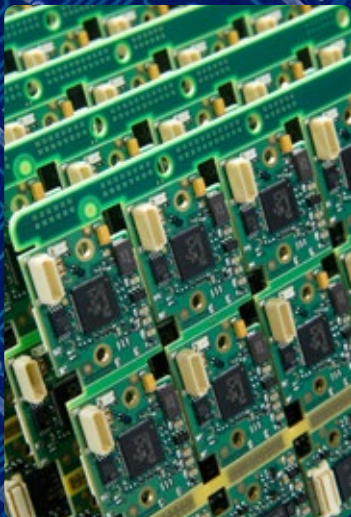


# Year-end Report 2016





# Year-end report 2016

## Financial performance in January–December

- Sales were SEK 1,098.1 (1,121.5) million, excluding divestments sales increased by 1%.
- Operating profit rose to SEK 60.2 (45.2) million.
- Operating margin expanded by 1.5 percentage points to 5.5% (4.0%).
- Profit after financial items increased to SEK 54.5 (39.8) million.
- Profit after tax was up to SEK 45.2 (34.6) million, corresponding to SEK 1.57 (1.20) per share.
- Cash flow after investments increased to SEK 40.9 (5.2) million, or SEK 1.42 (0.18) per share.

## Dividend

The Board of Directors is proposing a dividend to shareholders of SEK 0.70 (0.70) per share, or SEK 20.2 (20.2) million. The Annual General Meeting will be held on 20 April 2017.

## Events in the year

### New CEO & President

Stefan Hedelius became NOTE's CEO & President at the end of the first quarter.

### Sale of Norwegian operation

As part of NOTE's streamlining process and continued focus on markets with good growth potential, the Norwegian subsidiary was sold in May. The Norwegian operations had sales of SEK 54 million in 2015, but made a negative contribution to NOTE's operating profit. The transaction had a marginal impact on operating profit in the second quarter.

## Financial performance in October–December

- Sales were SEK 288.2 (305.2) million, excluding divestments sales decreased by 1%.
- Operating profit rose to SEK 16.5 (10.5) million.
- Operating margin expanded by 2.3 percentage points to 5.7% (3.4%).
- Profit after financial items increased to SEK 15.1 (9.2) million.
- Profit after tax was up to SEK 12.9 (7.0) million, corresponding to SEK 0.45 (0.24) per share.
- Cash flow after investments was SEK 3.2 (25.4) million, or SEK 0.11 (0.88) per share.

## Events after the end of the year

### New composition of the Board

The Extraordinary General Meeting on 20 January 2017, convened as a result of changes to the ownership structure, elected Johan Hagberg, John Hedberg and Per Ovrén to the Board and re-elected Kjell-Åke Andersson and Bahare Hederstierna. John Hedberg was elected Chairman.



# CEO's comments

## Progress in the year

NOTE is one of the leading electronics manufacturers in the Nordics, and a stable business partner for Swedish and multinational customers seeking advanced production and logistics solutions in industrial electronics.

In 2016, market conditions were relatively stable on many of our markets in Europe. Demand for NOTE's services and solutions made positive progress in Estonia and Sweden. Our Chinese operations experienced very strong sales growth in the first six months. After the summer, however, we noted decreased activity amongst some major customers in China. We also saw similar progress in Finland. Sales were weaker than expected on the Norwegian and UK markets, which we've approached via relatively small local units. In order to sharpen our focus on markets with positive sales growth, we divested the Norwegian subsidiary in the second quarter.

Sales were SEK 1,098.1 million in the year, slightly down on the previous year. Adjusted for the sale of the Norwegian operation, sales growth was 1%. To improve the level of service to one of our international customers, we introduced a new logistics setup during the autumn with finished goods stored in close proximity to the customer's final assembly, which temporarily decreased deliveries.

We've won the confidence of many new customers in the year. We perceive continued positive potential for increasing sales and market shares over time, from existing and new customers alike. A key factor is that we've significantly strengthened our position in medtech. In the summer, we commenced batch deliveries under a substantial, advanced manufacturing assignment for an established global customer. As the next step, we decided to obtain certification for manufacture of medtech products for our plant in China. More than half of our facilities are now certified for medtech production, which is positive looking ahead. In Sweden, we intensified our extensive prototyping partnership with a leading customer in the defence industry. The collaboration holds significant potential for batch manufacture looking ahead. The IOT (Internet of Things) is also an area with strong potential. We're currently pursuing several industrialization projects in IOT with promising prospects.

It's also pleasing that we've gradually improved profitability during the year. An increased service content in combination with a number of successful costs measures contributed to the profit improvement. Operating profit for the full year increased by SEK 15.0 million to SEK 60.2 million, corresponding to a 1.5% increase in the operating margin to 5.5%. In the fourth quarter, operating margin improved to 5.7% (3.4%).

NOTE has a sharp focus on ensuring first-class quality and delivery precision for customers. The efficient management of working capital is another critical success factor. This is why we're taking a focused approach to rationalising the utilisation of working capital. Flexible and thought-through logistics setups are critical to NOTE's and its customers' financing and cash flow. Including continued aggressive investment in advanced produc-



*2016 was another strong year for NOTE with increased profitability and strong cash flow*

tion equipment, cash flow (after investments) improved to SEK 40.9 (5.2) million, corresponding to SEK 1.42 (0.18) per share.

