

Corporate Governance Report

Introduction

The regulatory structure applied for governing and controlling NOTE is primarily the Swedish Companies Act, applicable regulations for listed companies, the Swedish Code of Corporate Governance (the Code) as well as internal guidelines and policies.

Non-compliance with the Code

NOTE complies with the Code with the exception of the composition of its Audit Committee. This instance of non-compliance is reported and reasoned in the Corporate Governance Report in the Audit Committee section.

Articles of Association

The Articles of Association are approved by the Annual General Meeting (AGM) and include a number of mandatory duties of a more fundamental nature in accordance with applicable legislation. The Articles of

Association stipulate items including the company's registered office, operations, the amount of share capital, the number of shares and how the AGM is convened. The Articles of Association also state items including the Board of Directors consisting of a minimum of three and a maximum of ten ordinary members. The Board members are elected annually at the AGM for the period until the end of the following AGM.

Resolutions on amending the Articles of Association are taken at Annual or Extraordinary General Meetings. Invitations to shareholders' meetings that are to deal with amendments of the Articles of Association should be issued at the earliest six and the latest four weeks prior to such meeting.

Shareholders

At the end of 2015, NOTE had two shareholders representing more than 10 percent of the shares of the company each.

Creades AB represented 16.0 percent and Banque Carnegie Luxembourg S.A. represented 11.5 percent. For more information on the share and shareholders, see The NOTE share on pages 20–21.

Shareholders' meetings

The Shareholders' Meeting is the company's chief decision-making body, where shareholders exercise their voting rights. All shareholders recorded in the share register on the record date, and that have notified the company of their participation correctly, are entitled to participate in the Meeting and vote for their total holdings of shares, personally or by proxy. Each share corresponds to one vote. Individual shareholders that wish to have a matter considered at the Meeting can request this with NOTE's Board of Directors at the address published on the company's website, in good time before the meeting. Resolutions of the Meeting are published after the Meeting in a press release and the minutes of the Meeting is published on the website www.note.eu. NOTE's AGM will be held in Danderyd or Stockholm, Sweden.

The Annual General Meeting should be held within six months of the end of the financial year. The AGM considers matters relating to items including dividend to shareholders, adopting the Income Statement and Balance Sheet, discharging the Board members and CEO from liability, electing Board members, the Chairman of the Board and Auditors, and approving the guidelines for remunerating senior management and fees for the Board of Directors and Auditors.

Annual General Meeting 2015

NOTE's AGM was held on 22 April 2015 at Spårvagnshallarna in Stockholm, Sweden. Shareholders representing a total of 39.3 percent of the capital and votes attended the Meeting.

The Meeting resolved on matters including re-electing Kjell-Åke Andersson, Bruce Grant, Stefan Johansson, Henry

+ Laws and practice

More information on the laws and practice formalising Swedish corporate governance are available at sites including:

→ The Swedish Corporate Governance Board, www.bolagsstyrning.se, where the Swedish Code of Corporate Governance is stated.

→ NASDAQ Stockholm, www.nasdaqomx.com, which states the rules for issuers

→ The Swedish Financial Supervisory Authority, www.fi.se, which states Authority's statutes and information on insiders.

+ NOTE's overall governance



Klotz, Daniel Nyhrén and Kristian Teär, and electing Bahare Hedenstierna as Board members for the period until the next Annual General Meeting is held. Kristian Teär was elected Chairman.

The AGM approved fees in accordance with the Nomination Committee's proposal. In accordance with the Board of Directors' proposal, the Meeting approved a dividend to shareholders of SEK 0.50 per share and authorised the Board of Directors to decide on purchases and transfers of treasury shares.

Nomination Committee

The AGM resolves on how the Nomination Committee is appointed. The AGM 2015 resolved that the Nomination Committee for the forthcoming AGM shall be formed by the four largest shareholders that wish to participate, each appointing a representative at least six months prior to the AGM, with the Chairman of the company's Board of Directors serving as convener. If one or more of the shareholders waives its right when Nomination Committee members are to be appointed, the next largest shareholder is then offered the corresponding opportunity.

The duty of the Nomination Committee is to consult on, and submit proposals to, the AGM regarding:

- Election of a Chairman of the Meeting.
- Election of the Chairman of the Board and Board members.
- Directors' fees for the Chairman, other Board members and remuneration for Committee work.

