

# Year-end Report 2018



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## Financial performance January–December

- Sales increased by 17% to SEK 1,378.6 (1,175.7) million.
- Operating profit amounted to SEK 83.9 (93.4) million. The underlying operating profit, adjusted for non-recurring items during the first quarter of last year and for expenses caused by the change of CEO during the third quarter, improved by 17% to 90.9 (77.7).
- Operating margin was 6.1% (7.9%). The underlying operating margin, adjusted for non-recurring items during the first quarter of last year and for expenses caused by the CEO shift during the third quarter, amounted to 6.6% (6.6%).
- Profit after financial items amounted to SEK 78.8 (88.8) million.
- Profit after tax amounted to SEK 64.2 (72.1) million, corresponding to SEK 2.22 (2.50) per share.
- Cash flow after investments, amounted to SEK -76.0 (69.7) million, or SEK -2.63 (2.41) per share.

## Financial performance October–December

- Sales increased by 22% to SEK 396.5 (325.0) million.
- Operating profit rose by 24% to SEK 28.1 (22.6) million.
- Operating margin expanded by 0.1 percentage points to 7.1% (7.0%).
- Profit after financial items increased by 25% to SEK 27.1 (21.6) million.
- Profit after tax rose to SEK 24.0 (17.8) million, corresponding to SEK 0.83 (0.62) per share.
- Cash flow after investments, including acquisition, amounted to SEK -80.8 (1.8) million, or SEK -2.80 (0.06) per share.

## Dividend

The Board of Directors is proposing a dividend of SEK 0.70 (1.00) per share, corresponding to SEK 20.2 (28.9) million.

## Events in the year

### NOTE becomes CellMark's new manufacturing partner

NOTE signed an agreement with CellMark in the first quarter on the manufacture of a new sophisticated medtech product. Industrialisation and batch production will be conducted at NOTE's plant in Estonia.

### Order on batch production from Saab Dynamics

Following extensive prototype and development work, orders for batch production of more than SEK 20 million were obtained in the second quarter. Deliveries are scheduled to start in the first half of 2019. Manufacturing will take place at NOTE's plant in Torsby, Sweden.

### NOTE creates new Swedish partnership in smart lighting

The market for the connected home is advancing rapidly. NOTE signed a collaborative agreement with Plejd during the fourth quarter, a high-growth smart lighting enterprise. Batch production is scheduled to start in NOTE Lund in the first quarter 2019.

### New partnership within the electric vehicle market

The market for electric cars is under strong growth. NOTE has signed a collaborative agreement with the Swedish company Charge Amps, that manufactures charging stations for electric cars. Batch production is scheduled to start in NOTE Norrtelje in the first quarter 2019.

### Repurchase of shares

In December, a repurchase program of own shares was carried out, whereby one million NOTE shares were acquired at an average price of SEK 21.85/share.

### Expansion on the British market

In October-November, NOTE acquired all the shares of Speedboard Assembly Services Ltd. of Windsor, UK. The company has developed successfully for several years. Sales in the 12 month period prior to the acquisition amounted to just over SEK 155 million, with an operating margin of about 10%. The company has a cost-effective production methodology, several surface mounting lines and a high level of expertise in box build (complete products). Customers are found primarily in advanced communication, surveillance, security and medical technology. Speedboard has approximately 100 employees.

## Events after the end of the year

### EGM—new composition of the Board

At the EGM in January, Anna Belfrage, Kaj Falkenlund, Claes Mellgren and Charlotte Stjerngren were elected new members of the Board. At the same time, Johannes Lind-Widestam left the board, which subsequently consists of seven members elected by the general meeting with Johan Hagberg as chairman. Furthermore, a decision was made on a three-year incentive program based on 400,000 warrants directed to the company's President and CEO.

# CEO's comments

## Another good year for NOTE

2018 was another good year for NOTE. Our stated growth goals are to increase market shares and achieve minimum organic growth of 10% per year. We increased sales by 17% to SEK 1,378.6 million. We achieved organic growth of 15%, topped off in the final two months of the year with extra sales from our new acquisition, Speedboard Assembly Services of the UK. Pro forma including Speedboard, our sales were over SEK 1.5 billion in 2018.

We successfully advanced our market positions and secured new business on new accounts, as well as through extended partnerships in our already-strong customer base. We saw brisk demand across all domestic markets. Our order books continued to expand in the fourth quarter of the year, and in comparable units, our order book was up by just over 25% on 2017, which corroborates continued positive progress in the short term. We are now maintaining the pace necessary to be one of the fastest-growing companies in our sector.

Our business model builds on long-term customer relationships and partnerships. We have an extensive customer base, and already partner with several of the leading corporations in the Nordics across a broad spectrum of sectors. We still see good growth potential through deeper partnerships with our existing customers across industry, communication, medtech, defence and high end communication. For example, we are about to begin large-scale serial deliveries in the defence segment in 2019.

Meanwhile, many new business customers are continuing to appoint us in traditional industries and new, high-growth application segments. Recent examples include our reported partnership with Cellmark within medtech, Plejd in smart lighting, and Charge Amps, which develops charging solutions for electric vehicles. Increasing digitalisation across industry and in our everyday lives is urging the demand for electronics. This is creating attractive business opportunities for us, which we are working to realise methodically and successfully.

In earnings terms, we made strong progress, which is largely in line with plan. Reported operating profit was SEK 83.9 (93.4) million, and in this context it's worth noting that in 2017 we had positive non-recurring effects of nearly SEK 16 million, mainly due to the capital gain from our property sale in Lund, southern Sweden, while this year's operating profit was negatively impacted by SEK 7.0 million due to our change of CEO in September. Adjusted for these items, underlying operating profit improved by 17% to SEK 90.9 (77.7) million. The earnings increase has several causes, including higher sales, cost rationalisations executed and the strong progress of our Western European business. Computed in the same way, i.e. adjusted for non-recurring items, our operating margin was 6.6%, which is unchanged year on year. Although our ambitions are at a higher level than this, progress was restrained somewhat by unfavourable progress of exchange rate adjustments compared to 2017. In the year, we also prepared and strengthened the company for continued growth, in organisational in process terms, as well as through performance-enhancing investments in our machinery.