NOTE is financially well equipped for the future. Our Balance Sheet remains one of the sector's strongest, with low net debt and an equity to assets ratio of 45.8%

## Future

Our strategy for the future remains unchanged. We perceive continued positive potential for increasing our market share, focusing on profitable growth. We're continuing to develop our offering in the service area in order to further consolidate that part of our business.

Our firm ambition is to play an aggressive role in the future development of our sector, on the basis of our market stance and strong financial position.

A handwritten signature in blue ink, appearing to read "Stefan Hedelius". The signature is stylized with a long horizontal line extending to the right.

Stefan Hedelius

# Sales and results of operations

## Sales, January–December

NOTE sells to a large customer base, essentially active in the engineering, communication and security industries in northern Europe, and to customers in the defence industry and medtech. An increasing sales share is also occurring directly from China to customers in Asia and the US.

Demand for NOTE's services continued to progress positively in the year. Progress remained positive in Estonia and Sweden. Sales growth in China was very strong in the first half of the year, after which a partial slowdown ensued for some of our major customers. Similar progress was also noted in Finland. After a period of declining demand from a few major Norwegian customers, the subsidiary in Norway was divested during the second quarter of the year. In 2015, the Norwegian operation had sales of approximately SEK 54 million, but made a negative contribution to NOTE's operating profit. This transaction had only a marginal impact on operating profit in the second quarter.

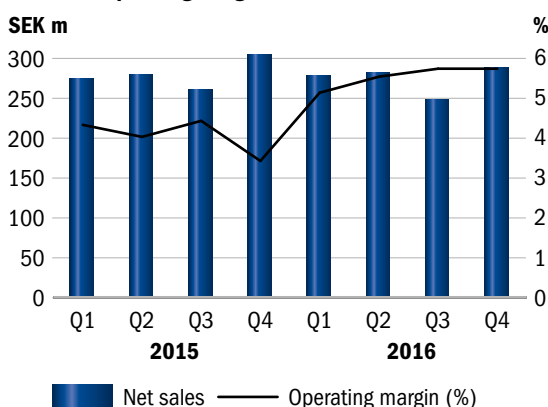
NOTE endeavours to secure long-term customer relations and partnerships. In the period, several closer collaborations on new product generations were established with several customers within the strong customer base.

NOTE has also been working extensively for some time with the aim of expanding its customer base further, to lift sales and capacity utilisation in the group's units. As a result of these marketing initiatives, NOTE secured many new customer relationships. Most of these new customers are European and Asian SMEs. 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.

Sales were SEK 1,098.1 (1,121.5) million in the year. The impact of exchange rate fluctuations was marginal, and adjusted for the sale of the Norwegian operation in the second quarter, sales growth for comparable units was 1%. Batch shipments to a leading multinational player in the medtech sector commenced in the summer. NOTE perceives significant potential in this partnership.

Direct sales from Industrial Plants in Estonia and China continued to grow. These sales maintained positive progress,

### Sales and operating margin



Operating profit for the fourth quarter 2015 includes expenses related to the change of CEO of SEK 3.8 million—the underlying operating margin was 4.7%.

representing 42% (37%) of total sales. The increase was partly an effect of the transfer of account management responsibility from Nearsourcing Centres to Industrial Plants, a natural component of NOTE's business model.

NOTE's 15 largest customers in sales terms represented 58% (57%) of the group's sales. As in the previous year, no single customer (group) represented more than about 9% of total sales.

## Results of operations, January–December

In order to sharpen competitiveness and create the potential for further profitable sales growth, NOTE has been conducting methodical improvement work at all units for several years. This work is conducted locally at each unit and through a number of group-wide projects. Over and above initiatives to expand and develop its customer offering, its focus is on measures that improve delivery precision and quality, as well as cost and working capital rationalisation. In tandem with this process, NOTE is progressively implementing a group-wide, business-specific ERP system. The new system is now operational across all Swedish units, enabling further streamlining by harmonising internal processes and systems support.

Gross margin grew by 1.1 percentage points to 12.0% (10.9%), mainly as a result of an expanded service content and focused cost-cutting initiatives.

Sales and administration overheads for the period reduced by 9%, mainly as a result of the divestment of the Norwegian operations in the second quarter. Furthermore, compared to the previous year, NOTE has conducted initiatives to reinforce its sales organisation further. Overheads were 6.5% (7.0%) of sales.

Other operating expenses/income, which normally consist of revaluations of foreign currency assets and liabilities, were SEK 0.3 (1.5) million. NOTE conducts fairly extensive management of foreign currencies, primarily USD and EUR. We're continuously seek to limit currency risk, and the wide fluctuations on the currency markets, mainly in the summer, had only a marginal impact on NOTE's operating profit.

Operating profit in the period improved by SEK 15.0 million to SEK 60.2 (45.2) million, implying a 1.5 percentage point operating margin increase to 5.5% (4.0%).

Stable progress of working capital and continued low market interest rates contributed to unchanged net financial income/expense of SEK -5.7 (-5.4) million.

Profit after financial items was SEK 54.5 (39.8) million, corresponding to a profit margin increase of 1.5% to 5.0% (3.5%).

Profit after tax was SEK 45.2 (34.6) million, or SEK 1.57 (1.20) per share. The tax expense for the period corresponded to 17% (13%) of profit before tax.

## Sales and results of operations, October–December

The demand for NOTE's services remained positive in the fourth quarter, especially in Sweden and Estonia. Sales in Finland and the UK slowed slightly. Progress in China remained affected by slower activity from some major customers.

