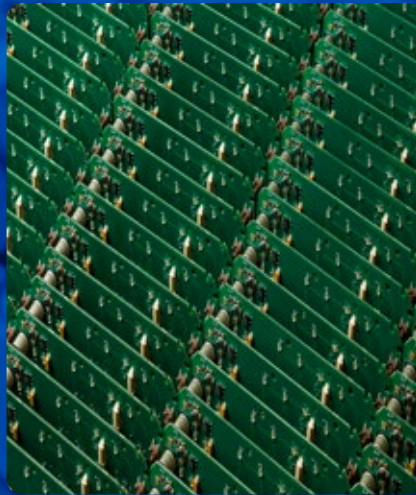


# Annual Report



# 2022

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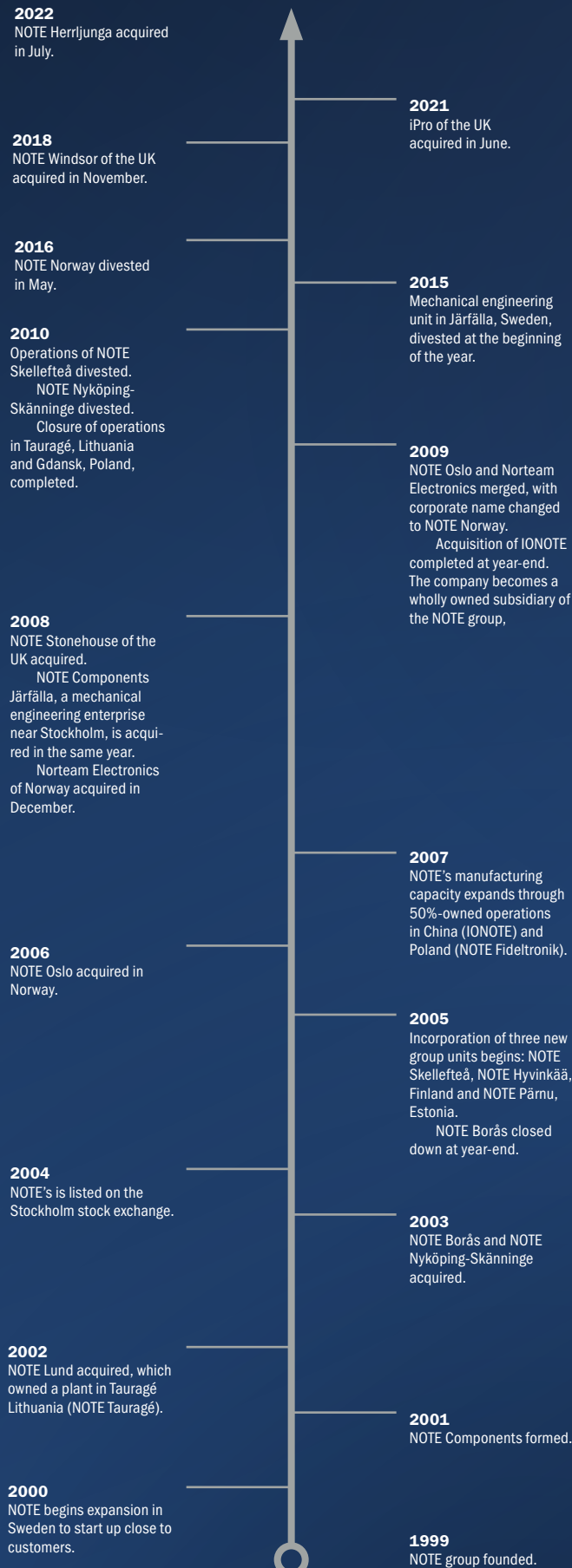
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# History



# Northern Europe's leading EMS partner

**NOTE manufactures high end electronics on assignment from customers at state-of-the-art plants across Europe and Asia.**

## **NOTE's manufacturing and products**

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

## **Customers and segments**

Most of NOTE's customers are active in Industrial, Communication, Medtech and Greentech. NOTE's customer base consists of both large corporations operating on the global market, and businesses whose main sales are in northern Europe. NOTE's business model is based on delivering value-added consulting services and manufacture, as well as tailored logistics solutions for the best total cost. NOTE's customer offering covers complete product lifecycles, from design to after-sales.

## **Ten state-of-the-art plants**

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 serial 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, NOTE also provides cost-efficient serial production of PCBAs and box build products.

## **Key facts**

- **History:** Founded in 1999.
- **Manufacturing units in** Sweden, Finland, the UK, Estonia and China.
- **Share:** NOTE's IPO was in 2004. The share is quoted on Nasdaq Stockholm (Mid Cap/Industrial Goods & Services).



**INDUSTRIAL**



**COMMUNICATION**



**MEDTECH**



**GREENTECH**





#### Group

- **External sales:** SEK 3,687 m
- **Operating margin:** 9.3%
- **No. of plants:** 10
- **No. of employees:** 1,366

#### Western Europe

- **External sales:** SEK 2,548 m
- **Operating margin:** 10.7%
- **Sweden:** 4 plants, 518 employees
- **Finland:** 1 plant, 59 employees
- **UK:** 3 plants, 206 employees

#### Rest of World

- **External sales:** SEK 1,139 m
- **Operating margin:** 7.6%
- **Estonia:** 1 plant, 293 employees
- **China:** 1 plant, 290 employees

#### Customer segments

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

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

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

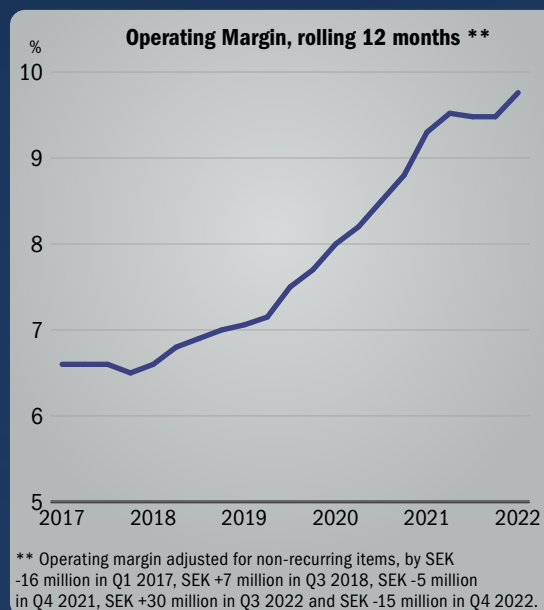
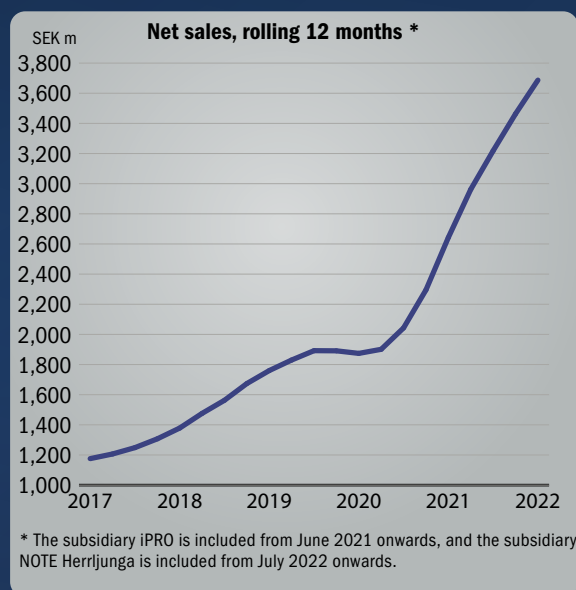
→ **Medtech:** Medical technology products in diagnostics, treatment and X-ray are the basis in the segment. Medtech has been part of NOTE for many years.

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

# Continued success for NOTE

**Sales for the full year increased by 39% - organic growth was 20%.**

Overview, SEK million	2022	2021	Delta
Net revenue	3,687	2,643	1,044
Operating profit	345	251	94
Operating margin	9.3%	9.5%	-0.2
Profit before tax	311	237	74
Profit for the year	254	194	60
Earnings per share before dilution (SEK)	8.79	6.82	1.97
Cash flow after investments and acquisitions	-31	-142	111



→ **Sharply expanded partnership with major international Industrial customer**

In February, NOTE reported that a deal NOTE Torsby had secured in 2021, with expected growth of SEK 50 million, had progressed above expectations, and its order situation indicated a sales level of the order of SEK 130 million in 2022.

→ **Covid-19-related actions in China**

In February, NOTE was compelled to halt production at its plant in China after a co-worker had been in contact with a Covid-positive relative. Consequently, the plant was put in quarantine to comply with local guidelines. After regular PCR tests on all the plant's staff, no Covid cases were detected. This enabled the quarantine to lift, and production restarted after just five days.

→ **Our CEO Johannes Lind-Widestam increases his holdings in NOTE**

In March, our CEO Johannes Lind-Widestam decided to acquire all the shares in the three-year incentive programme created in 2019. Johannes Lind-Widestam acquired 400,000 shares under the terms of the programme, raising the company approximately SEK 12 million.

→ **NOTE expands business further with a world leading customer in China**

In June, NOTE announced that its plant in China had entered a partnership with a world-leading cutting and welding company. NOTE is producing PCBAs for current and forthcoming product generations. Serial production started in 2022. NOTE sees good potential for this partnership with yearly value of approximately SEK 70 million within a few years.

→ **Acquisition to increase growth in Sweden**

In early-July, NOTE acquired all the shares of EMS provider Dynamic Precision Solutions AB, now NOTE Herrljunga. This company's business model is reminiscent of NOTE's with its focus on long-term customer partnerships, high quality and good delivery precision. Most of the company's customer base is within Medtech and Industrial. The company was acquired with expected full-year 2022 sales of over SEK 140 million. The company has performed strongly, and in the half-year the company has been part of the NOTE group, sales were over SEK 154 million, which is well above estimate. The company's operating margin is consistent with NOTE's.

→ **NOTE secures new deal with Swedish telecom customer at its Estonian plant**

In July, NOTE was able to report that it had secured a new deal for its plant in Estonia. NOTE already had one deal with this customer with manufacture at its plant in China. NOTE manufactures products including box builds and PCBAs. NOTE sees good potential for this partnership, and expects to add volumes for the customer worth about SEK 80 million within a few years.