Effective management of working capital is a success factor for our continued growth. The global market for electronic components remains strained with extended lead-times and challenges in terms of availability. In combination with our



*2018 was a good year for NOTE—we achieved 22% growth and a 7.1% operating margin in Q4.*

growth and start-ups of a large number of new customer projects, our working capital, not least inventories, is increasing, which is putting pressure on our cash flow. Cash flow in 2017 was strong, impacted positively by factors including our property sale in Lund. Including this year's acquisition of Speedboard, cash flow after investments was SEK -76.0 (69.7) million. NOTE is well prepared financially for its future. After our acquisition of Speedboard and recently executed repurchase of 1 million treasury shares, our liquidity position remains healthy, and our equity to assets ratio was nearly 40%.

## Future

Working in my new role as CEO, and after having previously monitored the company's progress on the Board of Directors, I'm impressed by the work the company has done so far. But our development potential remains great. Even if global economic uncertainty has increased in several contexts, the demand for our services is high, and we see good potential to increase market shares. We have a lot of customers and projects where batch shipments are now expected to gather momentum. We are also working intensively for our new acquisition Speedboard to achieve its full potential, and intend to remain active on the acquisition side. Going forward, our guiding principles will be profitability, growth and customer satisfaction.

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

Johannes Lind-Widestam

# Sales and results of operations

## Sales, January–December

NOTE sells to a large customer base, essentially active across industry, communication, medtech, defence and high end consumer electronics. Its customer base consists of large corporations that are active on the global market, as well as local enterprises whose primary sales are in northern Europe.

Sales rose by 17% in the year to SEK 1,378.6 (1,175.7) million. Extra sales in November–December from the acquisition of Speedboard Assembly Services of the UK contributed growth of just over 2%, and the positive impact from fluctuating exchange rates, mainly USD and EUR, was some 2%.

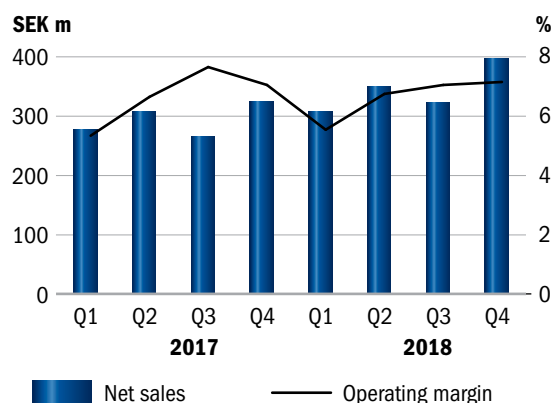
The sales increase was sourced from expanded partnerships with established customers and a gradual impact of increased new business customer sales. Sales growth in western Europe was 23%. Sales grew on all domestic markets in Europe, and especially from defence and large industrial customers. The demand for electronics production at our plant in Estonia, mainly for customers in northern Europe, also progressed positively, with growth of some 9%. Sales from our plant in China, which are to local and global customers, grew by 11%.

NOTE endeavours to secure long-term customer relationships and partnerships. NOTE secured deeper partnerships on new product generations with several customers in its strong customer base.

It has also been working methodically for a time on expanding its customer base, to lift sales and capacity utilisation at the group's units. As a result of these marketing initiatives, NOTE has secured many new customer relationships. Most of these new customers are SMEs in Europe and Asia. Several of these partnerships, which usually start with industrialisation services (service sales, prototyping and pilot series), have now resulted in batch production and higher volumes.

The 15 largest customers in sales terms represented 53% (56%) of group sales. As in the previous year, no single customer (group) generated more than about 10% of total sales.

At the end of the period, the group's order book, which consists of a combination of fixed orders and customer forecasts, progressed positively. At year-end, the order book was over 25% larger than the previous year's level, for comparable units.



The operating margin above illustrates underlying profitability for 2017–2018. The operating profit in the first quarter 2017 has been restated, reduced by non-recurring items of SEK 15.7 million, and the third quarter 2018 the operating profit was increased by SEK 7.0 million.

## Results of operations, January–December

In order to keep improving competitiveness and create the potential for 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, NOTE's focus is on measures that improve delivery precision and quality performance, and on cost and working capital rationalisation.

Largely as a consequence of increased sales and stable margin trends on new projects and with established customers, the gross margin expanded by 0.6 percentage points to 12.5% (11.9%).

Sales and administration overheads for the period were SEK 83.3 (73.1) million. For comparable units and adjusted for non-recurring costs related to organisational changes executed in Sweden last year, as well as costs related to the change of CEO in September this year, overheads increased by some SEK 5.5 million (8%). Essentially, this increase is linked to greater resources to lift future growth. As a share of sales, computed on the same basis, underlying overheads were some 5.6% (5.9%).

Other operating expenses/income were SEK -4.5 (26.2) million. Last year the property sale in Lund had a positive impact by SEK 20.6 million and adjusted for this, the comparative figure amounted to SEK 5.6 million. Accordingly, in year-on-year terms, operating profit was negatively impacted by exchange rate revaluations by some SEK 8 million.

Operating profit was SEK 83.9 (93.4) million. Adjusted for the property sale and other non-recurring items in the first quarter of the previous year, amounting to a total of SEK +15.7 million net, and expenses of SEK 7.0 million for the change of CEO in September this year, underlying operating profit increased by SEK 13.2 million (17%) to SEK 90.9 (77.7) million. Computed on the same basis, the operating margin was 6.6% (6.6%).

A significant increase in net debt, mainly due to the acquisition of Speedboard in the fourth quarter, was a contributor to net financial income/expense increasing somewhat to SEK -5.1 (-4.6) million.