Fourth-quarter sales decreased by 6% to SEK 288.2 (305.2) million. Adjusted for the sale of the Norwegian operations, the reduction was 1%. The introduction of a new customized logistics setup for a major international customer in the autumn, with finished goods stored in close proximity to customers' manufacture, affected NOTE's sales negatively in the short term. Sales from Industrial Plants were 43% (40%) of group sales.

Despite lower sales, and mainly as a result of cost rationalisations and stronger margins in ongoing customer projects, gross profit increased slightly year-on-year. The number of employees decreased significantly in the fourth quarter, particularly in the Chinese operations. Gross margin improved by 0.8 percentage points to 12.3% (11.5%).

Sales and administration overheads for the period decreased, mainly as a result of the sale of the Norwegian operations and non-recurring cost reductions, amounting to SEK 20.3 (23.6) million, or 7.0% (7.7%) of sales.

Other operating income/expenses, which mainly consist of revaluations of foreign currency assets and liabilities, were SEK 1.3 (-1.0) million.

Operating profit in the fourth quarter improved to SEK 16.5 (10.5) million, corresponding to an operating margin of 5.7% (3.4%). Profit after financial items improved to SEK 15.1 (9.2) million, corresponding to a profit margin of 5.2% (3.0%).

## Cash flow and financial position

### Cash flow

Competing successfully in the high mix/low to medium volume market segment sets high standards on flexible production, short lead times in manufacture, the effective supply of materials and the ability to deliver custom logistics solutions. Accordingly, NOTE focuses sharply on continuously improving its business methods and internal processes in these segments. This challenge is especially apparent during new project start-ups and in rapid demand upturns and downturns, and relates mainly to the complexity of materials supply and changing lead-times of electronic components.

The global market for electronic components can be considered fairly cyclical. Progress in the year, as in 2015, was fairly stable with good access to electronics components. This benefitted NOTE's materials planning and logistics.

Expanded prototype manufacture and start-ups of new batch production continued to set challenging demands on flexibility at the sourcing and production stages. Stock levels were relatively stable in the year. The implementation of new logistics solutions, including finished goods being stored in close proximity to customers' manufacture, led to some increase in stock after the summer. This contributed to increasing capital tied up in stock, including prepayments for materials, by 9% year-on-year. At the same time, the customer's payment terms were adjusted, meaning that total working capital tied up was marginal.

For natural reasons, accounts receivable—trade have reduced since year-end, and were 1% down year-on-year at the end of 2016. NOTE is conducting continuous initiatives to monitor its credit risk and the progress of customer credit terms. Despite increased international sales, and growing customer demand for extended credit terms, customer credit terms were comparable to the previous year.

Accounts payable—trade mainly relate to sourced electronic components and other production materials. NOTE is working actively to keep evolving its partnership model for suppliers, which involves changes including concentrating sourcing on fewer,

### Equity to assets ratio

**45.8%**

### Cash flow after investments

**+40.9 SEK million**

quality-assured suppliers. This has contributed to more efficient utilisation of working capital. At the end of the period, Accounts payable—trade were some 2% down on last year.

The combination of continued positive profit performance with rationalisation of working capital, contributed to cash flow after investments for the year improving to SEK 40.9 (5.2) million, corresponding to SEK 1.42 (0.18) per share.

### Equity to assets ratio

According to NOTE's externally communicated financial targets, its equity to assets ratio should not fall below 30%. The equity to assets ratio at the end of the year was 45.8% (43.3%). The proposed dividend of SEK 0.70 per share, or SEK 20.2 million would reduce the equity to assets ratio by some 3 percentage points.

# Liquidity and investments

## Liquidity and net debt

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

The group's available cash and cash equivalents, including unutilised overdraft facilities, were SEK 127.1 (104.7) million at the end of the year. Factored accounts receivable—trade were some SEK 123 (121) million. Net debt at the end of the year was SEK 60.4 (81.8) million.

## Investments

Capital expenditure on fixed assets amounted to SEK 15.8 (22.8) million in the year, corresponding to 1.4% (2.0%) of sales. The capital expenditure mainly consisted of projects to improve efficiency and quality.

To satisfy the increased demand for electronics manufacturing in China, NOTE brought another advanced surface mounting line on stream in the fourth quarter of 2015. Largely as a result of this, depreciation and amortisation according to plan increased to SEK 14.8 (12.8) million.

# Parent company

The parent company, NOTE AB (publ), is primarily focused on the management, coordination and development of the group. Revenue for the year was SEK 31.8 (29.9) million, and mainly related to intra-group services.

Net financial income/expense includes SEK 4.6 (7.0) million of dividends received from subsidiaries, as well as a net of group contributions received and paid of SEK 24.3 (15.9) million. The impairment of shares in subsidiaries had a negative impact on net financial income/expense. Profit/loss after tax was SEK -18.2 (13.1) million.

## Extraordinary General Meeting 2017

The Extraordinary General Meeting on 20 January 2017, convened as a result of changes to the ownership structure, elected Johan Hagberg, John Hedberg and Per Ovrén to the Board and re-elected Kjell-Åke Andersson and Bahare Hederstierna. John Hedberg was elected Chairman.

## Transactions with related parties

A subsidiary within the group sourced consulting services relating to operational improvements from a company owned by a related party.

# Significant operational risks

NOTE is one of the leading manufacturing and logistics partners for production of electronics-based products in northern Europe. NOTE has especially strong market positioning in the high mix/low to medium volume market segment, i.e. products in small to mid-size batches that require a high level of technological competence and flexibility. NOTE produces PCBAs, sub-assemblies and box build products. NOTE's offering covers the complete product lifecycle, from design to after-sales.