→ **NOTE growing with Swedish Ferroamp in Greentech**

In September, NOTE reported an expanded partnership with its customer Ferroamp. Ferroamp develops EnergyHub systems, and the demand for its products has increased briskly in recent years. This customer is on the verge of strong expansion, with its partnership with NOTE expected to be in the range of SEK 120 million in 2023. Read more about NOTE's partnership with Ferroamp on page 14.

→ **Doubtful debt**

One of NOTE's customers in the UK, active in electric vehicle charging, filed for administration in October. Accordingly, in Q3, NOTE took a SEK 30 million expense for doubtful debt for the whole risk exposure NOTE had for this company. Later in the same month, the customer resumed business after being acquired by a sector peer. Because of positive progress in the fourth quarter of the year, NOTE assessed that the doubtful debt would be significantly less than its initial estimate, and 50% was reversed to operating profit. For the full year, the impact of the doubtful debt was SEK -15 million.

→ **NOTE continues expansion in Sweden**

In December, NOTE reported increased demand from its customers, and continued growth. NOTE executed several initiatives in Sweden, its largest domestic market, in the year to address this increased demand. A deal was signed to extend the Norrtälje plant. With other investments to increase capacity and rationalise its production premises, total production premises at the plant increase by some 1,100 m<sup>2</sup>. This decision continued NOTE's expansion plans, where in the previous year, NOTE had expanded its Torsby plant, increasing the plant's production premises by some 2,200 m<sup>2</sup>. In addition, in July this year, NOTE acquired the planting Herrljunga, which added 4,000 m<sup>2</sup> of production premises.

# 2022—a really strong year for NOTE

**We achieved our highest sales figure to date in Q4, when as a group, we reported sales of over SEK 1 billion in a single quarter for the first time. We see good potential to continue our positive progress.**

## **Focusing on profitable growth**

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

## **High growth in the year**

NOTE's sales in the year made record progress. Despite continued and complex challenges related to the shortage on the component market, we achieved growth of 39%. Adjusted for currency effects and acquisitions, growth was 20%.

We achieved our highest sales figure to date in Q4, when as a group, we reported sales of over SEK 1 billion in a single quarter for the first time.

Despite encountering progressively stronger comparative figures, growth in Sweden, our largest domestic market, was 32% (excl. acquisitions), and for

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

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

## **Continued brisk progress despite a challenging market**

NOTE's operations are continuing to make strong progress. Underlying operating profit for the year increased by 49% to SEK 372 million, simultaneous with our underlying operating margin increasing by 1.0 percentage point to 10.6%, which is adjusted for the doubtful debt, currency translation effects and re-invoicing of

extraordinary cost of materials without margin. Accordingly, underlying profitability was in line with our estimates, and slightly above the long-term profitability target we set for our business.

With our high growth rate, we are continuously striving to add more production capacity when required. Our latest acquisition in Herrljunga, Sweden, in early-July, has created the potential to expand manufacturing capacity substantially in Sweden, our largest domestic market. In early-2023, we also signed an agreement to acquire the real estate where NOTE Torsby operates. This acquisition also includes land, which enables continued expansion.

We're growing on an electronic components market that is clearly unbalanced. We notice that there was a gradual improvement in the supply of semiconductors at the end of the year. Our assessment is that this improvement will continue even if the situation will be strained during the early quarters of 2023.

In this problematic situation, not least in terms of the availability of semiconductors, we made the early decision to increase both our procurement resources and inventories to ensure the best supply of materials to customers possible. The combination of this inventory build-up and our high growth obviously puts pressure on our cash flow.



Despite this, we succeeded in reporting cash flow (after investments and adjusted for acquisition-related payments made) of SEK +2 million for the full year 2022. NOTE's financial situation remains very favourable.

### **Future**

We have strong order levels, with a range of exciting customers and projects in start-up phases. We see good potential to continue our positive progress. We're well positioned to achieve our long-term targets for growth, profitability and sustainability.



Johannes Lind-Widestam



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

# The customer's obvious EMS partner

**Digitalisation and the need to be constantly connected is growing, as is the usage of electronics in products that used to be mechanical. NOTE is playing an active role in this process. The goal is to be the best collaborative partner in the sector, adding value by bringing leading quality and high delivery precision for a competitive cost.**

## **Vision—the customer's obvious EMS partner**

NOTE will be the best collaborative partner in the sector, and add value for customers by bringing sector-leading quality and high delivery precision for a competitive cost. NOTE takes on daily responsibility for function-critical products, which are often embedded in customers' larger systems. Customers should feel secure with NOTE as a supplier, and that production, shipments and sourcing are managed so their core business can progress.

In-house, NOTE adopts the view that its customers should not have any reason to choose a different partner.  
*"We make it work."*

## **Business concept**

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

## **A clear growth agenda with three main lines:**

- Increase our current business while expanding our services portfolio.
- Attract new customers with minimum revenue potential of SEK 10 million in the segments where NOTE is already strong.
- Execute carefully selected acquisitions and production takeovers.

## **To succeed, we need:**

- To retain sector-leading quality and delivery precision.
- Flexibility and responsiveness to customer needs.
- To offer competitive component pricing.
- To optimise capacity utilisation and manufacture where conditions are optimal.
- A strong financial position.

## **Financial targets**

### *Growth target*

NOTE will increase its market shares and its target is to achieve sales of SEK 5 billion by 2025 at the latest. This will essentially be achieved through continued high organic growth.

### *Profitability target*

NOTE will grow with profitability. Its target is to achieve an operating margin of 10% by 2025 at the latest.

### *Capital structure target*

The minimum equity to assets ratio should be 30%.

### *Dividend policy*

Each year, the Board of Directors will be evaluating the level of dividends it views as optimal for the year. This can be distributed to shareholders in the form of dividends and/or share buy-backs. Future dividends should primarily be adapted to NOTE's investment requirement and financial position.

## **NOTE's values**

### **→ Committed**

*"We make it work."* We are solution oriented, driven and provide a stimulating working environment, internally and for our customers.

### **→ Proactive**

We endeavour to do business on a proactive, clear and sustainable footing.

### **→ Quality focused**

*"Get it right from the start."* There is a quality focus about everything we do.

### **→ Flexible**

We always strive to satisfy customer needs, and adjust setups as required.





# A partner with a strong, complete offering

**NOTE manufactures electronics and box build products on assignment from customers. Maintaining high quality and flexibility, NOTE manufactures product for industrial use. These products have to cope in demanding environmental conditions such as extreme cold, heat, humidity, desert and tropical rainstorms.**

## Focusing on high mix

This segment applies stringent standards of flexibility and technological competence in manufacture, because products in this segment often have to adapt to satisfy specific customer needs over time. These needs may change for different reasons, commercial or technological, such as dependency on lead-times, predictability and testing requirements. Products are often embedded in customers' end-products, such as control systems, sophisticated communication equipment and various types of measuring instrument.

Industrialisation services including prototyping, as well as tailored logistics

solutions and after-sales services are components of NOTE's customer offering.

## Structured procurement skills for competitive pricing

Because materials often make up the majority of total cost, NOTE offers competitive pricing of electronic components and other production materials. NOTE provides this to all customers through a structured, quality-assured process and effective interplay between its central sourcing function and local sourcing departments at each plant.

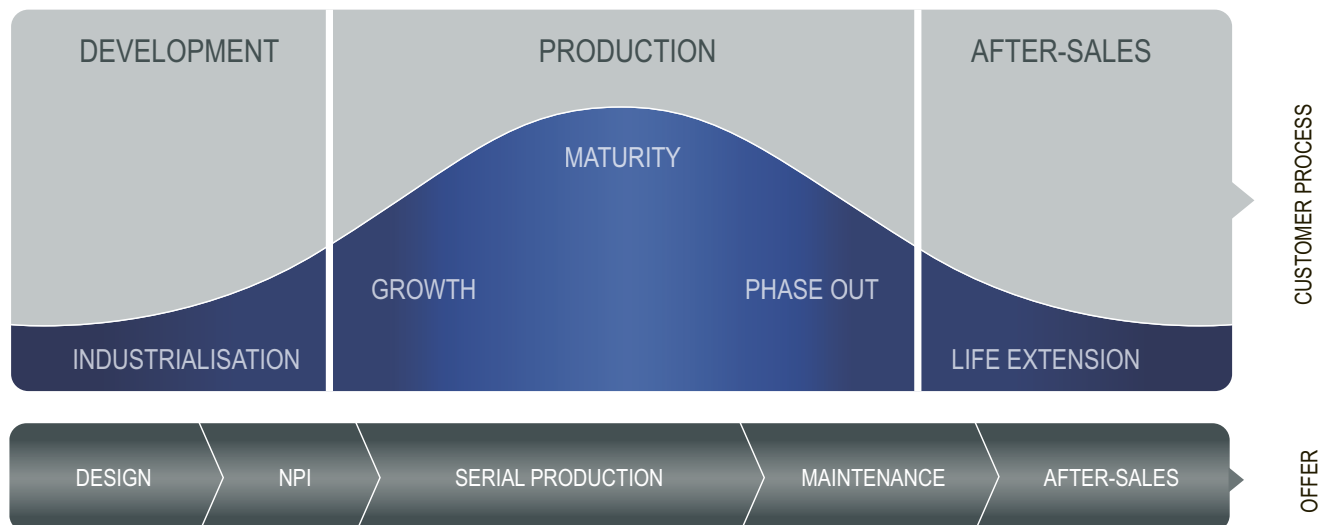
To ensure competitiveness in box build manufacture, NOTE operates an established partnering model, which brings skills

to segments such as mechanical engineering, plastics, cabling and displays.

## Getting things right from the start creates value-added

Close dialogue with customers brings NOTE complete understanding of the product and its lifecycle. In combination with highly developed sourcing competence, this offers great potential to manage production and the supply chain so that total cost is favourable. NOTE creates value-added for both parties by avoiding costly mistakes and re-thinks.

