domestic market. In early-2023, we also signed an agreement to acquire the real estate where NOTE Torsby has its operations. This acquisition also includes land that enables continued expansion.

We're growing on an electronic components market that is clearly unbalanced. We notice that there has been a gradual improvement regarding the availability of semiconductors during the end of the year. Our assessment is that the improvement will continue even if the situation will be strained during the first quarters of 2023. In this problematic situation, not least in terms of the availability of semiconductors, we made the early decision to increase both our procurement resources and inventories to ensure the best supply of materials to customers possible. The combination of this inventory build-up and our high growth obviously puts pressure on our cash flow. Despite this, we succeeded in reporting cash flow (after investments) of SEK +23 million in Q4. Adjusted for acquisition-related payments made, cash flow was SEK +39 million. Calculated on the same basis, full-year cash flow was SEK +2 million. NOTE's financial situation remains very favourable.

Future

We have strong order levels, with a range of exciting customers and projects in start-up phases. We see good potential to continue our positive progress. With our current market situation, we see good potential to achieve sales of SEK 1 billion for Q1, which would equate to growth of 25%. For the full year 2023, we repeat our guidance about sales of at least SEK 4 billion. We're well positioned to achieve our long-term targets for growth, profitability and sustainability.

Johannes Lind-Widestam

Comments on the Year-end Report

Sales, January–December

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

Demand for NOTE's services kept progressing strongly in the year. Sales increased by 39% to SEK 3,687 (2,643) million. After adjusting for sales added by UK acquisition iPRO in June last year, and by NOTE Herrljunga in July this year, as well as altered exchange rates, mainly the USD, EUR and GBP, growth was 20%. Approximately 5% of sales consisted of re-invoicing of extraordinary cost increases on electronic components linked to the shortage situation on the market. These extra sales are essentially without margin.

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

Demand progressed very strongly on most of NOTE's domestic markets. In Sweden, NOTE's largest market, growth excluding the acquisition of NOTE Herrljunga, was 32%. Growth from plants in Western Europe was 21%, adjusted for the extra sales of iPRO and NOTE Herrljunga. A demand slowdown was apparent on the UK market, mainly linked to electric vehicle charging products. Additionally, project delays and technical challenges resulted in the growth from NOTE's UK plants (excl. acquisitions) being negative for the year. Previously, sales from the plant in China were mainly linked to international customers in Europe and the US. NOTE has worked successfully to regenerate its customer base, so most of its sales are now direct to customers in China or nearby markets. Sales and order intake in China progressed strongly. Despite an extended production stoppage linked to a stringent response to the pandemic, growth in China was 29%. Sales from the plant in Estonia, mainly to customers in northern Europe, were 55% above the previous year's high level, mainly because of increased serial production on several recently secured deals.

NOTE's 15 largest customers in sales terms made up 49% (54%) of group sales. No single customer (group) represented more than about 6% (7%) of total sales.

Successful new sales to new and current business customers, and continued healthy demand in all customer segments, were contributors to record-high order intake. Right from the start of

the shortage that still persists on the global electronic component market, and with the aim of safeguarding the availability of components and other production materials, NOTE has been working actively for customers to place fixed orders over longer periods than usual. In like-for-like terms (excluding Herrljunga), total order backlog at the end of the year was just over 40% above the corresponding point of the previous year. NOTE's strong order position indicates high sales growth continuing, simultaneous with the supply of electronic components being very significant to growth in the short term.

Results of operations, January–December

In order to keep sharpening competitiveness and create the potential for profitable growth, NOTE has been conducting methodical improvement work at all the group's plants for several years. This work is conducted locally at each plant and through a number of group-wide projects. Over and above initiatives to expand and develop its customer offering, NOTE's focus is on measures that improve delivery precision and quality performance, and on cost and working capital rationalisation. One clear example of outcomes of this improvement work is the company's positive trend of sales per employee over time.