NOTE's Nearsourcing initiative, which is intended to increase sales growth while limiting overheads and capital expenditure in high-cost countries, is one way to mitigate the risks in operations. For a more detailed review of the group's operational and finan-

cial risks, refer to the Risks section on page 14, the Report of the Directors on page 26, as well as note 24, Financial risks and finance policy, on page 44 of NOTE's Annual Report for 2015.

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 34–36 of the Annual Report for 2015. 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 RFR2.

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.

Chief Executive Officer NOTE AB (publ)

Danderyd, Sweden, 6 February 2017



## Consolidated six-year summary

| SEK million                          | 2016    | 2015    | 2014  | 2013  | 2012    | 2011    |
|--------------------------------------|---------|---------|-------|-------|---------|---------|
| Net sales                            | 1,098.1 | 1,121.5 | 964.0 | 907.0 | 1,029.2 | 1,208.8 |
| Gross margin                         | 12.0%   | 10.9%   | 10.6% | 8.0%  | 9.0%    | 11.0%   |
| Operating margin                     | 5.5%    | 4.0%    | 3.3%  | 1.0%  | 2.5%    | 5.3%    |
| Profit margin                        | 5.0%    | 3.5%    | 3.0%  | 0.1%  | 1.9%    | 4.7%    |
| Cash flow after investing activities | 40.9    | 5.2     | 2.5   | -2.0  | 97.0    | 56.5    |
| Cash flow per share, SEK             | 1.42    | 0.18    | 0.09  | -0.07 | 3.36    | 1.96    |
| Equity per share, SEK                | 11.01   | 9.94    | 9.36  | 8.25  | 9.02    | 8.98    |
| Return on operating capital          | 16.1%   | 12.9%   | 10.1% | 3.1%  | 7.9%    | 17.7%   |
| Return on equity                     | 14.9%   | 12.4%   | 9.7%  | 0.3%  | 4.9%    | 16.5%   |
| Equity to assets ratio               | 45.8%   | 43.3%   | 44.1% | 44.0% | 45.2%   | 41.0%   |
| Average number of employees          | 987     | 940     | 893   | 847   | 884     | 939     |
| Net sales per employee, SEK 000      | 1,113   | 1,193   | 1,080 | 1,071 | 1,164   | 1,287   |

## Consolidated quarterly summary

| SEK million                          | 2016<br>Q4 | 2016<br>Q3 | 2016<br>Q2 | 2016<br>Q1 | 2015<br>Q4 | 2015<br>Q3 | 2015<br>Q2 | 2015<br>Q1 |
|--------------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Net sales                            | 288.2      | 248.4      | 282.4      | 279.1      | 305.2      | 261.5      | 279.5      | 275.3      |
| Gross margin                         | 12.3%      | 11.2%      | 12.6%      | 11.7%      | 11.5%      | 10.7%      | 10.9%      | 10.4%      |
| Operating margin                     | 5.7%       | 5.7%       | 5.5%       | 5.1%       | 3.4%       | 4.4%       | 4.0%       | 4.3%       |
| Profit margin                        | 5.2%       | 5.2%       | 4.8%       | 4.6%       | 3.0%       | 4.0%       | 3.3%       | 4.0%       |
| Cash flow after investing activities | 3.2        | 6.5        | 4.1        | 27.1       | 25.4       | -24.0      | -18.0      | 21.8       |
| Cash flow per share, SEK             | 0.11       | 0.23       | 0.14       | 0.94       | 0.88       | -0.83      | -0.62      | 0.76       |
| Equity per share, SEK                | 11.01      | 10.55      | 10.09      | 10.26      | 9.94       | 9.81       | 9.47       | 9.77       |
| Equity to assets ratio               | 45.8%      | 44.7%      | 44.4%      | 44.5%      | 43.3%      | 43.5%      | 43.4%      | 42.6%      |
| Average number of employees          | 916        | 988        | 1,047      | 1,016      | 963        | 962        | 931        | 901        |
| Net sales per employee, SEK 000      | 315        | 251        | 270        | 275        | 317        | 272        | 300        | 306        |

## Financial definitions

### Key figures, besides IFRS, published in this Interim Report

|                                    |  |
|------------------------------------|--|
| <b>Average number of employees</b> | Average number of employees calculated on the basis of hours worked.                                       |
| <b>Cash flow per share</b>         | Cash flow after investments divided by the number of shares at end of the period.                          |
| <b>Equity per share</b>            | Equity divided by the number of shares at end of the period.   |
| <b>Equity to assets ratio</b>      | Equity as a percentage of total assets.  |
| <b>Gross profit margin</b>         | Gross profit as a percentage of net sales.   |
| <b>Net debt</b>                    | Interest-bearing liabilities and provisions less cash and cash equivalents.                                |
| <b>Net sales per employee</b>      | Net sales divided by the average number of full-time employees.  |
| <b>Operating capital</b>           | Total assets less cash and cash equivalents, non-interest bearing liabilities and provisions.              |
| <b>Operating margin</b>            | Operating profit as a percentage of net sales.   |
| <b>Profit margin</b>               | Profit after financial items as a percentage of net sales.   |
| <b>Return on equity</b>            | Net profit as a percentage of the average equity for the most recent twelve-month period.                  |
| <b>Return on operating capital</b> | Operating profit as a percentage of the average operating capital for the most recent twelve-month period. |