Customer needs determine the location of serial production. Decisive factors can be the customer's geographical



NPI = New Product Introduction. NOTE has a highly developed business process for customers about to launch a new product on the market. NOTE increases customer profitability by actively contributing experience and know-how in selecting materials, sourcing, testing, production, quality and logistics.



final market, cost structure, volume and currency risks.

### Effective business processes

The closeness that NOTE provides customers is critical when projects require continuous contact and the exchange of best practice between partners. Dialogue back in the design and industrialisation phases on materials selection, sustainability classification, production techniques and functional testing, enables development of the best product possible, optimised for serial production. NOTE helps to shorten lead-times from idea until a product reaches final markets, reducing capital tied-up, and realising a competitive edge on the market for the customer.

### Sector-leading quality and delivery precision

NOTE becomes competitive by delivering the right quality at the right time at an advantageous total cost. In recent years, NOTE has attained an industry-leading position in terms of quality and delivery precision. Within the framework of NOTE's efficiency efforts, services are constantly being developed to meet customer demands and expectations. This work is conducted locally at each plant, and through a variety of group-wide projects. Over and above initiatives to expand and improve its customer offering, NOTE focuses on actions that improve delivery precision and quality levels, and rationalisation in the cost and working capital segments.

ISO 9000 is a family of international standards that are the foundation of NOTE's quality work. All NOTE plants hold ISO 9001 and ISO 14001 quality and environmental certification.

While ISO-certified management systems are the foundation of quality and environmental work, NOTE's employees make the real improvements through their focus, attitude, consistent follow-up and methodical work.

### Sustainability—a vital and integral part of our business

Back in 2011, NOTE was one of the first companies in its sector to join the Global Compact, started on a UN initiative. Several NOTE functions help limit the negative environmental impact associated with manufacture and transportation. NOTE also works continuously in-house to ensure compliance with policies and directives in the sustainability segment.

For more information on NOTE's sustainability work, see the Sustainability Report on pages 16-27.

## Certifications

	NOTE Components	NOTE Norrtelje	NOTE Torsby	NOTE Herrljunga	NOTE Lund	NOTE Hyvinkää	NOTE Windsor	NOTE Stonehouse	IPRO	NOTE Pärnu	NOTE Electronics (Dongguan) CO
ISO 9001	•	•	•	•	•	•	•	•	•	•	•
ISO 13485		•	•	•							•
ISO 14001	•	•	•	•	•	•	•	•	•	•	•
ISO 45001		•	•		•	•	•			•	•
	Sweden	Sweden	Sweden	Sweden	Sweden	Finland	UK	UK	UK	Estonia	China

ISO 9001: Standard for management system.

ISO 13485: Standard for medtech.

ISO 14001: Standard for environmental management.

ISO 45001: Standard for occupational health & safety.

# A sector with excellent future prospects

**As digitalisation continues, the EMS\* sector is in a positive growth phase. At the same time, interest in manufacture close to customers' end-markets is growing. NOTE's organisation is well prepared to meet this progress with its ten state-of-the-art-plants and continuous investments to increase capacity and efficiency.**

## **The EMS sector is performing strongly**

Demand for EMS services really got underway in the 1990s, and in its 30-year-plus history, the sector has performed robustly. Contributors include digitalisation and electrification trends, which are increasing the electronics element of new products, as well as the emergence of new application segments like the IoT (Internet of Things), with an increasing population of devices connecting to the Internet. The main motivation for many product owners deciding to outsource manufacture include cost reduction, more flexibility and economies of scale, higher product quality and optimised resource allocation.

Demand in Europe has performed strongly in recent years and in the forthcoming five-year period, several sector commentators expect demand for EMS services across Europe to grow by about 7% per year.

## **Focusing on core business**

Globalisation and intensifying competition means a sharper focus on core business, which generally benefits players in the EMS sector. Many expansive companies are deciding to outsource manufacture to achieve economies of scale and focus on their core business, like sales and development. Previously, OEMs\*\* decided to retain some electronics manufacture in their own plants, only outsourcing when they needed the capacity, which created

high cyclical volume variations for EMS companies. However, for some time, the wholly predominant model has been for customers to outsource all EMS to one or several partners. At present, many OEMs are trying to extract more value from their contract manufacturers, than manufacturing alone. In practice, this means that production assignments extend over complete product lifecycles, and that essentially, the volume growth of the EMS sector is consistent with customers' overall needs.

## **Closeness to customers still central**

Because of the sharper focus on total cost, restrictions to global trade, rising shipping costs, more stringent sustainability targets, and not least, a component shortage, there is a clear trend of customers demanding EMS closer to home.

At present, a growing base of products are being manufactured with rising automation levels, with northern European countries becoming progressively more competitive as products embed less manual work.

Closeness to customers' R&D (Research & Development) and higher demand for EMS partner flexibility are other underlying causes continuing to drive volumes in the low-end to mid-range segment to Europe. Higher volumes also create the demand for EMS provider capability to set up tailored logistics solutions and offer competitive component pricing. This is to sharpen customers' competitiveness on their own markets.

## **Ten state-of-the-art plants, nine in Europe**

The European EMS market is in high growth because of digitalisation. Several market commentators expect the European EMS market to expand to about EUR 38 billion by 2025. With its state-of-the-art plants and continuous investments to increase capacity and efficiency, NOTE's organisation is well prepared to meet this trend and growth in the EMS sector.

## **NOTE standing strong against the competition**

There are an estimated 2,000-plus electronics contract manufacturers with business in Europe. These also include international players, especially large Asian contract manufacturers, which NOTE does not view as direct competitors because of their differing focus on product mix and volume. Competition is diversified and differs by country. NOTE is the largest EMS provider for production in Sweden, based on year-2021 sales.

\*EMS = Electronic Manufacturing Services

\*\*OEM = Original Equipment Manufacturing





# Creating value with cost-efficient solutions

**NOTE is a flexible company that wants to create value through cost-efficient solutions for high-technology products in partnership with its customers. Meet Ferroamp—an expansive company in the Greentech segment.**



## Ferroamp—an expansive Swedish Greentech company

In 2021, NOTE started a partnership with expansive Greentech company Ferroamp, which develops the Ferroamp system, integrating solar power, energy storage and electric vehicle charging in a DC network with intelligent control and real-time monitoring. NOTE's Norrtälje plant is manufacturing the electronics and complete central EnergyHub, including final testing.

NOTE anticipates the demand for EnergyHub increasing sharply going forward, and accordingly, has already made major efforts to deliver in line with the customer's growth plans. NOTE's order book and forward-looking forecast for Ferroamp looks very positive.

*"NOTE has broad experience of producing technologically complex products like EnergyHub. Their skills and size offer us good potential for more growth, which is vital ahead of our upcoming internationalisation," comments Lisa Larsson Lerner, Ferroamp's purchasing manager.*

*"Ferroamp and its products are a perfect fit with our business model. It's a sophisticated product that needs a strong supply chain and manufacturing process. The expansion of our Norrtälje plant is also underway, opening good opportunities for rapid expansion in the near term. Last year, we worked intensively alongside*

*Ferroamp's development team, which has put us in a great position for the ongoing manufacture of EnergyHub. The component market has been a challenge for some time, and although there are tendencies of it easing in some contexts, we're not really out of the crisis yet. This places even greater demands on good partnership and communication between the companies, not least when working on a new product. I feel that we're well prepared for sharply increased delivery tempo in 2023," concludes Johannes Lind-Widestam, NOTE's President & CEO.*





*EnergyHub XL*

# NOTE makes sustainable innovations possible

**In a changeable world, NOTE is endeavouring to help create better society through sustainable manufacturing services. NOTE drives its own development in partnership with its customers.**

## Sustainability strategy and objective

NOTE's strategy is designed to manage sustainable production through the responsible consumption of materials and energy, supporting society by creating a positive, vibrant workplace that supports its people. NOTE should enable production of sustainable innovations, including products that help the transition from fossil fuels to renewables. Its objective is to help strengthen the communities where NOTE operates, by managing sustainable initiatives in its business.

## NOTE's context

NOTE provides advanced production services to customers active in Industry, Telecom, Medtech, and Greentech. NOTE contributes production capacity, technological skills, logistics solutions and more, and is part of product value chains. NOTE's role includes being a collaborative partner for its customers, but not a product owner. This means that material selection and manufacture is to the customer's specification. Unlike many other sectors, such as heavy industry and commodities, NOTE's business has a fairly limited environmental impact.

## Sustainability management

NOTE will comply with applicable laws and regulations, respect human rights

and act responsibly. Its business is managed with high integrity and the clear ambition of conducting itself ethically and legally in all parts of its value chain.

NOTE's corporate governance structure ensures a systematic approach to sustainability and the company's accountability in climate and the environment, human rights, labour law and business ethics. Its management strategy is formulated from the Ten Principles of the UN Global Compact, and reflected in the company's control documents such as policies, targets and monitoring key performance indicators.

## Responsibilities of the Board of Directors and Group Management

The Board of Directors bears ultimate responsibility for NOTE's sustainability work. The company's yearly Sustainability Report and Code of Conduct are discussed within and approved by the Board of Directors. Group Management is accountable for the group's strategy and developing its daily business.

The CEO manages operating activities. This responsibility includes accounting issues, sustainability issues, monitoring the group's strategies and business performance, as well as providing the Board with the information necessary to take well-founded decisions. Group Management reviews guidelines, policies

and sets targets. It is accountable for compliance with laws and implementing initiatives that ensure targets are achieved. Where necessary, Group Management conducts risk assessments, discusses ethical issues, executes the appropriate actions and conducts reviews.

## Responsibilities of subsidiaries

Individual subsidiaries, led by their Presidents, are responsible for implementing and complying with applicable laws, policies and other regulations in their daily business. They report regular KPIs and performance. Subsidiaries are supported by management systems created in compliance with international standards, which are reviewed regularly by external and internal parties. These management systems cover segments like legal compliance, quality, the environment, health & safety, risk assessments and work on continuous improvement. The management system includes a structured basis for updating policies, procedures and other control documents.

Policies and methodologies were upgraded in the year, a process involving all group companies. For a list of group-wide control documentation in the sustainability segment, see the following page.