Mainly as a consequence of increased sales and continued rationalisations on the cost side, gross profit increased by 34% to SEK 473 (354) million. Gross margin amounted to 12.8% (13.4%). The underlying gross margin* increased by 0.5 percentage points to 13.9% (13.4%). Primarily, the margin increase is a consequence of sales gains, stable margins on current customer assignments, and continued positive progress on costs.

Sales and administration overheads for the period were some SEK 16 million (16%) higher than the previous year, essentially because of the extra expenses from iPRO, which was acquired in June last year, and NOTE Herrljunga, acquired in July this year. These overheads were 3.1% (3.8%) of sales.

Other operating income/expenses, mainly consisting of the revaluation of operating assets and liabilities in foreign currencies, were SEK -12 (-3) million. The cost increase relates mainly to sharp appreciation of the USD against the SEK in the year.

Operating profit in the year was SEK 345 (251) million. The underlying operating profit* increased by 49% to SEK 372 (249) million. The operating margin was 9.3% (9.5%). The underlying operating margin* increased by 1.0 percentage points to 10.6% (9.6%).

An increased need for financing, mainly for working capital, plus higher interest rate levels, contributed to financial expenses increasing to SEK -21 (-10) million net. Revaluations of financial assets and liabilities in foreign currencies, such as factoring liabilities in foreign currencies, amounted to SEK -13 (-4) million. In total, net financial income/expenses in the period were SEK -34 (-14) million.

Profit after net financial items was SEK 311 (237) million, equivalent to a profit margin of 8.4% (9.0%). The underlying profit after net financial items* increased by 47% to SEK 351 (239) million.

* For definitions of underlying performance measures, see Financial definitions on page 8.

The tax expense for the period corresponded to 18% (18%) of profit before tax.

Profit after tax was SEK 254 (194) million, corresponding to SEK 8.79 (6.82) per share. The underlying profit after tax* increased by 46% to SEK 286 (196) million, corresponding to SEK 9.90 (6.89) per share.

Sales and results of operations, October-December

The demand for NOTE's services was at a record high in the fourth quarter. Sales increased by 28% to SEK 1,038 (814) million. Adjusted for the sales of NOTE Herrljunga, acquired in early-July this year, and exchange rate fluctuations, organic growth was 8%. Re-invoicing of extraordinary cost increases for electronic components had no significant impact on growth, as they were also present in the fourth-quarter sales of the previous year.

Progress was especially strong in Sweden and Estonia, with sales gains of 25% (excluding acquisitions) and 50% respectively. Demand from NOTE's plant in China remained high, with growth of 31%. A demand slowdown was apparent on the UK market, and delivery delays on some projects meant growth from NOTE's UK plants was negative in the quarter.

Gross profit amounted to SEK 157 (112) million. The underlying gross margin* increased somewhat to 14.4% (13.1%).

Sales and administration overheads for the period increased by 12% to SEK 31 (28) million, essentially as a result of extra costs in NOTE Herrljunga, acquired in early-July this year. As a share of sales, overheads reduced to 3.0% (3.4%).

Other operating income/expenses, largely consisting of the revaluation of operating assets and liabilities in foreign currencies, were SEK 3 (3) million. Essentially, this was due to appreciation of the SEK against USD.

Operating profit was SEK 129 (87) million, equivalent to operating margin of 12.3% (10.6%). The underlying operating profit* increased by 41% to SEK 111 (79) million. The underlying operating margin* increased by 1.0 percentage points to 11.2% (10.2%). This increase primarily resulted from growth, stable margins and continued positive progress on costs.

An increased need for financing, mainly for working capital, plus increased interest rate levels, contributed to financial expenses amounting to SEK -8 (-3) million net. Revaluations of financial assets and liabilities in foreign currencies, such as invoice factoring liabilities in foreign currencies, amounted to SEK 2 (-2) million. In total, net financial income/expenses for the period were SEK -6 (-5) million.