# Consolidated Income Statement

| SEK million                         | 2016<br>Q4  | 2015<br>Q4  | 2016<br>full year | 2015<br>full year |
|-------------------------------------|-------------|-------------|-------------------|-------------------|
| Net sales                           | 288.2       | 305.2       | 1,098.1           | 1,121.5           |
| Cost of goods and services sold     | -252.7      | -270.1      | -966.4            | -999.0            |
| <b>Gross profit</b>                 | <b>35.5</b> | <b>35.1</b> | <b>131.7</b>      | <b>122.5</b>      |
| Selling expenses                    | -12.7       | -15.3       | -42.3             | -46.8             |
| Administrative expenses             | -7.6        | -8.3        | -29.5             | -32.0             |
| Other operating income/expenses     | 1.3         | -1.0        | 0.3               | 1.5               |
| <b>Operating profit</b>             | <b>16.5</b> | <b>10.5</b> | <b>60.2</b>       | <b>45.2</b>       |
| Net financial income/expenses       | -1.4        | -1.3        | -5.7              | -5.4              |
| <b>Profit after financial items</b> | <b>15.1</b> | <b>9.2</b>  | <b>54.5</b>       | <b>39.8</b>       |
| Income tax                          | -2.2        | -2.2        | -9.3              | -5.2              |
| <b>Profit after tax</b>             | <b>12.9</b> | <b>7.0</b>  | <b>45.2</b>       | <b>34.6</b>       |

# Consolidated Statement of Other Comprehensive Income

| SEK million  | 2016<br>Q4  | 2015<br>Q4  | 2016<br>full year | 2015<br>full year |
|--|-------------|-------------|-------------------|-------------------|
| <b>Profit after tax</b>  | <b>12.9</b> | <b>7.0</b>  | <b>45.2</b>       | <b>34.6</b>       |
| <b>Other comprehensive income</b>                                |             |             |                   |                   |
| Items that can be subsequently reversed in the income statement: |             |             |                   |                   |
| Exchange rate differences  | 0.6         | -3.4        | 6.1               | -3.0              |
| Cash flow hedges   | 0.0         | 0.0         | 0.0               | -0.4              |
| Tax on hedges and exchange rate difference                       | 0.0         | 0.2         | -0.2              | 0.1               |
| <b>Total other comprehensive income after tax</b>                | <b>0.6</b>  | <b>-3.2</b> | <b>5.9</b>        | <b>-3.3</b>       |
| <b>Comprehensive income after tax</b>                            | <b>13.5</b> | <b>3.8</b>  | <b>51.1</b>       | <b>31.3</b>       |

# Earnings per share

|   | 2016<br>Q4 | 2015<br>Q4 | 2016<br>full year | 2015<br>full year |
|---|------------|------------|-------------------|-------------------|
| Number of shares at end of period (000) | 28,873     | 28,873     | 28,873            | 28,873            |
| Weighted average number of shares (000) | 28,873     | 28,873     | 28,873            | 28,873            |
| Earnings per share, SEK                 | 0.45       | 0.24       | 1.57              | 1.20              |

# Consolidated Balance Sheet

| SEK million                            | 2016<br>31 dec | 2015<br>31 dec |
|--|----------------|----------------|
| <b>Assets</b>                          |                |                |
| Goodwill                               | 70.4           | 70.4           |
| Other intangible assets                | 10.0           | 10.0           |
| Property, plant and equipment          | 65.3           | 65.9           |
| Deferred tax assets                    | 5.0            | 8.9            |
| Other financial assets                 | 1.6            | 1.5            |
| <b>Total non-current assets</b>        | <b>152.3</b>   | <b>156.7</b>   |
| Inventories                            | 206.3          | 189.8          |
| Accounts receivable—trade              | 249.8          | 252.1          |
| Other current receivables              | 14.5           | 17.3           |
| Cash and bank balances                 | 71.6           | 47.3           |
| <b>Total current assets</b>            | <b>542.2</b>   | <b>506.5</b>   |
| <b>TOTAL ASSETS</b>                    | <b>694.5</b>   | <b>663.2</b>   |
| <b>Equity and liabilities</b>          |                |                |
| <b>Equity</b>                          | <b>318.0</b>   | <b>287.1</b>   |
| <b>Liabilities</b>                     |                |                |
| Long-term interest-bearing liabilities | 6.8            | 9.7            |
| Deferred tax liabilities               | 2.5            | 2.4            |
| <b>Total non-current liabilities</b>   | <b>9.3</b>     | <b>12.1</b>    |
| Current interest-bearing liabilities   | 125.2          | 119.4          |
| Accounts payable—trade                 | 171.3          | 175.1          |
| Other current liabilities              | 70.7           | 69.5           |
| <b>Total current liabilities</b>       | <b>367.2</b>   | <b>364.0</b>   |
| <b>TOTAL EQUITY AND LIABILITIES</b>    | <b>694.5</b>   | <b>663.2</b>   |

# Consolidated Change in Equity

| SEK million                    | 2016<br>Q4   | 2015<br>Q4   | 2016<br>full year | 2015<br>full year |
|--------------------------------|--------------|--------------|-------------------|-------------------|
| Opening equity                 | 304.5        | 283.3        | 287.1             | 270.2             |
| Comprehensive income after tax | 13.5         | 3.8          | 51.1              | 31.3              |
| Dividend                       | –            | –            | –20.2             | –14.4             |
| <b>Closing equity</b>          | <b>318.0</b> | <b>287.1</b> | <b>318.0</b>      | <b>287.1</b>      |