Nomination Committee members for the AGM 2016

Committee member	Share of capital/votes, %	
	30 Sep. '15	31 Dec. '15
Bruce Grant, Garden Growth Capital LLC	8.0	8.0
Johan Hagberg, personal holdings	5.9	6.9
Jonas Hagströmer, Creades AB	16.0	16.0
Peter Svanlund, Banque Carnegie Luxembourg S.A. (on behalf of Museion Förvaltning AB)	8.5	8.5

- Election and remuneration of the external Auditor.
- Decision on principles of composition of the Nomination Committee for the next AGM.

A report on the work of the Nomination Committee will be presented at the AGM 2016. No special remuneration was paid to the members of the Nomination Committee.

Auditors

The AGM appoints the Auditors. The Auditors review the company's annual accounts, consolidated accounts and accounting records, and the administration by the Board of Directors and CEO. The Senior Auditor also presents an Audit Report to the AGM.

The AGM 2015 elected Öhrlings PricewaterhouseCoopers AB as audit firm, with Niklas Renström as Auditor in Charge until the AGM 2016.

Board of Directors

The duty of the Board of Directors is to manage the company's affairs on behalf of the shareholders. The Board of Directors judges the group's financial situation on an ongoing basis, determines budgets and annual financial statements. The Board of Directors is also responsible for formulating and monitoring the company's strategies through plans and objectives, decisions on acquisitions and divestments of operations, major investments, appointments and remuneration of the CEO and senior management and ongoing monitoring of operations in the year.

Each year, the Board of Directors adopts an approvals list, finance policy, instructions for financial reporting and for the Board of Directors, and rules of procedure, which formalise matters including the division of responsibilities between the Board of Directors and the CEO, alongside the Instructions for the CEO. The Chairman of the Board leads the Board of Directors' work and ensures that it is conducted in accordance with the Swedish Companies Act, applicable regulations for listed companies, including the Code and other laws and ordinances. The Chairman is also responsible for maintaining ongoing contact with the group management, and for ensuring that the Board's decisions are implemented appropriately.

NOTE's Board of Directors has seven members elected by the Annual General Meeting and one employee representative. The Board of Directors has a general composition of sector knowledge and competence from Board work and management of listed companies as well as financing, accounting, structural change and sales, and strategic sourcing.

Board work in 2015

Each scheduled Board meeting conducts a review of operations, results of operations and financial position of the group and outlook for the remainder of the year. In addition, the Board takes a standpoint on overall issues such as the company's strategy, sales and marketing, financing, budget and long-term operational planning.

The Board held nine Board meetings where minutes were taken in the year. Employees of the company participated in Board meetings to submit reports. The company's Auditor attended one Board meeting in the year. The company's CFO served as secretary.

Audit Committee

The members of the Audit Committee are appointed at the Board meeting following election for one year at a time. The main duty of the Audit Committee is to consult on matters for the Board of Directors' decision. The Audit Committee is not authorised to reach decisions independently. Reporting to the Board on issues considered at Audit Committee meetings is either in writing or orally at the following Board meeting.

In the financial year, the Audit Committee members were Stefan Johansson and Kristian Teär. Accordingly, NOTE departs from the Code in terms of the Board of Directors creating an Audit Committee that should consist of at least three Board members. The Board of Directors judges that two members of the Audit Committee are sufficient considering the size of the company and its Board of Directors. The duties of the Audit Committee are to:

- Work on quality-assuring financial reporting.
- Discuss the audit and the view of the company's risks with the Auditor.
- Follow up on external Auditors' reviews and appraise their work.
- Set guidelines for services in addition to auditing that the company may purchase from the Auditor.
- Support the Nomination Committee in preparing proposals for Auditors and their remuneration.
- Ensure that the company has systems for internal control.

The Audit Committee has a close and regular collaboration with the group's corporate finance function regarding internal and external reporting of financial information. There is also a collaboration developed on matters of internal control, selection and appraisal of auditing principles and models.

In the financial year 2015, the Audit Committee monitored compliance with

the adopted guidelines and held three meetings, with the company's Auditors, to discuss audit issues and internal controls. The Auditors' written reports were distributed to the Board of Directors after review and comments from the company. The following main issues were considered:

- Following up on the Auditor's reporting on the financial statement and ongoing reviews.
- Appraisal of the Auditor's measures during the year.
- Following up on the internal audit function's review in the year. The focus has been on valuations of inventories, accounts receivable—trade and goodwill, and auditing foreign subsidiaries.