## Timeline of NOTE's sustainability work





### Policy documents in sustainability work

#### Document

- Anti Corruption policy
- Health & Safety policy
- Purchasing policy
- Privacy policy
- Equality policy
- Conflict Minerals Declaration
- Continuity Plan
- Quality policy
- Environmental policy
- Human Rights policy
- REACH Declaration
- ROHS Directive
- Code of Conduct
- Whistleblower policy

### Stakeholder engagement

Sustainability issues have been important to NOTE for a long time, and the group received its first environmental certification back in 1997. NOTE conducts its work and encourages new initiatives in dialogue with owners, customers, staff, suppliers and communities.

Communication with NOTE's stakeholders enhances its capability to identify and deal with any risks that may arise in its business. Dialogues and data collection from its stakeholder groups are conducted regularly through meetings and audits, as well as yearly satisfaction surveys.

### Sustainability issues

NOTE has been a member of the UN Global Compact since 2011, and works on its Ten Principles through continuous engagement with its stakeholders. The main segments are: climate and environment, social conditions and human resources, human rights and anti corruption. The focus areas identified are carbon-neutral production, and workplace health & safety.

NOTE's sustainability issues and their material impact on people and planet, and its financial impact on the company's business and performance will be mapped in more detail over the coming years.



## THE GLOBAL GOALS

### The UN's global Sustainable Development Goals (SDGs)

On 25 September 2015, the UN General Assembly adopted Agenda 2030 for Sustainable Development. The Agenda means all UN member states undertaking to work to achieve a socially, environmentally and economically sustainable world by 2030. The Agenda contains 17 goals and 169 associated targets. NOTE's business has the biggest impact on 7 of the 17 goals, and its links to them are reviewed in the following sections.

Key performance indicators—Financial	2022	2021	2020	2019
Net revenue (SEK m)	3,687	2,643	1,874	1,760
Profit for the year (SEK m)	254	194	116	92
Total current tax (SEK m)	-49	-38	-25	-21
Salaries and benefits (SEK m)	-419	-344	-283	-267
Pension expenses, defined-contribution plans (SEK m)	-26	-23	-19	-17
Social security contributions (SEK m)	-95	-83	-67	-63

#### 2013

Estonian plant ISO 14001 certified.  
Estonian and Chinese plants implement OHSAS 18001.  
Human Rights and Anti Corruption policies produced.

#### 2015

Finnish plant OHSAS 18001 certified.

#### 2017

Equality Policy produced.

#### 2018

Privacy Policy for managing personal data in accordance with GDPR produced.

#### 2020

NOTE Components and Windsor ISO 14001 certified.  
Norrtälje, Sweden ISO 45001 certified.

#### 2021

New sustainability goals formulated in climate and occupational health & safety.

#### 2022

Signing of UN CEO Statement of Support for the Women's Empowerment Principles.



## Climate and environment

NOTE endeavours to achieve long-term, sustainable development by manufacturing with the minimum possible environmental impact. NOTE should comply with, or exceed, applicable environmental legislation, and adopt the precautionary approach to minimise the generation of waste and avoid emissions.



Note maintains a dialogue with suppliers and customers in different environmental aspects to encourage progress in environmental and climate issues.

## Carbon footprint

As an EMS partner, it is the production process where NOTE has the greatest possibility of influencing its carbon footprint. NOTE is accountable for minimising the direct and indirect carbon emissions. Its ambition also covers emissions related to shipping of purchased material and sold products that are under NOTE's control. Shipping is coordinated, and low carbon-footprint freighting methods should take preference where justifiable.

## Renewable energy and climate compensation

As part of NOTE's climate strategy of managing carbon neutral production, it has mapped direct and indirect emission sources.

A high share of emissions are sourced indirectly from energy consumption at plants. Accordingly, energy should be consumed responsibly, and renewable energy purchased when available on the market.



In 2022, 62% of electricity consumed was from renewable sources like solar, wind, hydro and biofuels. In addition to using as much renewable energy as possible, NOTE conducts local initiatives to minimise each plant's carbon footprint. NOTE compensates for the portion of carbon emissions that cannot be eliminated through its own activities by investing in certified and third-party-verified climate compensation projects. Monitoring KPIs in this segment is reviewed in the table on page 19. New knowledge and information is captured and disseminated through the group to build overall competence in climate-affecting factors and NOTE's impact.

## Standardised environmental work

International ISO guidelines, under the ISO 14000 family of standards, are a stable foundation for NOTE's environmental work. Despite differences in legislation between countries, all NOTE's plants should comply with a consistent standard. The group's manufacturing units and purchasing companies are ISO 14001 environmentally certified, and audited by internal and external resources.

Group companies exchange best practice, best-in-class actions and proposals for improvement on different forums. It conducts yearly analysis to identify environmental and climate risks and formulates action-plans to identify the risks identified. At present, NOTE judges that its operating activities are essentially unaffected by climate change.

Plants are conducting improvement projects and monitoring environmental factors, such as energy and water consumption, carbon emissions and waste. All plants have environmental targets that are regularly monitored.



## Environmental consideration

NOTE also considers the environment in other parts of its business, such as discussions with customers on purchasing materials and production setups.

NOTE takes a positive view of developing environmental technology, and seeks new production methods and production materials that are environmentally friendly. NOTE conducts environmental risk assessments when introducing new equipment, technology and logistics solutions.



## Local initiatives

A range of local initiatives are ongoing to reduce energy consumption. They include lightbulbs and fluorescent tubes being exchanged for LED lighting to save energy.

The energy consumption of production processes has been mapped to reduce energy consumption further. Selective soldering machines have been installed, enabling a continued reduction in tin slag. Recycling slag from the wave soldering process continued, and at some plants, this is conducted locally through oxide pressing before being sent for further re-processing. 70% of waste generated was recycled in 2022. Plants sort the waste from consumables at source, and improvement projects are conducted to reduce waste, water and energy consumption. Corrugated board is compacted to minimise the number of waste transports, which affect the environment. Chemicals are handled in accordance with predetermined procedures and legislation.

Company vehicles like cars and forklift trucks, are exchanged for electric or electric hybrid. Vehicles when their leases or useful lives expire. Several plants have electric vehicle charging stations for staff and visitors. Some use electricity sourced from solar panels installed at the plant. Staff are encouraged to minimise paper

consumption, switch off lighting and close down equipment after use. Installed timers help close down machinery and equipment when not in use. NOTE holds many of its meetings virtually, which reduces travel, and processing functions within ERP systems minimises paper consumption.

## Supplier environmental audits

NOTE environmentally audits its strategic suppliers, and maintains continuous dialogue with suppliers on other environmental issues such as consolidating transports, manufacturing methodologies and quality performance. NOTE's objective is to increase the share of sourcing from strategic and other contracted suppliers. NOTE has a good understanding of these suppliers' environmental work and can help them to develop and improve in the environmental segment.

## Key performance indicators—Environmental

		2022 3)	2021 4)	2020
Share of renewable electricity consumption (%)	1)	62	72	56
Energy, renewable electricity (kWh)		5,667,093	6,681,141	4,885,839
Energy, total electricity usage (kWh)		9,118,206	9,264,029	8,690,165
Tonnes CO <sub>2</sub> , Scope 1 and 2 (tCO <sub>2</sub> e)		2,376	2,058	3,027
Tonnes CO <sub>2</sub> , Scope 3 freight, (tCO <sub>2</sub> e)		1,409	1,346	530
Total CO <sub>2</sub> (tCO <sub>2</sub> e)	2)	3,785	3,404	3,557
Energy efficiency factor (tCO <sub>2</sub> e scope 1-2/revenue SEK m)		0.64	0.78	1.62
Water consumption (m <sup>3</sup> )		72,852	71,435	
Tonnes of waste (recycled and non-recycled)		509	476	
Share of waste recycled (%)		70	72	
ISO14001 environmental certified NOTE plants (%)		100	100	100
Quality performance (ppm)		542	1,052	656

### EXPLANATIONS FOR THE TABLE ABOVE

1) SHARE OF ELECTRICITY CONSUMPTION FROM RENEWABLE SOURCES (WIND, HYDROPOWER, SOLAR OR BIOMASS).

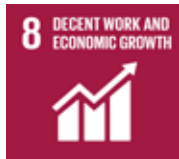
2) TONS CO<sub>2</sub> ACCORDING TO GHG PROTOCOL AND AVAILABLE EMISSION FACTORS.

3) ACQUISITION OF NOTE HERRLJUNGA IN JULY 2022. THIS UNIT DID NOT REPORT ENVIRONMENTAL KPIS FOR THE YEAR.

4) ACQUISITION OF IPRO IN JUNE 2021







## Social conditions and Human Resources

NOTE strives to be an attractive employer that offers its staff a secure and safe working environment. Six of NOTE's ten plants use ISO 45001 to guide their efforts. This far-reaching, global and verifiable occupational health and safety standard involves external auditing and certification. In 2023, NOTE's objective is for all plants to be ISO 45001 certified. 55 work-related incidents were reported in 2022, and 5 work-related injuries, which caused a total of 25 days' sickness absence.



## Diversity and equality

NOTE will be a company that offers everyone the same opportunity to work and progress.

The group's collective skills are built on diversity and equality, which promote dynamism and differing perspectives at work. Employees' specific competences,

regardless of sex, ethnicity, sexual orientation, disability, age and social background are an asset and help move the company forward. NOTE's Equality policy states the company's principles governing equal opportunities and diversity, which are encouraged in all parts of its business. The company endeavours to achieve equal opportunities in terms of employment and working conditions, as well as developmental opportunities. Its working climate should feature respect and tolerance. If any instances of harassment or bullying are reported, the group will take action immediately. The company's Diversity policy states how new Board members are to be appointed from a diversity perspective. 50% or more of the company's board and management are women. In the group overall, the share of women is 51%. NOTE signed the UN CEO Statement of Support for the Women's Empowerment Principles in the year.

NOTE is opposed to all forms of discrimination. One tool for working on this and other issues is its whistleblower function, and one case was reported in the year. NOTE's Privacy policy formulates how personal information is managed in accordance with GDPR.