Profit after financial items was SEK 123 (82) million, equivalent to a profit margin of 11.8% (10.0%). The underlying profit after net financial items* increased by 36% to SEK 103 (76) million.

Cash flow

Competing successfully in the high mix market segment sets demanding standards on flexibility of manufacture, the effective

supply of materials and the capability to deliver custom logistics solutions. Accordingly, NOTE puts a lot of focus on continuously improving its business methods and internal processes in these areas.

One of NOTE's key missions is to maintain a good and cost-efficient supply of materials to customers. The global market for electronic components is usually considered fairly volatile, with limited supply of various types of components from time to time. Access to semiconductors has been an especially limiting factor in the industry in recent years. Accordingly, NOTE has done a lot of work on limiting disruptions and delays to the shipments of components it receives.

As part of these efforts, NOTE has consciously upscaled its inventories of critical components. To finance a portion of this inventory build-up, NOTE has been working actively on letting its customers part-finance inventory through consignment stock and advance payments for inventory. The combination of high growth along with direct shipping delays to customers of the order of SEK 200 million caused by the shortage on the component market, were contributors to capital tied-up in inventory being 41% higher gross than at the previous year-end. Allowing for customer advance payments, inventory increased by 34% net.

NOTE is making continuous efforts to monitor credit risks and limit the number of outstanding customer credit days. Accounts receivable—trade increased in the year as a consequence of a higher turnover, and were 29% higher than at the previous year-end. Essentially, the number of outstanding customer credit days was in line with the previous year's level.

Accounts payable—trade mainly consist of purchases of electronic components and other production materials. NOTE is working actively on a partner model on the supplier side, which has implications including sourcing being concentrated on fewer, quality-assured suppliers as far as possible. This working method simultaneously helps rationalise the utilisation of working capital. Accounts payable—trade increased naturally in the year, and were 15% above the corresponding point of the previous year.

Despite continued positive profit performance, the increased need for working capital, mainly linked to growth and problems on the component market, resulted in cash flow for the first three quarters of the year been limited. The stabilisation, mainly of inventory levels in the fourth quarter, generated a positive cash flow (after investments) of SEK +23 (-44) million for the final quarter of the year. For the full year, cash flow (after investments) was SEK -31 (-142) million, or SEK -1.07 (-4.97) per share. Cash flow for the year includes a SEK -17 million payment for the acquisition of NOTE Herrljunga, as well as a SEK -16 million payment of a contingent consideration for the acquisition of iPRO of the UK in the previous year. The previous year's cash flow was impacted by the SEK -80 million payment for the acquisition of iPRO of the UK. Adjusted for acquisition-related payments, cash flow (after investments) for the year was SEK +2 (-62) million.

* For definitions of underlying performance measures, see Financial definitions on page 8.

Liquidity and net debt

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

The group's reported available cash and cash equivalents, including unused credit facilities, amounted to SEK 244 (215) million at the end 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 year was SEK 372 (267) million.

Equity to assets ratio

NOTE has a strong financial position. According to NOTE's financial targets, its minimum equity to assets ratio should be 30%. At the end of the year, the equity to assets ratio was 39.7% (37.0%).

Investments

Expenditure on property, plant and equipment, excluding right-of-use assets for leased properties (IFRS 16 Leases), was SEK 76 (67) million in the year, corresponding to 2.1% (2.5%) of sales, and mainly consisted of projects to increase capacity, efficiency and quality.

Planned depreciation on property, plant and equipment, excluding right-of-use assets for leased properties (IFRS 16 Leases) increased to SEK 45 (37) million.

Parent company

The parent company, NOTE AB (publ), is primarily focused on the management, coordination and development of the group. Revenue was SEK 38 (33) million in the year, mainly from intra-group services. Profit before tax amounted to SEK 78 (10) million in the year. SEK 86 (-1) million of group contributions were received in the year.