Profit after financial items was SEK 78.8 (88.8) million, corresponding to a profit margin of 5.7% (7.6%).

Profit after tax was SEK 64.2 (72.1) million, or SEK 2.22 (2.50) per share. The tax expense for the year corresponded to 19% (19%) of profit before tax.

## Sales and results of operations, October–December

The demand for NOTE's services remained positive in the fourth quarter. Sales rose by 22% to SEK 396.5 (325.0) million. Sales growth of 34% was achieved in Western Europe. Extra sales from Speedboard Assembly Services in November–December contributed growth of 16%. Accordingly, the growth from other Eastern European units was around 18%. Increases were reported on all domestic markets, especially Sweden, and from Speedboard in the UK. The demand for electronics manufacture in Estonia was at about the same level as the previous year, while growth of the

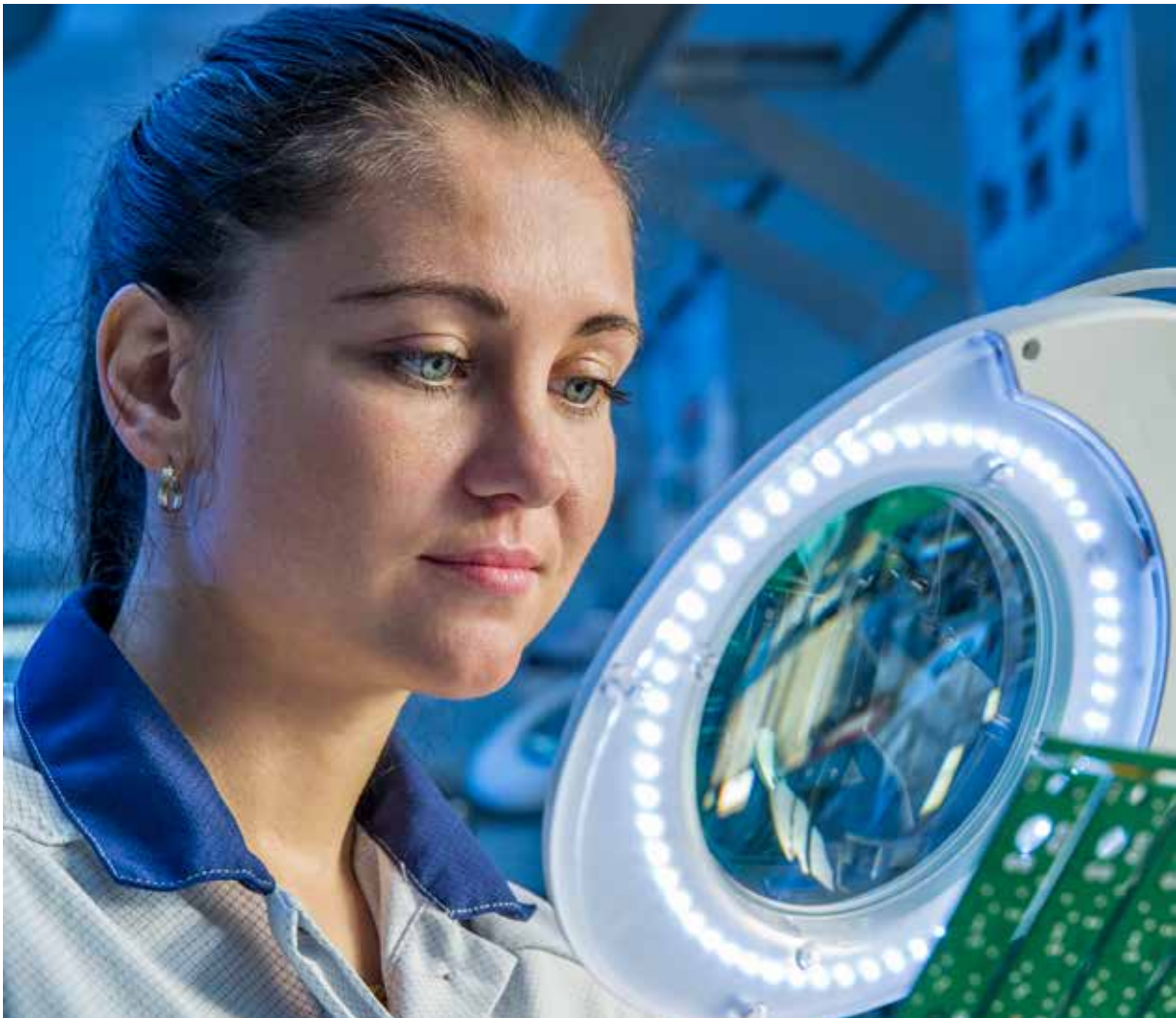
Chinese operation was 14%.

Mainly as a consequence of increased sales, and continued stable margins on ongoing customer assignments, the gross margin widened by 0.9% in the fourth quarter to 13.2% (12.3%).

Sales and administration overheads in the period amounted to SEK 21.6 (19.2) million, or 5.4% (5.9%) of sales.

Other operating income/expenses, mainly consisting of revaluations of operating assets and liabilities denominated in foreign currencies, amounted to SEK -2.5 (1.8) million.

Mainly as a result of increased sales, stable margins and rationalisations executed on the cost side, especially in Sweden, operating profit increased by SEK 5.5 million (24%) to SEK 28.1 (22.6) million. The operating margin widened somewhat to 7.1% (7.0%). Profit after financial items increased to SEK 27.1 (21.6) million, equivalent to a profit margin of 6.8% (6.6%).



# Cash flow and financial position

## Cash flow

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

The global market for electronic components remained under strain in the year in terms of availability and lead-times. Although not unusual on the market, this has necessitated additional efforts by NOTE's sourcing and planning functions and a close dialogue with customers and suppliers to maintain good delivery precision standards.

