

Auditor's Report

To the General Meeting of the Shareholders of NOTE AB (publ), corporate identity number 556408-8770

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the Annual Accounts and Consolidated Accounts of NOTE AB (publ) for the year 2019.

In our opinion, the Annual Accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2019 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The Consolidated Accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2019 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the Annual Accounts and Consolidated Accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the contents of the complementary report that has been presented to the Parent Company's and the Group's audit committee pursuant to statutory audit regulation (537/2014) article 11.

Basis for opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. To the best of our knowledge and belief, this includes no prohibited services as specified in statutory audit regulation (537/2014) article 5.1 being provided to the audited company, or were applicable, its parent company or entities under its control in the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our audit approach

Scope and focus of audit

We designed our audit by determining materiality and assessing the risk of material misstatement in the consolidated financial statements. We focused on areas where the Managing Director and Board of Directors have made subjective judgments, such as key accounting estimates on the basis of assumptions and forecasts of future events, which are by their nature uncertain. Like for all audits, we also considered the risk of the Board of Directors and the Managing Director overriding internal control, and factors such as whether there is any evidence of systematic departures that have given rise to material misstatement resulting from fraud.

We tailored the scope of our audit to conduct an expedient examination in order to comment on the consolidated financial statements as a whole, with consideration given to the group structure, accounting procedures and controls, and the industry in which the group operates.

Materiality

The scope and focus of the audit was influenced by our assessment of materiality. An audit is designed to achieve reasonable assurance regarding whether the financial statements are free from any material misstatements. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

On the basis of our professional assessment, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole. With the help of these and alongside qualitative considerations, we determined the scope and focus of the audit and the nature, timing and extent of our audit procedures, as well as assessing the effect of individual and aggregate misstatements on the financial statements as a whole.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consol-

idated accounts as a whole, but we do not provide a separate opinion on these matters.

Valuation of accounts receivable—trade

We refer to note 23, Financial instruments per category and note 24, Financial risks and finance policy. The NOTE group sells products to a large number of customers worldwide. Its customer base is fairly diverse, with customers in different industrial sectors. The payment terms of customers are dependent on customer-specific circumstances and agreements entered.

The value of the stock of outstanding accounts receivable—trade depends on the extent customers will pay. The company's information on individual customers' solvency is limited. According to the accounting policies applied by NOTE, management conducts an individual assessment of all accounts receivable—trade that are due for payment. Based on this individual assessment, a reserve for risks of outstanding accounts receivable—trade is created. These assessments are complex and dependent on several different factors, and accordingly, inherently include a measure of uncertainty.

Our audit approach to the key audit matter

We have evaluated the design and efficiency of specific selected controls in the sales process, the management of accounts receivable—trade and payments from customers. For example, these include creditworthiness checks and reconciliation of accounts receivable balances. We have also reviewed managements' analysis of the progress of days sales outstanding (DSO) and outstanding credit risks. We have also evaluated the processes applied for measuring accounts receivable—trade and randomly selected reserves against the company's decision-support documentation.

In addition to reviewing the controls in the sales process and measurement of accounts receivable—trade, we contacted a selection of customers in writing to confirm outstanding accounts receivable—trade balances. We have also followed up on the payments of a selection of accounts receivable—trade.

Valuation of inventories

We refer to note 15, Inventories. NOTE's production units hold inventories of raw materials and other input goods, products in progress and finished goods manufactured by NOTE.

NOTE has customer-specific manufacture of electronic components based on manufacturing orders and sales forecasts from customers. Based on NOTE's manufacture, customer-specific components include a risk of obsolescence in inventories. NOTE conducts individual assessments of inventories per customer, which considers potential obsolescence. Based on

this individual assessment, a reserve is recognised. These assessments are complex and dependent on several factors, and accordingly inherently include a measure of uncertainty.

Our audit approach to the key audit matter

We have evaluated the design and efficiency of specific selected controls in NOTE's processes for procuring raw materials and inventory management.

In addition to testing controls in the procurement processes and inventory management, we have evaluated the company's obsolescence reserve through a random review of details on the company's supporting data for measurement. We have also conducted an in-depth examination through random testing of the pricing of raw materials inventory, computed supplements on products in process and finished goods. We have also examined the inventories of significant units in terms of the time items have remained in inventory. We also perform sample inventory stock take for all significant entities.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–27 and 35–37. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance or conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure, we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act, and consolidated accounts in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The Board of Directors and the Managing

Director are also responsible for such internal control as they determine as necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things monitor the company's financial reporting.

Auditors' responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

An additional review of our responsibility for the audit of the annual accounts and consolidated accounts is available at Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This review is part of the audit report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of NOTE AB (publ) for the year 2019 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit (loss) be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance

whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available at Revisorsinspektionen's website: www.revisorsinspektionen.se/revisorsansvar. This description is part of the auditor's report.

Öhrlings PricewaterhouseCoopers AB, Stockholm, Sweden, was appointed as audit firm of NOTE AB (publ) by the general meeting of shareholders on 25 April 2019, and has been the company's auditor since 18 April 2008.

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.

Niklas Renström

Authorised Public Accountant
Öhrlings PricewaterhouseCoopers AB

Stockholm, Sweden, 20 March 2020