Remuneration Committee

The members of the Remuneration Committee are appointed at the Board meeting following election for one year at a time. The Remuneration Committee consisted of the Board of Directors in 2015. The duties of the Remuneration Committee are to:

- Consult on matters regarding remuneration principles, remuneration and other employment terms for group management.
- Monitor and evaluate programs for performance-related pay for group management, subsidiary Presidents and other key staff.
- Monitor and evaluate application of the guidelines for remuneration to senior management that the AGM has resolved on and applicable remuneration structures and remuneration levels in the company.

In the financial year, the Board of Directors discussed remuneration issues and monitored compliance with adopted guidelines. The following main issues were considered:

- Evaluation and approval of remuneration structures for group management.
- Specifying the profitability-based, variable remuneration program for group management, subsidiary presidents and other key individuals, which ran during 2015.

After an evaluation, the Remuneration Committee concluded that:

- NOTE is following the guidelines for remunerating senior management that the AGM 2015 resolved on.
- Applicable remuneration structures and levels are reasonable against the background of the company's operations.
- Compensation from the profitability-based, variable remuneration program that ran during 2015 for group management, subsidiary presidents and other key individuals amounted to SEK 1.6 million.

Guidelines for remuneration and other benefits for senior management

For information on these guidelines, refer to the Report of the Directors on page 25. For information on remuneration and other benefits, see Note 8, Employees, personnel expenses and remuneration to senior management, on page 38.

The group's operational governance

Chief Executive Officer

NOTE's CEO leads ongoing operations. This responsibility covers accounting issues, monitoring the group's strategies and business performance and ensuring that the Board of Directors receives the necessary information to be able to take well-founded decisions. The CEO reports to the Board of Directors, informing them on how operations are progressing based on the decisions they have taken. Written instructions define the division of responsibility between the Board of Directors and the CEO.



Group management

NOTE's group management is responsible for various parts of operations. This responsibility covers the design and implementation of the group's overall strategies.

During the financial year, the group management held regular meetings to review results of operations, the conditions of operations and strategic and operational issues.

Governance of subsidiaries

Subsidiaries' operations are monitored monthly on the basis of a series of operational targets, financial targets and key figures.

Internal controls and risk management

Control environment

The division of roles and responsibilities between the Board of Directors and CEO is determined annually at the Board meeting following election via the rules of procedure for the Board of Directors and CEO and instructions for financial reporting.

Ongoing work to maintain effective internal controls has been delegated to,

and is managed primarily by, the CEO and the group's corporate finance function. NOTE also works in close collaboration with its auditors.

The fundamental guidelines for internal control are managed via policies, instructions and similar governance documents. The content of these documents is updated and evaluated where necessary. The Board of Directors is responsible for key governance documents, and the group's corporate finance function is responsible for other documents. NOTE has also developed an internal reporting package for financial information, which is monitored monthly within the group.

Risk assessment

Through its operations, NOTE is exposed to a number of operational and financial risks. NOTE's finance policy states the limits within which financial risks should be managed. The finance policy is updated annually and adopted by the Board of Directors. NOTE also has a procedure for formalising management of the biggest risks in operations. The risks are evaluated from a matrix of probability and degree of financial effect. Existing control measures