NOTE has a sharp focus on continuous rationalisation of its utilisation of working capital. A strained electronic components market, combined with increased sales and start-ups of several new major customer projects, contributed to increased component inventories. For comparable units, inventories decreased in the fourth quarter. However, capital tied-up in inventories was 54% higher overall than at the end of the previous year. Additional inventories from the acquisition of Speedboard contributed to inventory build-up of over 20%.

NOTE continuously monitors credit risks and limiting the outstanding number of days of credit. Accounts receivable—trade, which increased naturally in the year, were 25% higher at year-end than at the corresponding point of the previous year. The number of outstanding customer days of credit was down somewhat on the previous year-end.

Accounts payable—trade mainly consist of sourcing of electronic components and other production materials. NOTE is working actively to keep developing a partnership model for suppliers, which involves concentrating sourcing on fewer, quality-assured suppliers. This simultaneously contributes to

## Equity to assets ratio

**39.8%**

## Cash flow after investments

**SEK -76.0 m**

rationalising the utilisation of working capital. At year-end, accounts payable—trade were 40% higher than at the corresponding point of the previous year.

Cash flow after investments in the fourth quarter was impacted by SEK -79.7 million as a result of acquisitions. For the full year, cash flow was SEK -76.0 (69.7) million, or SEK -2.63 (2.41) per share.

## Equity to assets ratio

According to NOTE's externally communicated financial targets, the equity to assets ratio should not fall below 30%. The equity to assets ratio at year-end was 39.8% (48.8%). The acquisition of Speedboard Assembly Services had a negative impact of some four percentage points on the equity to assets ratio. Additionally, the equity to assets ratio reduced by some five percentage points due to a share dividend conducted in the spring, and the repurchase of shares executed in the fourth quarter. The proposed dividend to shareholders of SEK 0.70 per share, equivalent to SEK 20.2 million, would reduce the equity to assets ratio by some 2 percentage points.

# Liquidity and investments

## Liquidity and net debt

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

The group's available cash and cash equivalents, including un-utilised overdraft facilities, were some SEK 128.2 (139.0) million at year-end. Factored accounts receivable—trade were approximately SEK 195 (163) million. Net debt at year-end was SEK 157.5 (22.9) million.

## Investments

Capital expenditure on fixed assets in the year was SEK 28.8 (25.3) million, corresponding to 2.1% (2.1%) of sales. These investments primarily consisted of projects to increase efficiency and capacity.

Plan depreciation and amortisation increased somewhat to SEK 19.2 (16.1) million.

## Parent company

The parent company, NOTE AB (publ), is primarily focused on the management, coordination and development of the group. Revenue for the period was SEK 37.4 (34.8) million, and mainly related to intra-group services.

During the third quarter, the operating profit was negatively impacted with SEK 7.0 million, due to the change of CEO. Profit for the first quarter last year was positively impacted by the property sale in Lund. Net financial income/expense includes SEK 1.0 (2.3) million of dividends received from subsidiaries. Profit after tax was SEK 16.8 (54.3) million.

### Transactions with related parties

Apart from the incentive programs for group management and key staff introduced in the second quarter, there were no transactions with related parties in the period.

### Annual General Meeting 2018

The AGM in April elected Johannes Lind-Widestam as Board member. Per Ovrén and Mikael Norin left the board. The rest of the Board of Directors were re-elected, with John Hedberg as Chairman. The AGM resolved to pay a dividend to shareholders of SEK 1.00 (0.70) per share, or SEK 28.9 (20.2) million.

### Changes in the Board and Group management

During the summer John Hedberg withdrew as the Chairman of the Board. In connection with this, a new Nomination Committee was designated and Johan Hagberg assumed the position as Chairman of the Board of NOTE.

The Board member Johannes Lind-Widestam was appointed new CEO and President the 28 September, succeeding Per Ovrén.

### Incentive programme

The Annual General Meeting in April 2018 resolved on a three-year incentive program aimed at senior executives and other key persons, whereby acquisitions were made of 380,000 warrants. Including the three-year incentive program of 600,000 warrants that commenced in 2017, up to 980,000 shares may be issued at full utilisation.

### EGM

At an EGM in January 2019, Anna Belfrage, Kaj Falkenlund, Claes Mellgren and Charlotte Stjerngren were elected new members of the Board. At the same time, Johannes Lind-Widestam left the board. The Board of Directors then consists of seven members elected by the General Meeting with Johan Hagberg as Chairman. Furthermore, a decision was made on a three-year incentive program based on 400,000 warrants directed to the company's President and CEO.

## Significant operational risks

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

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

For a more detailed review of the group's operational and financial risks, refer to the Risks section on page 13, the Report of the Directors on page 40, as well as note 24, Financial risks and finance policy, on page 57-58 of NOTE's Annual Report for 2017.

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

# Accounting and valuation principles

NOTE observes International Financial Reporting Standards (IFRS) as endorsed by the European Union. Significant accounting and valuation principles are stated on pages 48–50 of the Annual Report for 2017. 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.

NOTE started to apply IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" effective 1 January 2018.

IFRS 9 introduces a new method for measuring bad debt provision needs. As in previous years, NOTE has provisioned on the basis of a case-by-case assessment of credit risk for each customer. Based on measurement of historical data, the credit risk provision was increased by some SEK 6 million. This amount was taken against consolidated equity, as IFRS 9 was adopted on 1 January 2018. Otherwise, IFRS 9 has no material effect on the consolidated financial statements.

NOTE has conducted an analysis of the implementation of IFRS 15 and judges that the Standard has no material effect on the consolidated financial statements.

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

NOTE has carried out an analysis of the introduction of IFRS 16 and the effects of the standard on the Group's financial reports. NOTE has chosen the simplified method as a transition method to IFRS 16, which means that no recalculation will take place of the Group's financial reports for 2018, instead the opening balances for 2019 will be adjusted. According to the analysis carried out by the Group, tangible fixed assets will increase by approximately SEK 65 million, while financial liabilities will increase by the corresponding amount, when IFRS 16 is introduced.

Earnings per share are reported in line with IAS 33 Earnings per share. Reported numbers for 2017 have been adjusted for compliance with current reporting standard.