# Consolidated Cash Flow Statement

| SEK million   | 2016<br>Q4   | 2015<br>Q4   | 2016<br>full year | 2015<br>full year |
|---|--------------|--------------|-------------------|-------------------|
| <b>Operating activities</b>                           |              |              |                   |                   |
| Profit after financial items                          | 15.1         | 9.2          | 54.5              | 39.8              |
| Reversed depreciation and amortisation                | 4.2          | 3.8          | 14.8              | 12.8              |
| Other non-cash items                                  | -7.8         | 2.5          | -1.8              | -1.1              |
| Tax paid  | 7.7          | 0.2          | -0.4              | -4.1              |
| Change in working capital                             | -14.7        | 14.5         | -18.5             | -28.7             |
| <b>Cash flow from operating activities</b>            | <b>4.5</b>   | <b>30.2</b>  | <b>48.6</b>       | <b>18.7</b>       |
| <b>Cash flow from investing activities</b>            | <b>-1.3</b>  | <b>-4.8</b>  | <b>-7.7</b>       | <b>-13.5</b>      |
| <b>Cash flow from financing activities</b>            | <b>14.8</b>  | <b>-1.0</b>  | <b>-17.0</b>      | <b>7.3</b>        |
| <b>Change in cash and cash equivalents</b>            | <b>18.0</b>  | <b>24.4</b>  | <b>23.9</b>       | <b>12.5</b>       |
| <b>Cash and cash equivalents</b>                      |              |              |                   |                   |
| At beginning of period                                | 53.6         | 23.0         | 47.3              | 35.2              |
| Cash flow after investing activities                  | 3.2          | 25.4         | 40.9              | 5.2               |
| Cash flow from financing activities                   | 14.8         | -1.0         | -17.0             | 7.3               |
| Exchange rate difference in cash and cash equivalents | 0.0          | -0.1         | 0.4               | -0.4              |
| <b>Cash and cash equivalents at end of period</b>     | <b>71.6</b>  | <b>47.3</b>  | <b>71.6</b>       | <b>47.3</b>       |
| Un-utilised credits                                   | 55.5         | 57.4         | 55.5              | 57.4              |
| <b>Available cash and cash equivalents</b>            | <b>127.1</b> | <b>104.7</b> | <b>127.1</b>      | <b>104.7</b>      |

# Operating segments

Nearsourcing Centres consist of units located in geographical regions with high industrial activity and innovation standards in Sweden, Norway (until April 2016), Finland and the UK. These units provide advanced production technology services in close collaboration with customers, such as component selection, developing test equipment, prototyping and serial production.

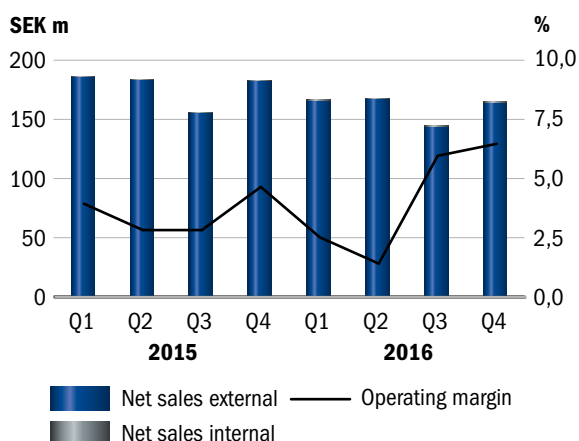
NOTE's Industrial Plants, located in Estonia and China, are

close to large final 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.

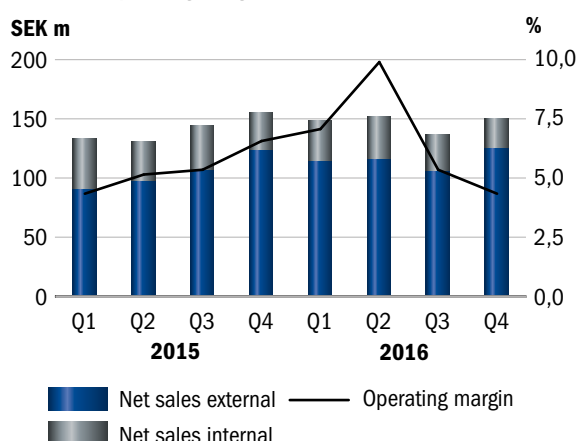
Other units are group-wide business support functions in the parent company and for the sourcing operations in NOTE Components.