Other information

Financial definitions

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

Cash flow per share Cash flow after investments divided by the number of outstanding shares at end of the period.

Equity per share Equity divided by the number of outstanding shares at end of the period.

Equity to assets ratio Equity as a percentage of total assets.

Gross profit margin Gross profit as a percentage of net sales.

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

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

Order backlog A combination of fixed orders and customer forecasts.

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

Operating margin Operating profit as a percentage of net sales.

Profit margin Profit after financial items as a percentage of net sales.

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

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

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

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

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

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

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

Transactions with related parties

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

Annual General Meeting

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

Notes on the consolidated financial statements

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

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

NOTE 1 Acquisitions	
Assets and liabilities taken over at acquisition	2022
Total purchase consideration	44
Intangible assets—customer relationships	10
Inventories	39
Accounts receivable—trade and other current receivables	35
Cash and cash equivalents	3
Long-term interest-bearing liabilities	-9
Current interest-bearing liabilities	-18
Deferred tax liability	-2
Accounts payable—trade and other current operating liabilities	-36
Acquired identifiable net assets	22
Goodwill	22
Total acquired net assets	44
Total acquired net assets	
Purchase consideration paid	20
Cash held by acquired entity	-3
Net outflow, cash and cash equivalents	17

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

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

Very limited impact of the war in Ukraine

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

Significant operational risks

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

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

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

Accounting and valuation principles

NOTE observes International Financial Reporting Standards (IFRS) as endorsed by the EU. Significant accounting and valuation principles are stated on pages 54–56 of the Annual Report for 2021. The group's Interim Report has been prepared in accordance with the Swedish Annual Accounts Act and IAS 34, Interim Financial Reporting. The parent company observes RFR 2.

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

Previously, consignment stock and customer advances were treated equally in accounting terms, and reduced inventory value. To clarify the portion of NOTE's inventory value that is financed by customers going forward, effective Q4 2022, customer advances will be accounted gross from inventory value, which increases the reported inventory value, simultaneous with recognising a deferred income for these advances. Retroactive comparative periods have been restated correspondingly.

All amounts are in SEK million unless otherwise stated.

Discrepancies between reports

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

Audit review

As in previous years, the Year-end Report has not been subject to review by the company's auditor.

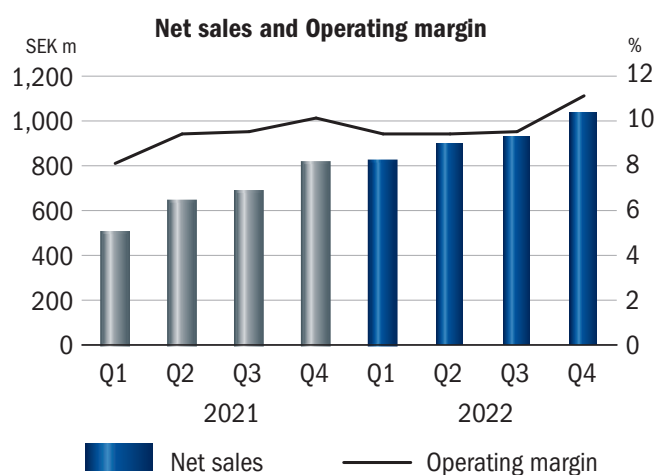
The Board of Directors in NOTE AB (publ)