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

## Discrepancies between reports

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

Johannes Lind-Widestam  
CEO and President

Kista, Sweden, 4 februari 2019



# Notes on the consolidated financial statements

In October-November, NOTE acquired all the shares of Speed-board Assembly Services Ltd. of Windsor, UK. Sales in the 12 month period prior to the acquisition amounted to just over SEK 155 million, with an operating margin of about 10%. Speed-board has approximately 100 employees. This acquisition consolidates NOTE's positioning on the UK market, and presents good development potential for NOTE's other businesses. Information on the purchase consideration, acquired assets and goodwill is stated in the following table:

<b>NOTE 1 Acquisitions</b>	
<b>Assets and liabilities taken over in the acquisition</b>	<b>2018</b>
<b>Total purchase consideration</b>	<b>91.3</b>
Property, plant and equipment	7.2
Intangible assets—customer relationships	16.4
Inventories	52.8
Accounts receivable—trade and other current receivables	30.2
Cash and cash equivalents	2.5
Interest-bearing liabilities	-0.6
Other operating liabilities	-8.4
Deferred tax liability	-1.2
Non-current liabilities	–
Accounts payable—trade and other operating liabilities	-41.9
<b>Acquired identifiable net assets</b>	<b>56.9</b>
Goodwill	34.4
<b>Total acquired net assets</b>	<b>91.3</b>
<b>Cash flow relating to acquisitions in the period</b>	
Purchase consideration paid	82.1
Cash in acquired entity	-2.5
<b>Net outflow, cash and cash equivalents</b>	<b>79.7</b>

The transaction costs for this acquisition amounted to approximately SEK 1.0 million, mainly relating to expenses for local legal and other consulting. These expenses are recognised on the administrative expenses line in the Consolidated Income Statement and are included under operating activities in the Cash Flow Statement.

Existing customer relationships with a total value of SEK 16.4 million were identified in tandem with the acquisition. The goodwill of SEK 34.4 million arising in the acquisition mainly relates to the company's skills and processes in PCBA manufacture and box build, and expected co-ordination gains with NOTE's other operations.

## Consolidated quarterly summary

SEK million	2018 Q4	2018 Q3	2018 Q2	2018 Q1	2017 Q4	2017 Q3	2017 Q2	2017 Q1
Net sales	396.5	323.6	350.5	308.0	325.0	265.2	308.4	277.1
Gross margin	13.2%	12.4%	12.8%	11.3%	12.3%	12.3%	11.8%	11.3%
Operating margin	7.1%	4.8%	6.7%	5.5%	7.0%	7.6%	6.6%	11.0%
Profit margin	6.8%	4.6%	6.2%	4.9%	6.6%	7.1%	6.3%	10.5%
Cash flow after investing activities	-80.8	9.4	-17.9	13.3	1.8	-11.2	1.3	77.8
Cash flow per share, SEK	-2.80	0.33	-0.62	0.46	0.06	-0.39	0.05	2.70
Equity per share, SEK	13.29	13.18	13.02	13.33	12.79	12.00	11.54	11.91
Equity to assets ratio	39.8%	46.2%	44.9%	46.8%	48.8%	48.6%	46.4%	45.2%
Average number of employees	1,058	983	951	927	952	943	886	870
Net sales per employee, SEK 000	375	329	369	332	341	281	348	319

## Consolidated six-year summary

SEK million	2018	2017	2016	2015	2014	2013
Net sales	1,378.6	1,175.7	1,098.1	1,121.5	964.0	907.0
Gross margin	12.5%	11.9%	12.0%	10.9%	10.6%	8.0%
Operating margin	6.1%	7.9%	5.5%	4.0%	3.3%	1.0%
Profit margin	5.7%	7.6%	5.0%	3.5%	3.0%	0.1%
Cash flow after investing activities	-76.0	69.7	40.9	5.2	2.5	-2.0
Cash flow per share, SEK	-2.63	2.41	1.42	0.18	0.09	-0.07
Equity per share, SEK	13.29	12.79	11.01	9.94	9.36	8.25
Return on operating capital	17.8%	24.2%	16.1%	12.9%	10.1%	3.1%
Return on equity	17.1%	21.0%	14.9%	12.4%	9.7%	0.3%
Equity to assets ratio	39.8%	48.8%	45.8%	43.3%	44.1%	44.0%
Average number of employees	980	912	987	940	893	847
Net sales per employee, SEK 000	1,407	1,289	1,113	1,193	1,080	1,071

# Consolidated Income Statement

SEK million	2018 Q4	2017 Q4	2018 Full year	2017 Full year
Net sales	396.5	325.0	1,378.6	1,175.7
Cost of goods and services sold	-344.3	-285.0	-1,206.9	-1,035.4
<b>Gross profit</b>	<b>52.2</b>	<b>40.0</b>	<b>171.7</b>	<b>140.3</b>
Selling expenses	-12.3	-10.8	-51.1	-44.5
Administrative expenses	-9.3	-8.4	-32.2	-28.6
Other operating income/expenses	-2.5	1.8	-4.5	26.2
<b>Operating profit</b>	<b>28.1</b>	<b>22.6</b>	<b>83.9</b>	<b>93.4</b>
Net financial income/expenses	-1.0	-1.0	-5.1	-4.6
<b>Profit after financial items</b>	<b>27.1</b>	<b>21.6</b>	<b>78.8</b>	<b>88.8</b>
Income tax	-3.1	-3.8	-14.6	-16.7
<b>Profit after tax</b>	<b>24.0</b>	<b>17.8</b>	<b>64.2</b>	<b>72.1</b>