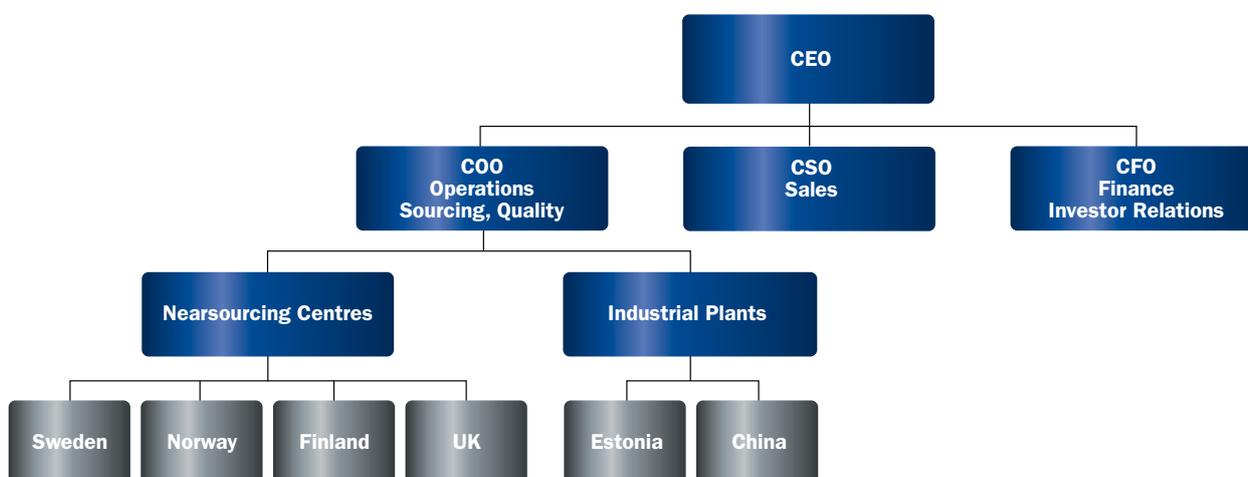
for the biggest risks in this matrix have been documented and additional controls introduced where required.

Updating guidelines and limits regarding risk assessments is conducted at least yearly. For more information on risks and risk management, see Operations on page 14 and Note 24, Financial risks and finance policy on page 44.

Monitoring control activities

The monitoring of NOTE's units is undergoing continuous progress. The units' financial and operational progress is followed closely in various forums. Matters that are addressed include financial key ratios and monitoring of goal-oriented activities relating to quality, cost, delivery and growth.

The need for an internal audit function is evaluated yearly. Considering the group's limited size and scope, the Board of Directors considers that NOTE does not need a separate internal audit function. The practical management of internal controls is conducted by NOTE's corporate finance function.



Group management



HENRIK NYGREN



ROBERT ROSENZWEIG



FREDRIK SCHULTZ

Position	Chief Financial Officer and acting Chief Executive Officer & President	Chief Operating Officer	Chief Sales Officer
Employed	2006	2010	2015
Born	1956	1967	1972
Education	M.Sc. (Eng.) industrial engineering and management.	Accountant, studied international economics.	Graduate of the Swedish Air Force Officer Training School, political economics qualifications.
Other significant assignments	None	None	None
Professional experience	Many years' experience as CFO and business controller of major listed Swedish and international industrial groups such as SSAB Svenskt Stål AB, Danaher Corporation and Snap-on Incorporated. Previous experience of business development and trade sales for companies including Retriva AB.	Business Developer with Nobia AB, COO of Johnson Pump AB and other senior positions in Alfa Laval.	Many years' experience of the EMS sector from senior positions in supply chain, sourcing and sales in multinational groups such as Flextronics and Enics.
NOTE holdings*	30,000 shares	65,692 shares	10,000 shares

* Including potential holdings by related persons or affiliated companies.