Stockholm, Sweden, 29 January 2023

Consolidated summary

Quarterly summary

SEK million	2022 Q4	2022 Q3	2022 Q2	2022 Q1	2021 Q4	2021 Q3	2021 Q2	2021 Q1
Net sales	1,038	930	898	821	814	685	642	502
Gross margin	15.1%	9.6%	13.5%	12.8%	13.7%	13.4%	13.5%	12.6%
Operating margin	12.3%	6.2%	9.3%	9.3%	10.6%	9.4%	9.3%	8.0%
Profit margin	11.8%	5.1%	8.0%	8.4%	10.0%	8.6%	9.1%	7.5%
Cash flow after investing activities	23	-59	-4	9	-44	-49	-53	4
Cash flow per share, SEK	0.79	-2.04	-0.14	0.31	-1.54	-1.71	-1.85	0.14
Equity per share, SEK	37.9	34.5	32.8	30.2	28.0	25.2	23.3	21.7
Equity to assets ratio	39.7%	36.8%	37.9%	38.3%	37.0%	37.6%	37.9%	46.7%
Average number of employees	1,407	1,393	1,346	1,319	1,314	1,283	1,186	1,091
Net sales per employee, SEK 000	738	668	667	622	619	534	541	460



The operating margin in the chart above adjusted for items of non-recurring with SEK -5 m in Q4 2021, SEK +30 m in Q3 2022 and -15 SEK m in Q4 2022.

Six-year summary

SEK million	2022	2021	2020	2019	2018	2017
Net sales	3,687	2,643	1,874	1,760	1,379	1,176
Gross margin	12.8%	13.4%	12.0%	11.7%	12.5%	11.9%
Operating margin	9.3%	9.5%	8.0%	7.1%	6.1%	7.9%
Profit margin	8.4%	9.0%	7.6%	6.6%	5.7%	7.6%
Cash flow after investing activities	-31	-142	172	75	-76	70
Cash flow per share, SEK	-1.07	-4.97	6.06	2.69	-2.63	2.41
Equity per share, SEK	37.9	28.0	20.0	16.7	13.3	12.8
Return on operating capital	25.3%	27.6%	22.7%	20.7%	17.8%	24.2%
Return on equity	26.8%	28.4%	22.5%	21.7%	17.1%	21.0%
Equity to assets ratio	39.7%	37.0%	49.8%	40.5%	39.0%	48.3%
Average number of employees	1,366	1,218	1,101	1,070	980	912
Net sales per employee, SEK 000	2,699	2,170	1,702	1,645	1,407	1,289

Consolidated Financial Reports

Income Statement

SEK million	2022 Q4	2021 Q4	2022 Full year	2021 Full year
Net sales	1,038	814	3,687	2,643
Cost of goods and services sold	-881	-702	-3,214	-2,289
Gross profit	157	112	473	354
Selling expenses	-19	-17	-69	-59
Administrative expenses	-12	-11	-47	-41
Other operating income/expenses	3	3	-12	-3
Operating profit	129	87	345	251
Net financial income/expenses	-6	-5	-34	-14
Profit after financial items	123	82	311	237
Income tax	-24	-14	-57	-43
Profit after tax	99	68	254	194

Other Comprehensive Income

SEK million	2022 Q4	2021 Q4	2022 Full year	2021 Full year
Profit after tax	99	68	254	194
Other comprehensive income				
Items that can be subsequently reversed in the income statement:				
Exchange rate differences	-2	14	34	35
Cash flow hedges	0	0	0	0
Tax on hedges and exchange rate difference	0	-1	-2	-3
Total other comprehensive income after tax	-2	13	32	32
Comprehensive income after tax	97	81	286	226

Earnings per Share

	2022 Q4	2021 Q4	2022 Full year	2021 Full year
Number of shares at end of period (000)	28,984	28,584	28,984	28,584
Weighted average number of shares (000)*	28,984	28,584	28,911	28,445
Weighted average number of shares (000)**	28,984	28,920	28,972	28,864
Earnings per share, SEK*	3.44	2.39	8.79	6.82
Earnings per share, SEK**	3.44	2.36	8.78	6.72