| SEK million                         | 2016<br>Q4 | 2015<br>Q4 | 2016<br>full year | 2015<br>full year |
|-------------------------------------|------------|------------|-------------------|-------------------|
| <b>NEARSOURCING CENTRES</b>         |            |            |                   |                   |
| External net sales                  | 163.0      | 182.0      | 638.1             | 704.7             |
| Internal net sales                  | 2.1        | 1.2        | 6.2               | 4.5               |
| Operating profit                    | 10.6       | 8.5        | 25.6              | 25.2              |
| Operating margin                    | 6.4%       | 4.6%       | 4.0%              | 3.5%              |
| Inventories                         | 106.6      | 94.6       | 106.6             | 94.6              |
| External accounts receivable—trade  | 126.2      | 124.8      | 126.2             | 124.8             |
| Average number of employees         | 278        | 330        | 298               | 350               |
| <b>INDUSTRIAL PLANTS</b>            |            |            |                   |                   |
| External net sales                  | 125.2      | 123.2      | 460.0             | 416.8             |
| Internal net sales                  | 25.4       | 32.5       | 127.2             | 147.1             |
| Operating profit                    | 6.5        | 10.1       | 39.0              | 30.1              |
| Operating margin                    | 4.3%       | 6.5%       | 6.6%              | 5.3%              |
| Inventories                         | 99.7       | 95.2       | 99.7              | 95.2              |
| External accounts receivable—trade  | 123.2      | 126.9      | 123.2             | 126.9             |
| Average number of employees         | 619        | 615        | 670               | 573               |
| <b>OTHER UNITS AND ELIMINATIONS</b> |            |            |                   |                   |
| Internal net sales                  | -27.5      | -33.7      | -133.4            | -151.6            |
| Operating profit                    | -0.6       | -8.0       | -4.4              | -10.0             |
| External accounts receivable—trade  | 0.4        | 0.4        | 0.4               | 0.4               |
| Average number of employees         | 19         | 18         | 19                | 17                |

Sales and operating margin Nearsourcing Centres



Sales and operating margin Industrial Plants





# Parent Company Income Statement

| SEK million                         | 2016<br>Q4   | 2015<br>Q4  | 2016<br>full year | 2015<br>full year |
|-------------------------------------|--------------|-------------|-------------------|-------------------|
| Net sales                           | 9.6          | 7.1         | 31.8              | 29.9              |
| Cost of services sold               | -3.8         | -4.8        | -16.1             | -18.0             |
| <b>Gross profit</b>                 | <b>5.8</b>   | <b>2.3</b>  | <b>15.7</b>       | <b>11.9</b>       |
| Selling expenses                    | -5.6         | -6.0        | -11.0             | -10.8             |
| Administrative expenses             | -3.3         | -2.8        | -11.2             | -10.9             |
| Other operating income/expenses     | -10.9        | -1.7        | -15.1             | -1.7              |
| <b>Operating profit</b>             | <b>-14.0</b> | <b>-8.2</b> | <b>-21.6</b>      | <b>-11.5</b>      |
| Net financial income/expenses       | 24.4         | 15.8        | 7.2               | 26.9              |
| <b>Profit after financial items</b> | <b>10.4</b>  | <b>7.6</b>  | <b>-14.4</b>      | <b>15.4</b>       |
| Appropriations                      | -            | 0.0         | -                 | -                 |
| <b>Profit before tax</b>            | <b>10.4</b>  | <b>7.6</b>  | <b>-14.4</b>      | <b>15.4</b>       |
| Income tax                          | -4.0         | -2.3        | -3.8              | -2.3              |
| <b>Profit after tax</b>             | <b>6.4</b>   | <b>5.3</b>  | <b>-18.2</b>      | <b>13.1</b>       |

# Parent Company Statement of Other Comprehensive Income

| SEK million  | 2016<br>Q4 | 2015<br>Q4  | 2016<br>full year | 2015<br>full year |
|--|------------|-------------|-------------------|-------------------|
| <b>Profit after tax</b>  | <b>6.4</b> | <b>5.3</b>  | <b>-18.2</b>      | <b>13.1</b>       |
| <b>Other comprehensive income</b>                                |            |             |                   |                   |
| Items that can be subsequently reversed in the income statement: |            |             |                   |                   |
| Fair value reserve   | 0.1        | -1.0        | 0.6               | -1.0              |
| Tax on fair value reserve  | 0.0        | 0.2         | -0.2              | 0.2               |
| <b>Total other comprehensive income after tax</b>                | <b>0.1</b> | <b>-0.8</b> | <b>0.4</b>        | <b>-0.8</b>       |
| <b>Comprehensive income after tax</b>                            | <b>6.5</b> | <b>4.5</b>  | <b>-17.8</b>      | <b>12.3</b>       |