## Labour law

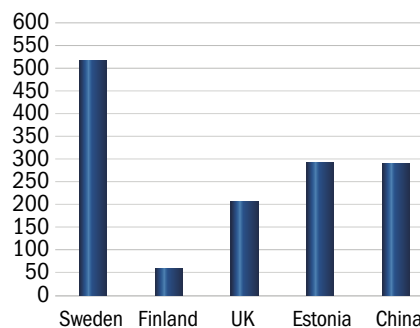
All NOTE employees are entitled to collective bargaining and to form, and join, trade unions. Collective bargaining agreements are in place at several NOTE plants. NOTE is opposed to all forms of forced labour. All stakeholder employees regardless of sector, organisation or geography, should join employment and contracts of their own free will. Additionally, work should also be conducted without compulsion or harassment, either physical or psychological.

## At the supplier level

Follow-up audits are conducted on suppliers. Many of them have accepted NOTE's code of conduct and the Ten Principles of the UN Global Compact. The outcome of these audits demonstrate that suppliers are complying with relevant laws and regulations.

NOTE has continued its work on reducing the usage of conflict minerals by assisting customers in material selection so components containing minerals from conflict zones can be eliminated in product design and start-up projects. Additionally, NOTE has zero tolerance of child labour, as stated in the company's Human Rights policy and Code of Conduct. NOTE does not employ children, and does not collaborate with companies that use children as part of their workforces.

**Average number of employees by country**





**A global partnership**

NOTE's employees are the key to our success. NOTE has plants in Sweden, Finland, the UK, Estonia and China, and developing collaboration between them is critical. This is achieved through channels including a number of functional forums, in segments including quality, sourcing, accounting and sales.

**Improvement and development work**

NOTE works continuously on harmonising its working methods and monitoring tools, as well as clarifying guidelines, which involves many of its employees group wide. NOTE continuously monitors business-related key performance indicators such as ongoing central and local improvement projects. Employees' commitment, inventiveness and desire to help customers create the strength of NOTE's global business.

**Staff turnover**

The workforce was upsized and downsized in the year to cope with demand fluctuations and to implement rationalisation. The average number of employees was 1,366 in 2022. Staff turnover was 21.8% in the group overall, of which 16.2% was in the European plants.

Realising the goal of being the best collaborative partner in the sector, with leading delivery precision and quality for competitive total cost, demands a lot from everyone involved. Accordingly, NOTE values nurturing staff and the skills they possess, and endeavours to offer a safe and stimulating working environment.



**Skills for financial success**

Several NOTE plants have maintained long-term partnerships with external parties in soldering and electronics assembly training to assure quality and skills in electronics assembly. Usually, these programmes involve practical work and the certification of qualified electronic assemblers.

NOTE enables university and college students to write their dissertations and serve internships.

Quality education for everyone is the fourth of the UN's SDGs for 2030. One of

its targets is to increase the number of people with relevant skills for financial success. NOTE contributes in this segment through channels including partnering with universities in locations where the company is active.

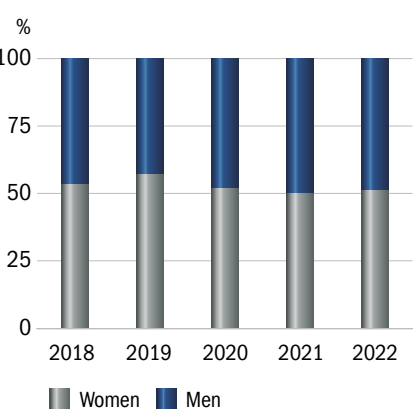
**Future planning and development work**

NOTE conducts a yearly anonymous employee satisfaction survey. It is important that every employee feels that they can deliver value-added to customers, and that everyone understands how to get there, and why. The response frequency was 80% in 2022 (75% in 2021). The results indicate all segments have increased by two or three index points in the year. The employee satisfaction index is a measure of commitment, demonstrating the balance between leadership and teamwork, commitment to business development and whether the working environment is a contributor to a profitable, healthy and successful organisation. There is more detail on the survey's outcome in the table on page 25.

The responses help plan clear activities and the timing of execution. The outcomes are also used for NOTE's future planning and development work.

For more information on our staff, please refer to page 47 of our formal annual accounts.

**Gender division group**



## Respect for human rights

NOTE respects human rights and its conduct prevents them from being infringed. In addition to responsibility for its own operations, this also implies a responsibility for respecting human rights in business relations with the company's stakeholders. NOTE's Human Rights policy states principles and attitudes applying to labour law and equality, for example.

## Code of Conduct

NOTE's Code of Conduct formalises how the company expects employees and suppliers to conduct themselves on issues concerning human rights, labour law, child labour, corruption and the environment. Work on ensuring compliance with the Code of Conduct through the supply chain is ongoing continuously. NOTE's global purchasing companies that manage strategic sustainability work at the supplier level focus on two segments. First, creating supplier commitment through regular business meetings, and second, following up and evaluating suppliers. These audits review supplier work on human rights in segments including harassment, discrimination and child labour. Supplier management systems are reviewed, as well as how they communicate environmental and sustainability standards with their suppliers. Sustainability work is a recent development in some of them, and here, clear improvement opportunities and advances have been identified. Others have made more progress, including undertakings on human rights from their subcontractors. Audits did not discover any breaches of human rights. A schematic of the evaluation process is on page 25.

As in previous years, instead of a Christmas gift for customers and suppliers, NOTE made an equivalent donation to an organisation that helps create a better world. In 2022, NOTE made a donation to the UNHCR.



## Anti corruption

NOTE's Anti Corruption policy states principles on the group's attitude to corruption.

Staff are encouraged to distance themselves from all forms of extortion and bribery. NOTE expects the same attitude from customers and suppliers, and does not accept any gifts, either to customers or from suppliers, other than items of low value. This policy also reviews the segregation of duties, how internal controls are conducted, and verifies that a whistleblower procedure is in place.

NOTE's Purchasing policy prohibits bribery and corruption, and stipulates that purchasing must be managed according to ethical guidelines. NOTE has group-wide and local authorisation procedures expedient to its business.

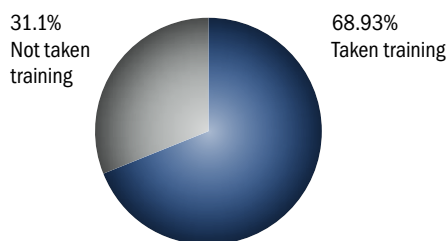
NOTE has a documented process for assessing risks and compliance with policies within its internal control procedures. In 2023, the intention is to keep working for positive social progress where NOTE is active.

## Increased awareness

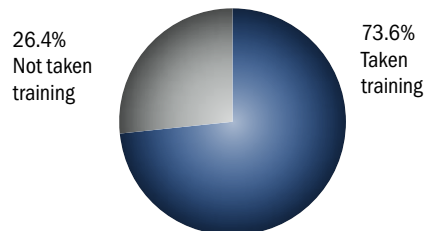
NOTE conducts internal training programmes on IT security and business ethics as part of the systematic actions the company takes to increase awareness on IT and corruption risk, and reinforce the company's mental firewall.

Complete versions of NOTE's Code of Conduct, as well as its Human Rights, Equality and Anti Corruption policies are on its website, [www.note-ems.com](http://www.note-ems.com). For more information on the business model and risks, see pages 10-11 and 47-49.

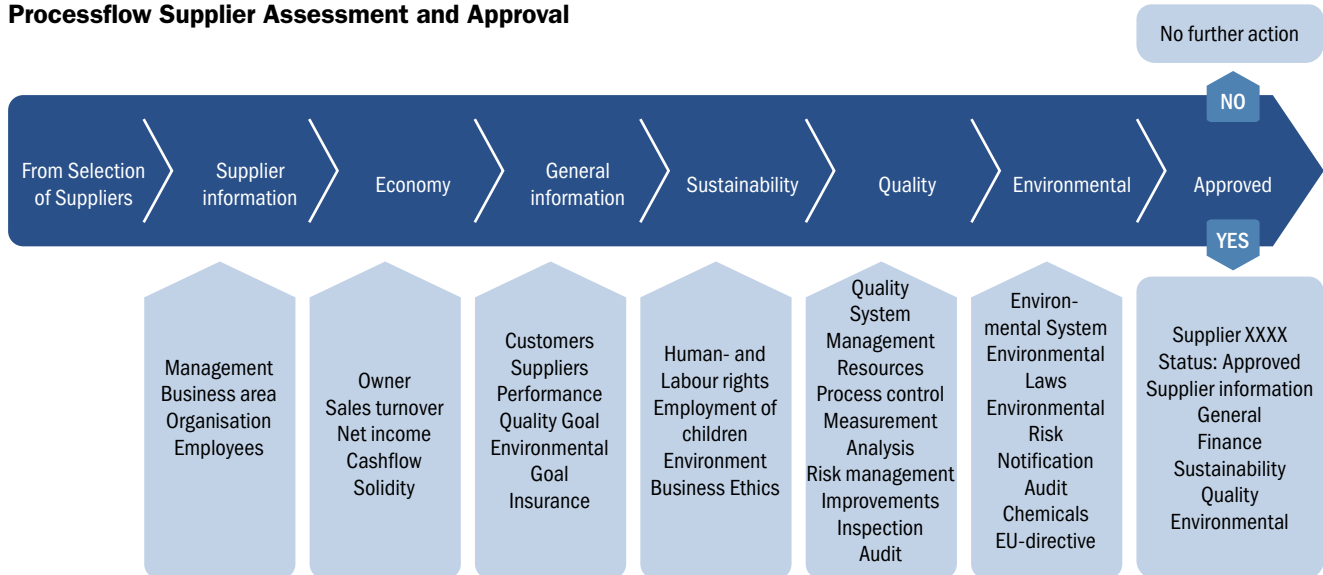
## IT security training



## Business ethics training



## Processflow Supplier Assessment and Approval



### Key performance indicators— Social responsibility and human resources

	2022 4)	2021 5)	2020	2019
Attendance rate (%)	95.6	96.2	96.2	95.8
Number of incidents	55	32	16	14
Number of injuries	1) 5	12	2	2
Number of fatal injuries	0	0	0	0
Average number of employees	1,366	1,218	1,101	1,070
Average number of Blue Collars	957	860	782	758
Average number of White Collars	409	358	319	312
Employee survey, response rate (%)	80	75	75	80
Employee index, communication and cooperation (%)	79	77	75	74
Employee index, immediate manager (%)	79	77	75	76
Employee index, work satisfaction (%)	78	75	74	74
Employee index, improvements & target orientation (%)	78	75	72	71
Employee index, business ethics (%)	76	73	72	69
Employee index, total (%)	2) 78	76	74	73
Turnover personnel (%)	21.8	17.2	14.7	20.7
Share of female employees (%)	51	50	52	57
Share of female managers (%)	34	29	37	34
Share of female Group Management (%)	50	25	0	0
Share of female Board members (%)	60	60	60	43
Share of strategic spend (%)	3) 51	47	54	56
ISO45001 health and safety certified NOTE plants (%)	60	44	50	38
Whistleblower cases	1	2	1	1
IT security training (%)	68.9			
Business ethics training (%)	73.6			