* Before dilution

** After dilution

Balance Sheet

SEK million	2022 31 Dec	2021 31 Dec
Assets		
Goodwill	166	141
Intangible assets—customer relationships	27	25
Other intangible assets	7	10
Right of use assets—rented properties	90	102
Property, plant and equipment	209	174
Deferred tax assets	8	5
Other financial assets	2	1
Total non-current assets	509	458
Inventories	1,254	887
Accounts receivable—trade	872	675
Other current receivables	43	44
Cash and bank balances	88	99
Total current asset	2,257	1,705
TOTAL ASSETS	2,766	2,163
Equity and liabilities		
Equity	1,098	800
Liabilities		
Long-term interest-bearing liabilities	84	79
Long-term liabilities, right of use asset—rented properties	69	79
Deferred tax liabilities	41	28
Total non-current liabilities	194	186
Current interest-bearing liabilities	377	287
Short-term liabilities, right of use asset—rented properties	23	23
Advance payment from customers	184	89
Accounts payable—trade	686	595
Other current liabilities	203	182
Other short term provisions	1	1
Total current liabilities	1,474	1,177
TOTAL EQUITY AND LIABILITIES	2,766	2,163

Change in Equity

SEK million	2022 Q4	2021 Q4	2022 Full year	2021 Full year
Opening equity	1,001	719	800	568
Comprehensive income after tax	97	81	286	226
New share issue	-	-	12	6
Closing equity	1,098	800	1,098	800

Cash Flow Statement

SEK million	2022 Q4	2021 Q4	2022 Full year	2021 Full year
Operating activities				
Profit after financial items	123	82	311	237
Reversed depreciation and amortisation	22	19	83	66
Other non-cash items	-12	-9	20	1
Tax paid	3	4	-55	-17
Change in working capital	-74	-117	-309	-320
Cash flow from operating activities	62	-21	50	-33
Cash flow from investing activities	-39	-23	-81	-109
Cash flow from financing activities	-16	56	15	168
Change in cash and cash equivalents	7	12	-16	26
Cash and cash equivalents				
At beginning of period	80	85	99	68
Cash flow after investing activities	23	-44	-31	-142
Cash flow from financing activities	-16	56	15	168
Exchange rate difference in cash and cash equivalents	1	2	5	5
Cash and cash equivalents at end of period	88	99	88	99
Un-utilised credits	156	116	156	116
Available cash and cash equivalents	244	215	244	215

Operating Segments

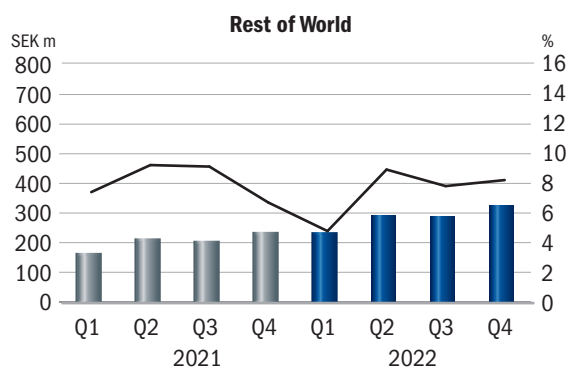
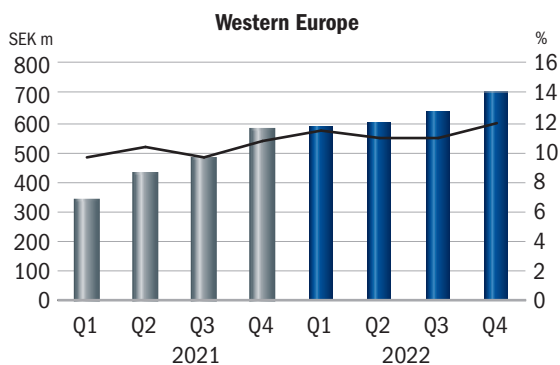
NOTE's operating segment Western Europe consist of units located in geographical regions with high industrial activity and innovation standards in Sweden, Finland and the UK. These units provide serial production as well as advanced production technology services in close collaboration with customers,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

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. There, cost-effective volume manufacturing of PCBAs is offered and complete products (box build) as well as development-oriented production technical services.