Board of Directors



KRISTIAN TEÅR



KJELL-ÅKE ANDERSSON



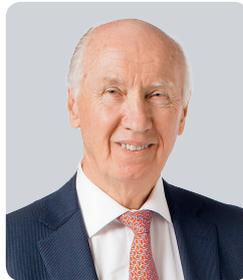
BRUCE GRANT



BAHARE HEDERSTIERNA

Position	Chairman	Board member	Board member	Board member
Elected	2014	2010	2007	2015
Born	1963	1946	1959	1981
Education	M.Sc. (Eng.)	M.Sc. (Eng.)	Ph. D. and B.Sc. (Finance)	M.A. Econ.
Main occupation	Regional Manager for Europe, the Middle East and Africa with Logitech Europe S.A. Advisor at RiverMeadow Software Inc.	Board work and consulting in corporate management.	Executive Chairman and principal owner of Garden Growth Capital LLC and Applied Value LLC.	Category Manager of Knorr Bremse GmbH.
Other directorships	Chairman of the Board of mobilityView Inc. Board member of International Tennis Hall of Fame and Tampnet AS.	Chairman of the Board of Cervitrol AB, Domitech AB and MedicPen AB. Board member of Mekatronik Konsult i Lund AB.	Chairman of the Board of Hand in Hand International and Human Care HC AB (publ). Board member of Robust AB and the Swedish- American Chamber of Commerce in New York.	None.
Professional experience	Former COO of Blackberry. Executive Vice President and Head of Sales & Marketing of Sony Mobile. Previous positions include executive positions at SonyEricsson and Ericsson globally.	40 years in industry, over 30 years in the EMS sector. Various positions including development engineer, production manager and CEO for companies including Electrolux and NOTE.	Former Board member and adviser on profitability improvements and more efficient capital structures for Investment AB Kinnevik, Korsnäs AB, Metro International S.A., Stille AB, Transcom WorldWide S.A. and Tele2 AB (Chairman).	Ten years within purchasing and supply chain in the vehicle industry. Broad experience of various positions at Volvo Cars and Volvo Trucks, most recently as responsible for strategic purchasing of electronics at Volvo Lastvagnar.
NOTE holdings*	0 shares	1,271,494 shares	2,315,000 shares	0 shares
Non-affiliated to company and management	Yes	Yes	Yes	Yes
Non-affiliated to major shareholders	Yes	Yes	Yes	Yes
Attendance Board meetings	9/9	8/9	8/9	6/6
Attendance Remuneration Committee	2/2	2/2	2/2	2/2
Attendance Audit Committee	3/3	-	-	-
Directors' fees, SEK	SEK 300,000	SEK 100,000	SEK 100,000	SEK 100,000
Committee fees	-	-	-	-

* Including potential holdings by related persons or affiliated companies.



STEFAN JOHANSSON	HENRY KLOTZ	DANIEL NYHRÉN EDEEN	STEFAN HENRIKSSON
Board member	Board member	Board member	Board member, Employee representative
2011	2010	2014	2015
1958	1944	1981	1964
B.Sc. (Finance)	Engineering and Finance	M.A. Econ.	Engineering
CFO of ÅF AB (publ).	Executive Vice Chairman of CLS Holdings plc.	Head of Investments of Creades AB.	Key Account Manager in NOTE Torsby AB.
None.	Chairman of Bulgarian Land Development plc and Catena AB. Board member of CLS Holdings plc's subsidiaries.	Chairman of Global Batterier AB.	None.
Former CFO and Executive Vice President of Haldex AB. CFO of ABB Stal AB, Duni AB, Linjebuss AB, Sanmina Corporation AB and Segerström & Svensson AB. Broad experience of strategic and operational work in a number of sectors, primarily manufacturing.	Various executive positions in the CLS group including heading up the Swedish operation and identifying new business opportunities for the group and serving as CEO.	Former Analyst of Investment AB Öresund. CFO of Global Batterier AB and Analyst of AB Custos.	NOTE employee since 2000. Previously held the role of Deputy Production Manager.
10,000 shares	0 shares	10,000 shares	0 shares
Yes	Yes	Yes	Yes
Yes	Yes	No**	Yes
8/9	9/9	9/9	4/5
2/2	2/2	2/2	2/2
3/3	-	-	-
SEK 100,000	SEK 100,000	SEK 100,000	-
SEK 60,000	-	-	-

** Employed by Creades AB, NOTE's largest shareholder.

The Board of Directors and CEO hereby certify that the consolidated accounts have been prepared in accordance with IFRS as endorsed by the EU and give a true and fair view of the group's financial position and results of operations. The annual accounts have been prepared in accordance with generally accepted accounting principles and give a true and fair view of the parent company's financial position and results

of operations. The Reports of the Directors of the group and parent company give a true and fair view of the group's and parent company's operations, financial position and results of operations and review the significant risks and uncertainty factors facing the parent company and group companies.



Kristian Teär
Chairman



Kjell-Åke Andersson
Board member



Bruce Grant
Board member



Bahare Hederstierna
Board member



Stefan Johansson
Board member



Henry Klotz
Board member



Daniel Nyhrén Edeen
Board member



Stefan Henriksson
Board member, Employee representative



Henrik Nygren
CEO

Danderyd, Sweden, 18 February 2016

As stated above, the annual accounts and consolidated accounts were approved for issuance by the Board of Directors on 18 February 2016. The Consolidated Income Statement and Consolidated Balance Sheet and the Parent Company Income Statement and Parent Company Balance Sheet will be subject to adoption at the Annual General Meeting on 19 April 2016.

Our Audit Report was presented on 18 February 2016



Niklas Renström
Auditor in Charge
Authorised Public Accountant
Öhrlings PricewaterhouseCoopers AB