# Consolidated Statement of Other Comprehensive Income

SEK million	2018 Q4	2017 Q4	2018 Full year	2017 Full year
<b>Profit after tax</b>	<b>24.0</b>	<b>17.8</b>	<b>64.2</b>	<b>72.1</b>
<b>Other comprehensive income</b>				
Items that can be subsequently reversed in the income statement:				
Exchange rate differences	0.8	5.0	5.3	-1.1
Cash flow hedges	0.1	-0.1	0.1	-0.1
Tax on hedges and exchange rate difference	0.0	0.0	-0.1	0.0
<b>Total other comprehensive income after tax</b>	<b>0.9</b>	<b>4.9</b>	<b>5.3</b>	<b>-1.2</b>
<b>Comprehensive income after tax</b>	<b>24.9</b>	<b>22.7</b>	<b>69.5</b>	<b>70.9</b>

# Earnings per share

	2018 Q4	2017 Q4	2018 Full year	2017 Full year
Number of shares at end of period (000)	28,873	28,873	28,873	28,873
Weighted average number of shares (000)*	28,873	28,873	28,873	28,873
Weighted average number of shares (000)**	28,873	29,473	28,873	28,899
Earnings per share, SEK*	0.83	0.62	2.22	2.50
Earnings per share, SEK**	0.83	0.61	2.22	2.49

\* Before dilution

\*\* After dilution

# Consolidated Balance Sheet

SEK million	2018 31 Dec	2017 31 Dec
<b>Assets</b>		
Goodwill	106.7	70.2
Intangible assets—customer relationships	15.4	–
Other intangible assets	12.9	9.6
Property, plant and equipment	79.9	64.4
Deferred tax assets	1.9	1.0
Other financial assets	0.7	1.1
<b>Total non-current assets</b>	<b>217.5</b>	<b>146.3</b>
Inventories	370.0	239.5
Accounts receivable—trade	327.3	261.8
Other current receivables	19.2	21.1
Cash and bank balances	31.0	87.2
<b>Total current asset</b>	<b>747.5</b>	<b>609.6</b>
<b>TOTAL ASSETS</b>	<b>965.0</b>	<b>755.9</b>
<b>Equity and liabilities</b>		
<b>Equity</b>	<b>383.6</b>	<b>369.2</b>
<b>Liabilities</b>		
Long-term interest-bearing liabilities	12.5	12.3
Deferred tax liabilities	7.7	1.7
Other long term liabilities	8.9	0.0
<b>Total non-current liabilities</b>	<b>29.1</b>	<b>14.0</b>
Current interest-bearing liabilities	176.0	97.8
Accounts payable—trade	273.6	195.0
Other current liabilities	102.7	79.9
<b>Total current liabilities</b>	<b>552.3</b>	<b>372.7</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>965.0</b>	<b>755.9</b>

# Consolidated Change in Equity

SEK million	2018 Q4	2017 Q4	2018 Full year	2017 Full year
Opening equity	380.6	346.5	369.2	318.0
Effect of change in accounting principle	–	–	-4.7	–
<b>Total</b>	<b>380.6</b>	<b>346.5</b>	<b>364.5</b>	<b>318.0</b>
Comprehensive income after tax	24.9	22.7	69.5	70.9
Payment warrants	–	–	0.4	0.5
Repurchase of shares	-21.9	–	-21.9	–
Dividend	–	–	-28.9	-20.2
<b>Closing equity</b>	<b>383.6</b>	<b>369.2</b>	<b>383.6</b>	<b>369.2</b>

# Consolidated Cash Flow Statement

SEK million	2018 Q4	2017 Q4	2018 Full year	2017 Full year
<b>Operating activities</b>				
Profit after financial items	27.1	21.6	78.8	88.8
Reversed depreciation and amortisation	5.8	4.3	19.2	16.1
Other non-cash items	0.6	-2.9	-3.1	-20.2
Tax paid	2.8	-7.4	-10.7	-12.6
Change in working capital	-27.6	-8.2	-57.4	-32.4
<b>Cash flow from operating activities</b>	<b>8.7</b>	<b>7.4</b>	<b>26.8</b>	<b>39.7</b>
<b>Cash flow from investing activities (note 1)</b>	<b>-89.5</b>	<b>-5.6</b>	<b>-102.8</b>	<b>30.0</b>
<b>Cash flow from financing activities</b>	<b>58.6</b>	<b>34.1</b>	<b>18.0</b>	<b>-53.8</b>
<b>Change in cash and cash equivalents</b>	<b>-22.2</b>	<b>35.9</b>	<b>-58.0</b>	<b>15.9</b>
<b>Cash and cash equivalents</b>				
At beginning of period	52.9	50.5	87.2	71.6
Cash flow after investing activities	-80.8	1.8	-76.0	69.7
Cash flow from financing activities	58.6	34.1	18.0	-53.8
Exchange rate difference in cash and cash equivalents	0.3	0.8	1.8	-0.3
<b>Cash and cash equivalents at end of period</b>	<b>31.0</b>	<b>87.2</b>	<b>31.0</b>	<b>87.2</b>
Un-utilised credits	97.2	51.8	97.2	51.8
<b>Available cash and cash equivalents</b>	<b>128.2</b>	<b>139.0</b>	<b>128.2</b>	<b>139.0</b>

# Operating segments

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

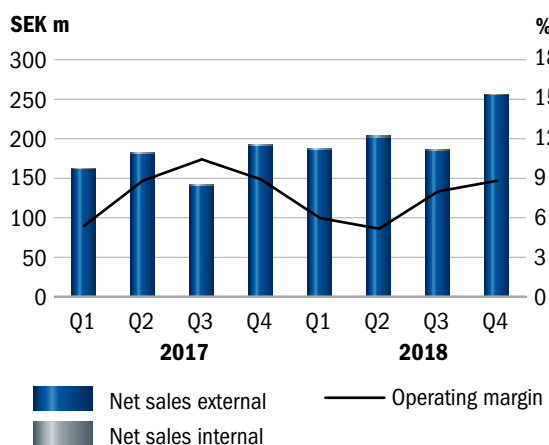
Operating segment Rest of World, located in Estonia and China, are close to large end markets and in regions with strong

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

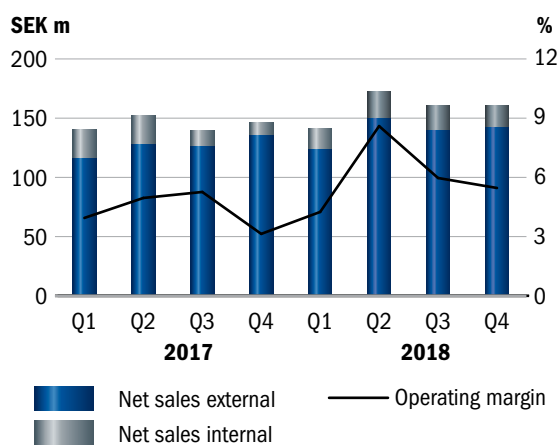
Intra-Group are group-wide business support functions in the parent company and for the sourcing operations in NOTE Components.