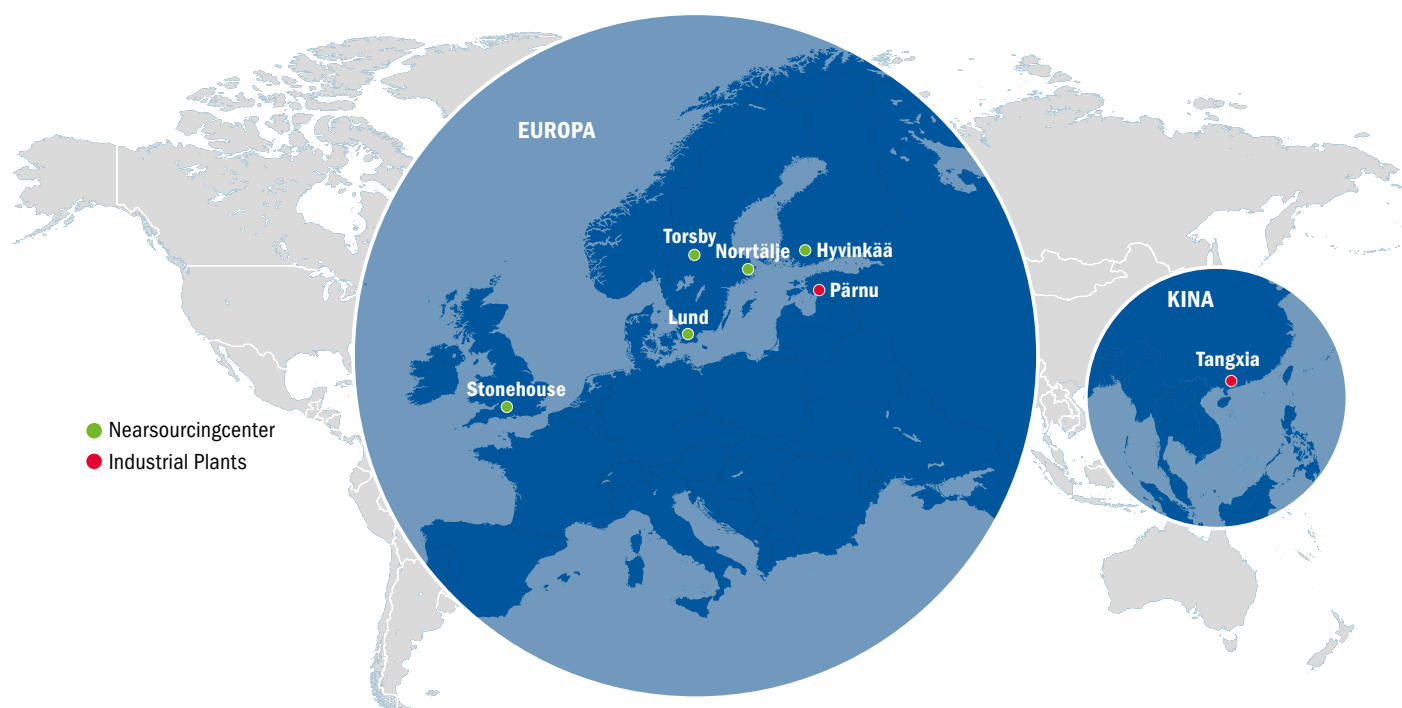
# Parent Company Balance Sheet

| SEK million                                | 2016<br>31 dec | 2015<br>31 dec |
|--|----------------|----------------|
| <b>Assets</b>                              |                |                |
| Intangible assets                          | 1.2            | 0.8            |
| Property, plant and equipment              | 0.2            | 0.1            |
| Deferred tax assets                        | –              | 1.3            |
| Long-term receivables from group companies | 9.6            | 36.5           |
| Financial non-current assets               | 221.4          | 248.6          |
| <b>Total non-current assets</b>            | <b>232.4</b>   | <b>287.3</b>   |
| Receivables from group companies           | 43.9           | 35.6           |
| Other current receivables                  | 1.5            | 2.3            |
| Cash and bank balances                     | 34.9           | 28.4           |
| <b>Total current assets</b>                | <b>80.3</b>    | <b>66.3</b>    |
| <b>TOTAL ASSETS</b>                        | <b>312.7</b>   | <b>353.6</b>   |
| <b>Equity and liabilities</b>              |                |                |
| <b>Equity</b>                              | <b>215.4</b>   | <b>253.4</b>   |
| <b>Liabilities</b>                         |                |                |
| Liabilities to group companies             | 79.5           | 86.8           |
| Other current liabilities and provisions   | 17.8           | 13.4           |
| <b>Total current liabilities</b>           | <b>97.3</b>    | <b>100.2</b>   |
| <b>TOTAL EQUITY AND LIABILITIES</b>        | <b>312.7</b>   | <b>353.6</b>   |

# Parent Company Change in Equity

| SEK million                              | 2016<br>Q4   | 2015<br>Q4   | 2016<br>full year | 2015<br>full year |
|--|--------------|--------------|-------------------|-------------------|
| Opening equity                           | 208.9        | 248.9        | 253.4             | 261.0             |
| Comprehensive income after tax           | 6.5          | 4.5          | –17.8             | 12.3              |
| Dividend                                 | –            | –            | –20.2             | –14.4             |
| Effect of change in accounting principle | –            | –            | –                 | –5.5              |
| <b>Closing equity</b>                    | <b>215.4</b> | <b>253.4</b> | <b>215.4</b>      | <b>253.4</b>      |





## + This is NOTE

### Vision

NOTE—the customer's obvious manufacturing and logistics partner.

### Business concept

NOTE is a leading northern European manufacturing and logistics partner with an international platform for manufacturing electronics-based products that require high technology competence and flexibility through product lifecycles.

### Business targets and strategy

NOTE will be the best collaboration partner in the industry with leading-edge delivery precision and quality for competitive total cost.

To make the market's most competitive offering, NOTE should actively contribute to safeguarding customers' value chains and sharpening their competitiveness through flexibility, competence, professionalism and good profitability.

### Near sourcing Centres and Industrial Plants

The business is organised to address the differing needs of its customers optimally.

NOTE's Near sourcing Centres provide advanced production technology services in close collaboration with customers, such as component selection, developing test equipment, prototyping and serial production.

NOTE's Industrial Plants offer development-oriented services and cost-efficient volume production of PCBAs and box build products.

## + Financial information

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

### Calendar

|                         |              |
|-------------------------|--------------|
| Interim Report Jan—Mar  | 20 Apr 2017  |
| Interim Report, Jan—Jun | 17 July 2017 |
| Interim Report, Jan—Sep | 17 Oct 2017  |

### Annual Report

The Annual Report for 2016 will be published on NOTE's website, [www.note.eu](http://www.note.eu), in week commencing Monday 27 March.

### Annual General Meeting

The AGM will be held at Spårvagnshallarna in Stockholm, Sweden, at 2 p.m. on 20 April 2017.

### 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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