#### EXPLANATIONS FOR THE TABLE ABOVE

1) INCIDENT LEADING TO ONE DAY OF SICK LEAVE OR MORE

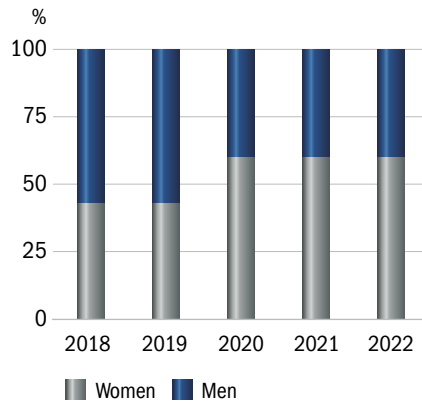
2) AN INDEX BETWEEN 70-100% IS CONSIDERED "ON THE RIGHT TRACK". INDUSTRY BENCHMARK 77% FOR TOTAL INDEX

3) SHARE OF STRATEGIC PURCHASES IN 2021 AFFECTED BY ACQUISITIONS, MARKET SITUATION AND SHARE OF CUSTOMER-SUPPLIED COMPONENTS

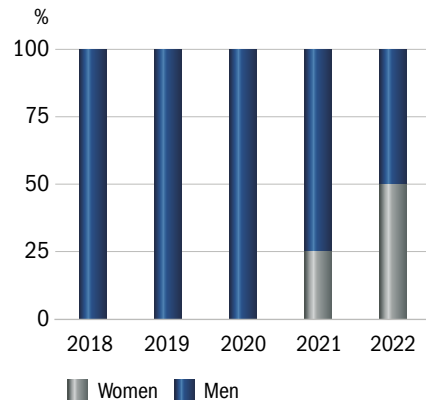
4) ACQUISITION OF NOTE HERRLJUNGA IN JULY 2022. THIS UNIT DID NOT REPORT KPIS FOR THE YEAR.

5) ACQUISITION OF IPRO IN JUNE 2021

**Gender division Board of Directors  
in NOTE AB**



**Gender division Group Management  
in NOTE AB**



*I've signed the UN CEO Statement of Support for the Women's Empowerment Principles. This standpoint on gender equality, alongside our continued support for the Ten Principles of the UN Global Compact, is the foundation of our sustainability work.*

Johannes Lind-Widestam, CEO & President







### UN Global Compact

NOTE reports its Communication of Progress to the UN each year, and reporting via the UN Global Compact portal is new for 2022. NOTE's CoP is available at <https://www.unglobalcompact.org/>

### NOTE and the Taxonomy

The EU Taxonomy is part of the EU Commission's action-plan for sustainable growth. The aim is to reach the Paris Agreement on climate neutrality by 2050.

NOTE is subject to the taxonomy's reporting requirement, which applies for the financial year 2022. At present, the taxonomy is oriented towards those financial sectors intended to contribute most to climate transition, and sectors perceived to represent a risk of negative environmental impact on the six environmental goals that the taxonomy is intended to contribute to. An investigation of the company's financial activities has been conducted in consultation with experts in this segment.

The contract manufacture of electronics as conducted by NOTE is not a segment currently covered by the directive, which primarily addresses product owners. Additionally, the investigation showed that the manufacture of the

products that NOTE supplies is not listed in the Taxonomy.

Total net turnover is SEK 3,687 million. For more information on net turnover, see page 54. Despite many of the products that NOTE manufactures being viewed as important to climate transition, such as electric vehicle charging stations and battery chargers for electric cycles, NOTE's taxonomy-eligible turnover is SEK 0.

Total CapEx (excluding goodwill) is SEK 100 million. For more information, see investments for the year in notes 11, 12 and 13 on pages 64–66. Taxonomy-eligible CapEx is SEK 13 million, and consists of investments in lease arrangements, which can be allocated to activity 7.7 "Acquisition and ownership of buildings" in environmental goal 1. SEK 0 million of this is Taxonomy aligned.

Total taxonomy-eligible OpEx  
Non-capitalized expenses:

- R&D expenses
- Expenses for renovating buildings
- Short-term leases
- Maintenance and repair expenses
- All other direct expenses necessary to manage fixed assets, i.e. all other direct expenditure related to daily servicing of assets in real estate, manufacturing facilities and equipment from the company or third party on contract necessary to ensure continued and effective operation of such assets.

This definition does not include:

- depreciation and impairment
- expenses for raw materials, etc.

Taxonomy-eligible OpEx is SEK 12 million, and applies to short-term and low-value leases. SEK 0 million of this is taxonomy aligned. NOTE was unable to confirm the taxonomy alignment of suppliers for the investments made and covered by the taxonomy.

For more information see the tables in the formal annual accounts on pages 82–83.

# Auditor's report on the statutory sustainability report

**To the general meeting of the shareholders in NOTE AB (publ)**  
**Corporate identity number 556408-8770**

## **Engagement and responsibility**

It is the Board of directors who is responsible for the statutory sustainability report for the year 2022 on pages 16–27 and that it has been prepared in accordance with the Annual Accounts Act.

## **The scope of the audit**

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

## **Opinion**

A statutory sustainability report has been prepared.

## **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.

Andreas Skogh  
Authorised Public Accountant  
Öhrlings PricewaterhouseCoopers AB

Stockholm, Sweden, 23 March 2023







# The NOTE share

**The NOTE share has been on the Mid Cap list since 2022.**

**NOTE's share price fell by 23% in the year, while the index fell by 31%.**

## Share price performance

NOTE's share price was SEK 179.00 (231.00) per share at year-end. The high in the year was SEK 242.8 on 20 April. The low of the year of SEK 140.5 was on 21 October. The stock exchange OMX Stockholm Mid Cap PI index fell by 31% in the year.

At the end of the year, NOTE's market capitalisation was SEK 5,188 (6,602) million. The number of shareholders increased by 0.25%, to 17,341 (17,298) at year-end.

## Turnover

1,227,778 NOTE shares were traded on the Stockholm Stock Exchange in 2022, corresponding to a rate of turnover of 51%. An average of 58,466 shares were traded per day.

## NOTE share changes listing

The NOTE share transferred from the Nasdaq Small Cap list to the Mid Cap list effective January 2022.

## Dividend policy

Each year, the Board of Directors will be evaluating the level of dividends it views as optimal for the year. This can be distributed to shareholders in the form of dividends and/or share buy-backs. Future dividends should primarily be adapted to NOTE's investment requirement and financial position.

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

## Incentive programmes

The three-year incentive programme for NOTE's CEO Johannes Lind-Widestam, adopted by an Extraordinary General Meeting (EGM) in 2019, expired in the first quarter of 2022. All shares were acquired to the full extent of the programme's terms & conditions. This raised a total of nearly SEK 12 million for the company, and the number of shares increased by 400,000.

At year-end 2022, there were no outstanding incentive programmes.

## Trading

Listing: Nasdaq Stockholm  
Segment: Mid Cap  
Sector: Industrial Goods & Services  
Ticker symbol: NOTE  
ISIN code: SE0001161654  
No. of shares as of 31 December 2022: 28,983,600

## 10 largest shareholders as of 31 December 2022, by holding

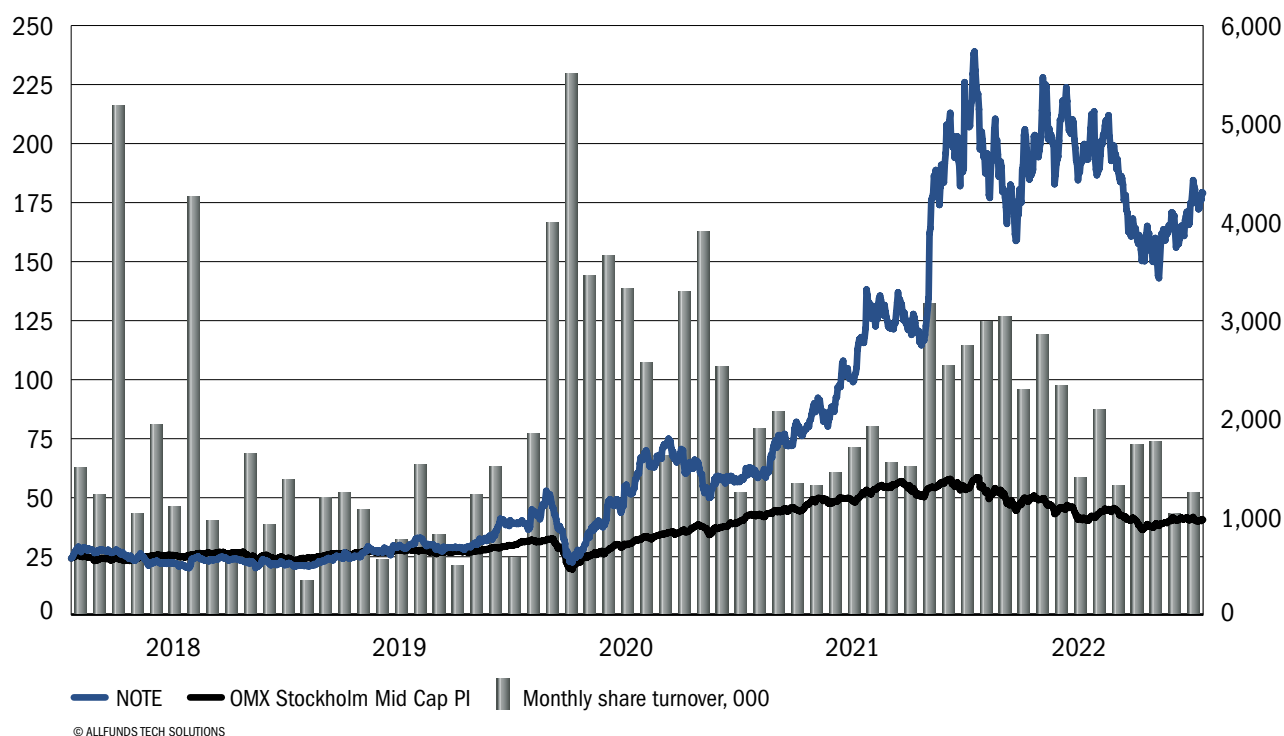
Name	No. of shares	Proportion of capital/votes, %
Johan Hagberg	5,948,526	20.52
Vevlen Gård AS	1,600,000	5.52
Fredrik Hagberg, personal holdings and Myggenäs Gård	1,247,500	4.30
Avanza Pension	1,048,745	3.62
Nordnet Pensionsförsäkring AB	976,417	3.37
AAT Invest AS	956,500	3.30
State Street Bank and Trust CO, W9	700,546	2.42
Claes Mellgren	620,000	2.14
Per-Olof Andersson	500,000	1.73
VJ Invest AS	480,366	1.66
<b>Total</b>	<b>14,078,600</b>	<b>48.57</b>