SEK million	2018 Q4	2017 Q4	2018 Full year	2017 Full year
<b>WESTERN EUROPE</b>				
External net sales	254.5	189.9	823.7	671.3
Internal net sales	2.0	3.4	10.6	10.3
Operating profit	22.4	17.0	58.7	56.3
Operating margin	8.7%	8.8%	7.0%	8.3%
Inventories	217.7	129.4	217.7	129.4
External accounts receivable—trade	219.0	158.9	219.0	158.9
Average number of employees	395	302	339	287
<b>REST OF WORLD</b>				
External net sales	142.0	135.1	554.9	504.4
Internal net sales	19.1	11.2	80.3	74.3
Operating profit	8.7	4.5	38.7	24.7
Operating margin	5.4%	3.1%	6.1%	4.3%
Inventories	152.3	110.1	152.3	110.1
External accounts receivable—trade	108.3	102.5	108.3	102.5
Average number of employees	643	630	620	606
<b>INTRA-GROUP</b>				
Internal net sales	-21.1	-14.6	-90.9	-84.6
Operating profit	-3.0	1.1	-13.5	12.4
External accounts receivable—trade	0.0	0.4	0.0	0.4
Average number of employees	20	20	21	19

## Western Europe



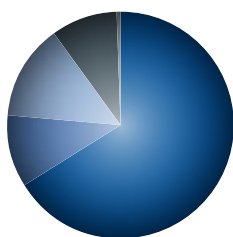
## Rest of World



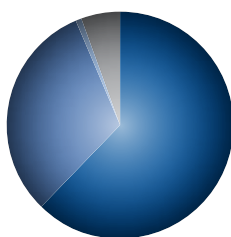
# Sales per customer segment

SEK million	2018 Q4	2017 Q4	2018 Full year	2017 Full year
<b>WESTERN EUROPE</b>				
Industrial	160.0	130.5	544.6	443.9
Communication	31.0	21.8	86.7	77.2
Medtech	35.1	26.3	111.6	110.2
Defence	24.9	10.2	76.5	37.2
High end consumer	3.5	1.1	4.3	2.8
<b>Total external sales</b>	<b>254.4</b>	<b>189.9</b>	<b>823.7</b>	<b>671.3</b>
<b>REST OF WORLD</b>				
Industrial	88.0	86.5	346.6	329.7
Communication	46.6	41.0	174.2	148.7
Medtech	1.0	0.2	4.2	1.1
Defence	0.0	0.0	0.0	0.0
High end consumer	6.5	7.4	30.0	24.9
<b>Total external sales</b>	<b>142.0</b>	<b>135.1</b>	<b>554.9</b>	<b>504.4</b>
<b>TOTAL</b>				
Industrial	247.8	217.0	891.2	773.6
Communication	77.6	62.8	260.9	225.9
Medtech	36.2	26.5	115.8	111.4
Defence	24.9	10.2	76.5	37.2
High end consumer	10.0	8.5	34.2	27.6
<b>Total external sales</b>	<b>396.5</b>	<b>325.0</b>	<b>1,378.6</b>	<b>1,175.7</b>

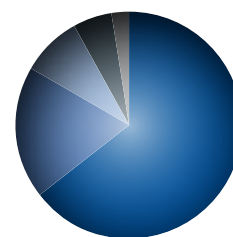
Western Europe Full year



Rest of World Full year



Total Full year



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

## Parent Company Income Statement

SEK million	2018 Q4	2017 Q4	2018 Full year	2017 Full year
Net sales	9.5	9.5	37.4	34.8
Cost of services sold	-3.7	-4.1	-16.4	-16.6
<b>Gross profit</b>	<b>5.8</b>	<b>5.4</b>	<b>21.0</b>	<b>18.2</b>
Selling expenses	-4.5	-5.2	-21.3	-17.0
Administrative expenses	-4.0	-3.1	-12.3	-11.8
Other operating income/expenses	-0.9	1.6	-0.3	-0.3
<b>Operating profit</b>	<b>-3.6</b>	<b>-1.3</b>	<b>-12.9</b>	<b>-10.9</b>
Net financial income/expenses	39.9	31.7	41.0	69.9
<b>Profit after financial items</b>	<b>36.3</b>	<b>30.4</b>	<b>28.1</b>	<b>59.0</b>
Appropriations	-6.8	-	-6.8	-
<b>Profit before tax</b>	<b>29.5</b>	<b>30.4</b>	<b>21.3</b>	<b>59.0</b>
Income tax	-4.5	-4.7	-4.5	-4.7
<b>Profit after tax</b>	<b>25.0</b>	<b>25.7</b>	<b>16.8</b>	<b>54.3</b>

## Parent Company Statement of Other Comprehensive Income

SEK million	2018 Q4	2017 Q4	2018 Full year	2017 Full year
<b>Profit after tax</b>	<b>25.0</b>	<b>25.7</b>	<b>16.8</b>	<b>54.3</b>
<b>Other comprehensive income</b>				
Items that can be subsequently reversed in the income statement:	-	-	-	-
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Comprehensive income after tax</b>	<b>25.0</b>	<b>25.7</b>	<b>16.8</b>	<b>54.3</b>