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

SEK million	2022 Q4	2021 Q4	2022 Full year	2021 Full year
WESTERN EUROPE				
External net sales	712	582	2,548	1,838
Internal net sales	8	6	11	29
Operating profit	101	68	274	194
Operating margin	14.0%	11.6%	10.7%	10.4%
Inventories	928	611	928	611
External accounts receivable—trade	626	477	626	477
Average number of employees	813	744	782	658
REST OF WORLD				
External net sales	326	232	1,139	805
Internal net sales	15	20	55	78
Operating profit	28	17	91	72
Operating margin	8.2%	6.7%	7.6%	8.1%
Inventories	326	276	326	276
External accounts receivable—trade	244	196	244	196
Average number of employees	579	553	569	543
INTRA-GROUP				
Internal net sales	-23	-26	-66	-107
Operating profit	0	2	-20	-15
External accounts receivable—trade	2	2	2	2
Average number of employees	15	17	15	17



The operating margin in the chart above adjusted for items of non-recurring with SEK -5 m in Q4 2021, SEK +30 m in Q3 2022 and -15 SEK m in Q4 2022.

■ Net sales external — Operating margin

Sales per Customer Segment

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

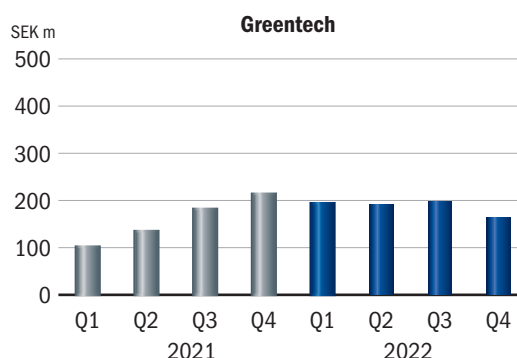
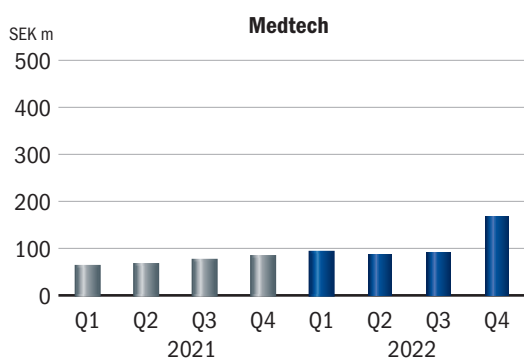
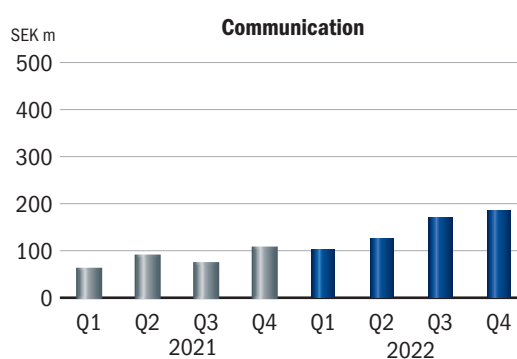
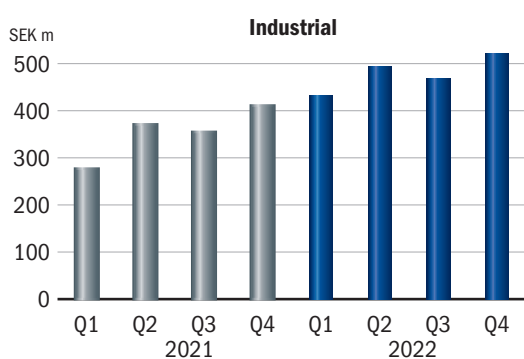
Industrial: With high quality and flexibility, products are manufactured in areas such as automation, control, infrastructure, energy and construction technology.