## Division by size, holdings by shareholder as of 31 December 2022

Size of holding	No. of shareholders	No. of shares	Proportion of capital/votes, %
1-500	15,088	1,355,696	4.68
501-2,000	1,610	1,700,049	5.87
2,001-5,000	351	1,140,209	3.93
5,001-20,000	182	1,718,813	5.93
20,001-50,000	44	1,364,447	4.71
50,001-500,000	57	8,606,152	29.69
500,001-5,000,000	8	7,149,708	24.67
5,000,000 -	1	5,948,526	20.52
<b>Total</b>	<b>17,341</b>	<b>28,983,600</b>	<b>100.00</b>



## Share price 2018–2022



## Share capital history

Year	Transaction	Change in no. of shares	Change in share capital (SEK)	Total no. of shares	Total share capital (SEK)	Quotient value (SEK)
1999	Incorporation	3,000	300,000	3,000	300,000	100.00
2000	Bonus issue	27,000	2,700,000	30,000	3,000,000	100.00
2000	Split 10:1	270,000	-	300,000	3,000,000	10.00
2002	New share issue	84,000	840,000	384,000	3,840,000	10.00
2003	New share issue	15,000	150,000	399,000	3,990,000	10.00
2004	Split 20:1	7,581,000	-	7,980,000	3,990,000	0.50
2004	Option exercise	310,200	155,100	8,290,200	4,145,100	0.50
2004	New share issue	1,334,000	667,000	9,624,200	4,812,100	0.50
2010	New share issue	19,248,400	9,624,200	28,872,600	14,436,300	0.50
2020	Cancellation of repurchased shares	-1,000,000	-500,000	27,872,600	13,936,300	0.50
2020	Bonus issue	-	500,000	27,872,600	14,436,300	0.52
2020	New share issue/Option exercise	500,000	258,969	28,372,600	14,695,269	0.52
2021	Option exercise	211,000	109,285	28,583,600	14,804,554	0.52
2022	Option exercise	400,000	207,176	28,983,600	15,011,729	0.52

# Corporate Governance Report

## Introduction

The regulatory structure for governing and controlling NOTE primarily consists of the Swedish Companies Act, applicable provisions for listed companies, the Swedish Code of Corporate Governance (the Code), International Financial Reporting Standards (IFRS), as well as internal guidelines. NOTE is listed on Nasdaq Stockholm, and accordingly, is subject to its Rules for Issuers.

## 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. They include stipulating that the Board of Directors should consist of a minimum of three and a maximum of ten ordinary members.

Resolutions on amending the Articles of Association may be passed by Annual or Extraordinary General Meetings.

## Shareholders

At the end of 2022, NOTE had one shareholder, Johan Hagberg, representing more than 10% of the shares of the company. Johan Hagberg represented 20.5%.

For more information on the share and shareholders, see the NOTE share on pages 30-31.

## Shareholders' meetings

Shareholders' meetings are 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 duly notified the company of

their participation, 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 prior to the Meeting. Resolutions of the Meeting are published after the Meeting in a press release and the minutes of the Meeting are published on the website.

NOTE's AGM will be held in Stockholm, Sweden. The AGM 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 2022

NOTE's AGM was held on 20 April 2022 at Westmanska Palatset in Stockholm, Sweden. Shareholders jointly representing 31.8% of the capital and votes attended the Meeting. The Meeting resolved on matters including re-electing Anna Belfrage, Johan Hagberg, Bahare Mackinovski, Claes Mellgren and Charlotte Stjerngren as Board members for the period until the next AGM is held. Claes Mellgren was re-elected Chairman. The AGM also approved fees in accordance with the Nomination Committee's proposal.

The Meeting approved the Board of Directors' proposal to not pay a dividend to shareholders for the financial year 2022. The Meeting also authorised the Board to decide on purchasing and transferring treasury shares, and on new share issues. These authorisations apply until the next AGM.

## 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.bolagsstyning.se](http://www.bolagsstyning.se), where the Swedish Code of Corporate Governance is stated.

→ Nasdaq Stockholm, [www.nasdaqomx.com](http://www.nasdaqomx.com), which states the rules for issuers.

→ The Swedish Financial Supervisory Authority, [www.fi.se](http://www.fi.se), which states Authority's statutes.

## NOTE's overall governance



## Nomination Committee

The AGM resolves on how the Nomination Committee is appointed. The Nomination Committee's work for the AGM 2023 complied with previously approved instructions.

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

As part of its work, for the AGM 2023, the Nomination Committee has considered the appraisal of the work of the Board in the year. Proposals for new Board members have been prepared, which also consider NOTE's Diversity policy.

The Nomination Committee's proposed Board members, Directors' fees and election of Auditors will be presented in the convening notice for the AGM. A report on the work of the Nomination Committee will be presented at the AGM 2023.

No special remuneration was paid to the members of the Nomination Committee.

## Diversity policy

NOTE's Diversity policy is adopted by the Board of Directors. The Chairman of the Board is responsible for communicating the policy to the Nomination Committee, which applies it for appointing Board members. The overall purpose is to identify Board members with appropriate skills and experience to manage

## Nomination Committee members for the AGM 2023

Member	Share of capital/votes, 31 Dec 2022, %
Johan Hagberg, personal holdings	20.52
Egil Dahl, Vevlen Gård	5.52
Fredrik Hagberg, personal holdings and Myggenäs Gård	4.30
Per Olof Andersson, personal holdings and Claes Mellgrens holdings	3.87

NOTE's strategy work responsibly and successfully. Diversity in terms of age, gender, geographical origin, education and professional background are also considered.

No Board member should be subject to discrimination based on ethnic background, religion, physical or psychological disability, age, gender, sexual orientation or for any other reason.

## 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. How NOTE can develop its sustainability work is the subject of continuous discussion.

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, as well as ongoing monitoring of operations in the year.

Each year, the Board of Directors adopts documentation including down approvals list, finance policy, instructions for financial reporting and for the Board of Directors, and rules of procedure, which formalise matters including the segregation of duties 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.

The Chairman is also responsible for the yearly evaluation of the work of the Board, which is conducted through a survey provided to all Board members. The results are compiled and discussed by the Board. The Chairman is also responsible for providing the Nomination Committee with access to this evaluation.

The Board has five members elected by shareholders' meetings. There are also two employee representatives.

The Board of Directors has an all-round composition of sector knowledge and competence from Board work and management of listed companies as well as finance, accounting, structural change and sales, and strategic sourcing.

## The work of the Board in 2022

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.

## Board of Directors 2022

## Attendance statistics

Board member	Position	Board meetings	Remuneration Committee	Audit Committee
Claes Mellgren	Chairman	7/7	2/2	-
Anna Belfrage	Board member	5/7	-	3/3
Johan Hagberg	Board member	7/7	-	-
Bahare Mackinovski	Board member	7/7	2/2	-
Charlotte Stjerngren	Board member	7/7	-	3/3
Jörgen Blomberg	Employee representative, Member	6/7	-	-
Johan Lantz	Employee representative, Member	1/3	-	-
Christoffer Skogh	Employee representative, Member	5/7	-	-

The Board of Directors endeavours for NOTE to be an employer where all staff get an equal opportunity to work and develop. Employees' specific competences should also be valued, regardless of gender, ethnicity, sexual orientation, disability, age or social background.

The Board of Directors encourages the integration of equal opportunities and diversity into all aspects of operations.

The Board of Directors held seven meetings where minutes were taken in the year. Employees of the company participated in Board meetings to present 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 year, the members of the Audit Committee were Anna Belfrage and Charlotte Stjerngren.

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 maintains close and regular collaboration with the group's finance function on internal and external reporting of financial information.

There is also a well-developed collaboration on matters of internal control, selection and appraisal of auditing policies and models. In the financial year 2022, the Audit Committee monitored compliance with adopted guidelines.

The Audit Committee 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 comment 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 actions in the year.
- Following up on the internal audit function's review in the year. The focus was 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. In 2022, the Remuneration Committee members were Claes Mellgren and Bahare Mackinovski.

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 programmes for performance-related pay for group management, subsidiary Presidents and other key individuals.





- Monitor and evaluate application of the guidelines for remuneration to senior management that the AGM has resolved on and applicable remuneration models and remuneration levels in the company.

In the financial year, the Remuneration Committee discussed remuneration issues and monitored compliance with adopted guidelines.