# Parent Company Balance Sheet

SEK million	2018 31 Dec	2017 31 Dec
<b>Assets</b>		
Intangible assets	4.4	1.1
Property, plant and equipment	0.3	0.4
Long-term receivables from group companies	79.9	4.9
Financial non-current assets	221.4	221.4
<b>Total non-current assets</b>	<b>306.0</b>	<b>227.8</b>
Receivables from group companies	67.0	66.1
Other current receivables	6.3	3.3
Cash and bank balances	-5.7	46.9
<b>Total current assets</b>	<b>67.6</b>	<b>116.3</b>
<b>TOTAL ASSETS</b>	<b>373.6</b>	<b>344.1</b>
<b>Equity and liabilities</b>		
<b>Equity</b>	<b>215.5</b>	<b>249.5</b>
<b>Untaxed reserves</b>	<b>6.8</b>	-
<b>Liabilities</b>		
Liabilities to group companies	128.9	81.3
Other current liabilities and provisions	22.4	13.3
<b>Total current liabilities</b>	<b>151.3</b>	<b>94.6</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>373.6</b>	<b>344.1</b>

# Parent Company Change in Equity

SEK million	2018 Q4	2017 Q4	2018 Full year	2017 Full year
Opening equity	212.4	223.8	249.5	215.4
Comprehensive income after tax	3.1	25.7	-5.1	54.3
Dividend	-	-	-28.9	-20.2
<b>Closing equity</b>	<b>215.5</b>	<b>249.5</b>	<b>215.5</b>	<b>249.5</b>

# Financial definitions

**Average number of employees**

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

**Cash flow per share**

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

**Equity per share**

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

**Equity to assets ratio**

Equity as a percentage of total assets.

**Gross profit margin**

Gross profit as a percentage of net sales.

**Net debt**

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

**Net sales per employee**

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

**Operating capital**

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

**Operating margin**

Operating profit as a percentage of net sales.

**Profit margin**

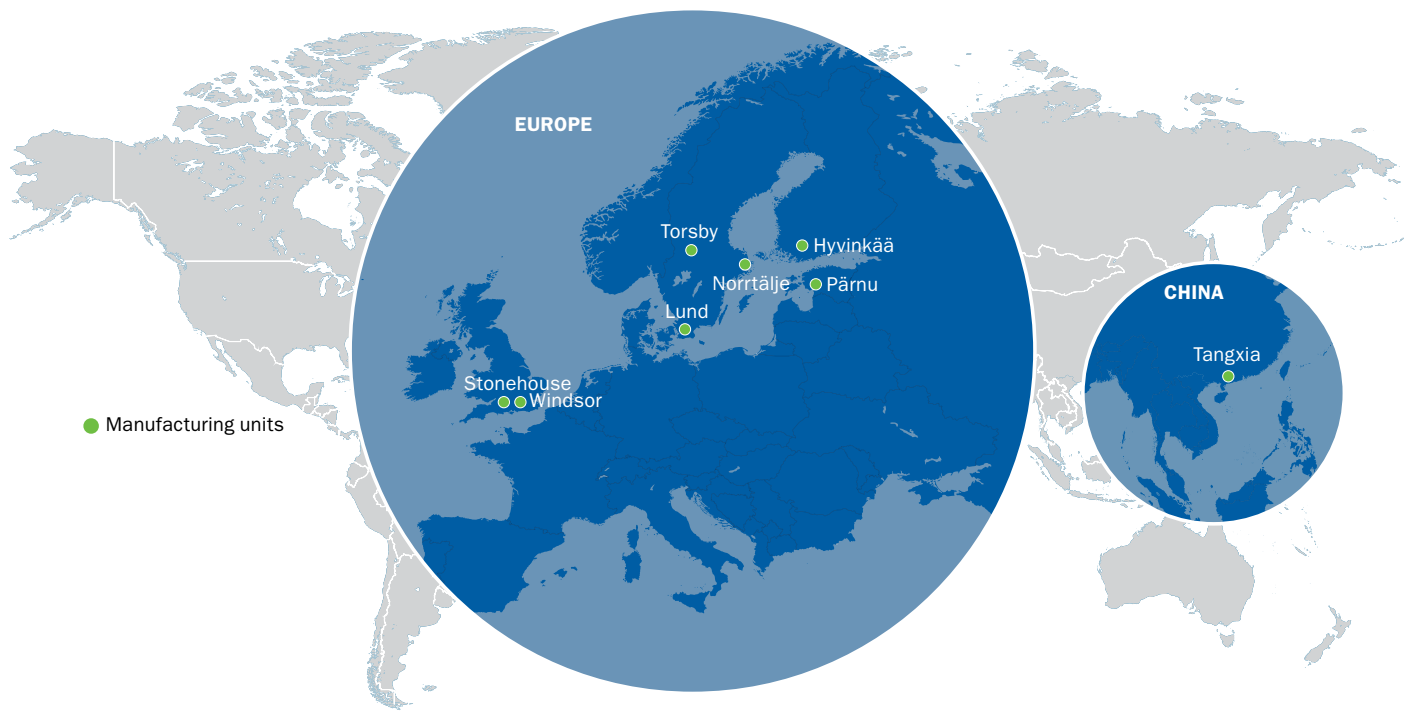
Profit after financial items as a percentage of net sales.

**Return on equity**

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

**Return on operating capital**

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



### This is NOTE

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

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

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

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

NOTE's plants in Estonia and China are

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

### Financial information

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

#### Calendar

Interim Report Q1	25 Apr 2019
Interim Report Q2	15 Jul 2019
Interim Report Q3	22 Oct 2019

#### Annual Report

The Annual Report for 2018 will be published on NOTE's website, [www.note.eu](http://www.note.eu), week 14.

#### Annual General Meeting

The AGM will be held at Spårvagnshallarna in Stockholm, Sweden, at 2 p.m. on 25 April 2019.

#### Ordering financial information

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

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