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

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

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

SEK million	2022 Q4	2021 Q4	2022 Full year	2021 Full year
WESTERN EUROPE				
Industrial	338	275	1,248	906
Communication	70	37	232	111
Medtech	159	81	411	267
Greentech	145	189	657	554
Total external sales	712	582	2,548	1,838
REST OF WORLD				
Industrial	184	136	668	489
Communication	116	69	354	218
Medtech	8	2	28	19
Greentech	18	25	89	79
Total external sales	326	232	1,139	805
TOTAL				
Industrial	522	411	1,916	1,395
Communication	186	106	586	329
Medtech	167	83	439	286
Greentech	163	214	746	633
Total external sales	1,038	814	3,687	2,643



Parent Company Financial Reports

Income Statement

SEK million	2022 Q4	2021 Q4	2022 Full year	2021 Full year
Net sales	9	9	38	33
Cost of services sold	-4	-4	-15	-13
Gross profit	5	5	23	20
Selling expenses	-5	-5	-16	-14
Administrative expenses	-4	-3	-12	-12
Other operating income/expenses	0	7	9	15
Operating profit	-4	4	4	9
Net financial income/expenses	3	2	14	5
Profit after financial items	-1	6	18	14
Appropriations	60	-4	60	-4
Profit before tax	59	2	78	10
Income tax	-12	-1	-16	-2
Profit after tax	47	1	62	8

Other Comprehensive Income

SEK million	2022 Q4	2021 Q4	2022 Full year	2021 Full year
Profit after tax	47	1	62	8
Other comprehensive income				
Items that can be subsequently reversed in the income statement:	-	-	-	-
Total other comprehensive income	-	-	-	-
Comprehensive income after tax	47	1	62	8

Balance Sheet

SEK million	2022 31 Dec	2021 31 Dec
Assets		
Intangible assets	2	2
Property, plant and equipment	0	0
Long-term receivables from group companies	251	217
Financial non-current assets	241	197
Total non-current assets	494	416
Receivables from group companies	55	27
Other current receivables	5	14
Cash and bank balances	1	19
Total current assets	61	60
TOTAL ASSETS	555	476
Equity and liabilities		
Equity	339	265
Untaxed reserves	36	10
Liabilities		
Liabilities to financial institutions	81	0
Liabilities to group companies	83	186
Other current liabilities and provisions	16	15
Total current liabilities	180	201
TOTAL EQUITY AND LIABILITIES	555	476

Change in Equity

SEK million	2022 Q4	2021 Q4	2022 Full year	2021 Full year
Opening equity	292	264	265	251
Comprehensive income after tax	47	1	62	8
New share issue	-	-	12	6
Closing equity	339	265	339	265



This is NOTE

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

The customers are active in the Industrial, Communication, Medtech and Greentech segments. Primarily, the customer base consists of large corporations operating on the global market, but also businesses whose main sales are in northern Europe.

The business model is based on delivering advanced manufacturing services, tailored logistics solutions as well as value-added

consulting services for the best total cost. The customer offering covers complete product lifecycles from design to after-sales.

In Western Europe, NOTE has plants located in geographical regions with high industrial activity and innovation capabilities. There, serial production is offered as well as sophisticated production technical services such as component selection, development of test equipment, and prototype manufacturing. Everything happens in close cooperation with the customers.

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. It offers cost-effective volume manufacturing of PCBAs and complete products as well as development-oriented production technical services.

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

Financial information

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

Calendar

Interim Report Q1	19 Apr 2023
Interim Report Q2	13 Jul 2023
Interim Report Q3	17 Oct 2023

Annual Report

The Annual Report for 2022 will be published on NOTE's website, www.note-ems.com, week 13.

Annual General Meeting

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

Ordering Financial Information

Financial and other relevant information can be obtained from NOTE on request. Out of consideration for the environment, an electronic 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

Investor Relations Contact

Frida Frykstrand
CFO
Tel: +46 (0)70 462 0939
E-mail: frida.frykstrand@note-ems.com