The following main issues were considered:

- Evaluation and approval of remuneration models for group management.
- Specifying the profitability-based, variable remuneration programme for group management, subsidiary Presidents and other key individuals, which ran during 2022.

After an evaluation, the Remuneration Committee concluded that:

- NOTE is following the guidelines for remunerating senior management that the AGM 2022 approved.
- Applicable remuneration models and levels are reasonable against the background of the company's operations.
- Compensation from the profitability-based, variable remuneration programme that ran during 2022 for group management, subsidiary Presidents and other key individuals amounted to SEK 3.9 million excluding social security contributions.

### **Guidelines for remuneration and other benefits for senior management**

For information on these guidelines, refer to the formal annual accounts on pages 46-47.

For information on remuneration and other benefits, see Note 7, Employees, personnel expenses and remuneration to senior management, on page 62.

### **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 Auditor in Charge also presents an Audit Report to the AGM.

The AGM 2022 elected Öhrlings PricewaterhouseCoopers AB as audit firm, with Andreas Skogh as Auditor in Charge until the AGM 2023.

### **The group's operational governance**

#### **CEO**

NOTE's CEO leads operating activities. This responsibility covers accounting issues, sustainability 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 of how operations are progressing based on the decisions they have taken. Written instructions define the segregation of duties between the Board of Directors and the CEO.

#### *Group management*

NOTE's group management is responsible for various parts of operations. This responsibility includes the preparation and execution of the group's overall strategies.

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

#### *Governance of subsidiaries' operations*

Subsidiaries' operations are followed up monthly on the basis of a number of operational targets, financial targets and key indicators.

### *Governance of sustainability issues*

NOTE should comply with applicable laws and ordinances, respect human rights and conduct itself responsibly. NOTE's business is managed with high integrity and the clear ambition of being a responsible enterprise, ethically and legally, in all parts of its value chain.

NOTE's corporate governance structure ensures a systematic approach to sustainability and the company's responsibilities in climate and the environment, human rights, labour and business ethics.

Its management strategy is formulated from the UN Global Compact's Ten Principles and reflected in the company's control documents like policies, targets and monitoring KPIs.

The Board of Directors bears ultimate responsibility for NOTE's sustainability work. The company's yearly Sustainability Report is discussed within and approved by the Board of Directors. Group management is accountable for the company's strategy and developing its daily business. The CEO leads operating activities, a responsibility that includes accounting issues, sustainability issues, following up on the group's strategies and business development, and ensuring that the Board of Directors receives the information necessary to take well-founded decisions. Group management reviews guidelines, policies and sets targets. It is accountable for compliance with laws and NOTE's Code of Conduct, and executing initiatives that ensure targets are achieved where necessary, group management conduct risk assessments, discusses ethical issues, and execute relevant actions and reviews.

Individual plants, managed by their Managing Directors, are responsible for implementing and complying with applicable laws, policies and other regulations in their daily business. They report KPIs and performance in sustainability regularly. NOTE set its sustainability

targets at its Capital Markets Day 2021, which it is still working towards.

**Internal controls and risk management**

*Control environment*

The segregation of roles and duties 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 mainly managed by, the CEO and the group's 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 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.

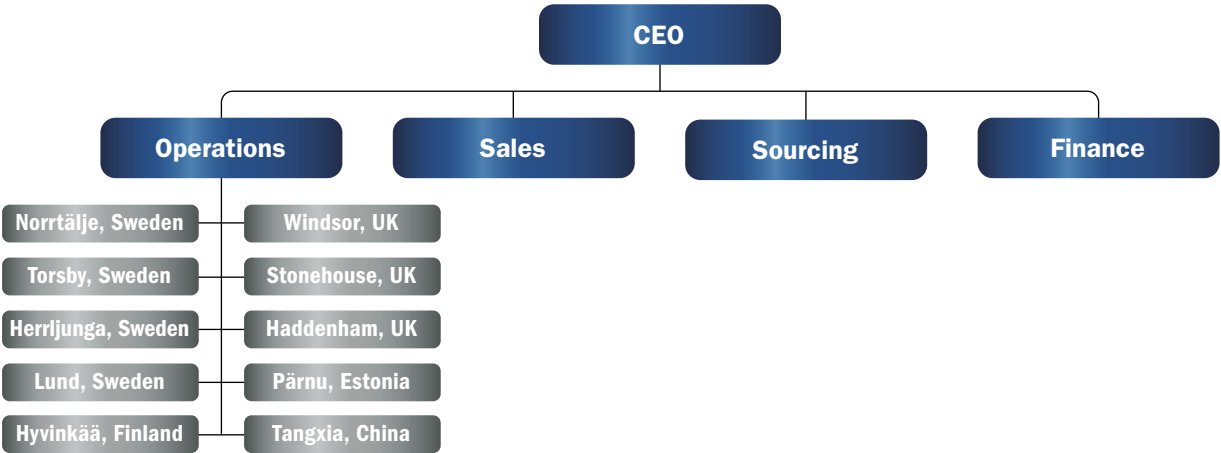
NOTE also has a procedure for formalising management of the biggest risks in operations. These risks are evaluated from a matrix of probability and degree of financial impact. Existing control measures for the biggest risks in this matrix have been documented and additional controls introduced where required. Guidelines and limits relating to risk assessments are updated regularly. For more information on risks, see the

Report of the Directors on pages 47-49, and Note 24, Financial risks and finance policy on pages 69-70.

*Monitoring control activities*

The monitoring of NOTE's units is in continuous development. 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, sustainability and growth.

The need for an internal audit function is evaluated yearly. Considering the group's 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 finance function.



# Auditor's report on the Corporate Governance Statement

**To the general meeting of the shareholders in NOTE AB (publ)**  
**Corporate identity number 556408-8770**

## **Engagement and responsibility**

It is the board of directors who is responsible for the corporate governance statement for the year 2022 on pages 32–37 and that it has been prepared in accordance with the Annual Accounts Act.

## **The scope of the audit**

Our examination has been conducted in accordance with FAR's auditing standard RevR 16 *The auditor's examination of*

*the corporate governance statement.*

This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

## **Opinions**

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

## **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.

Andreas Skogh  
Authorised Public Accountant  
Öhrlings PricewaterhouseCoopers AB

Stockholm, Sweden, 23 March 2023



# Group management



**JOHANNES  
LIND-WIDESTAM**



**FRIDA  
FRYKSTRAND**



**KAMRAN SHAHABI**



**CECILIA  
ÖRN-LINDBERG**

<b>Position</b>	Chief Executive Officer & President	Chief Financial Officer	Chief Sales Officer	Chief Procurement Officer
<b>Employed</b>	2018	2013	2014	2022
<b>Born</b>	1972	1985	1989	1980
<b>Education</b>	M.Sc. (Econ.)	M.Sc. (Econ.)	MBA, Stockholm University.	M.Sc. (Eng.)
<b>Other significant assignments</b>	Board member of Certego AB and Chairman of MTEK Industry AB.	None.	None.	None.
<b>Professional experience</b>	Experience of a range of executive positions, including serving as CEO of Kitron Sverige AB and Elos Medtech AB, and several senior positions with Assa Abloy Scandinavia.	Former NOTE's Corporate Accounting Manager and Treasurer. Experience of auditing and accounting with Grant Thornton.	Experience of sales in operational and executive roles for companies including Högblooms, Coca-Cola Enterprises and Tele2.	Experience as a Purchasing Manager at Saab, in electronics and mechanical engineering, as well as experience of strategic purchasing for Ericsson and Scania.
<b>NOTE shareholdings*</b>	453,860 shares.	981 shares.	3,356 shares.	0 shares.
<b>NOTE warrant holdings</b>	0 warrants.	0 warrants.	0 warrants.	0 warrants.

\* As of 28 February 2023, including any holdings by related natural persons or legal entities and reported in accordance with the Market Abuse Regulation.

# Board of Directors



**CLAES MELLGREN**



**ANNA BELFRAGE**



**JOHAN HAGBERG**



**BAHARE MACKINOVSKI**

<b>Position</b>	Chairman	Board member	Board member	Board member
<b>Elected</b>	2019	2019	2017	2015
<b>Born</b>	1959	1962	1971	1981
<b>Education</b>	M.Sc. (Eng.)	M.Sc. (Econ.)	Political economist and mathematician.	M.Sc. (Econ.)
<b>Main occupation</b>	Business angel and non-executive director.	Directorships and financial consultant.	CEO of Brus och Signal aktiebolag.	Vice President of Global Key Account Management at Knorr Bremse GmbH.
<b>Other directorships</b>	Board member of AQ Group (Nasdaq Mid Cap) and Teqnion AB.	Board member of Sveaskog, CINT AB, Ellevio AB, Isofol Medical AB, Mycronic AB and Elopak AS.	None.	None.
<b>Professional experience</b>	Founder of AQ Group, and the company's CEO between 2010 and 2018. Previously active as production, logistics and site manager at various ABB units in Västerås, Sweden.	Broad-based experience of accounting and manufacturing. Previous positions include serving as CFO of ABS Group, Beijer Electronics Group and Södra Skogsägarna.	Former mathematics teacher, entrepreneur active in the entertainment industry, as well as cultural producer for regional adult education provider ABF Stockholm.	Fifteen years in purchasing and supply chain in the vehicle industry. Broad experience from various global leadership roles in Sourcing at Volvo Cars and Volvo Trucks, most recently heading global electronics purchasing and key account management at Knorr Bremse GmbH.
<b>NOTE shareholdings*</b>	519,800 shares.	0 shares.	5,949,164 shares.	5,000 shares.
<b>Non-affiliated to company and management</b>	Yes.	Yes.	Yes.	Yes.
<b>Non-affiliated to major shareholders</b>	Yes.	Yes.	No.	Yes.



**CHARLOTTE STJERNGREN**

Board member
2019
1976
M.Sc. (Econ.) and B.A.
Partner and investor relations consultant at Cord Communications.
None.
Over ten years' experience as a Financial Analyst at investment bank Carnegie, focusing on telecom, IT and small caps. Broad-based experience as a finance journalist, most recently as Editor-in-Chief at finance channel EFN.
8,041 shares.

Yes.
Yes.



**CHRISTOFFER SKOGH**

Employee representative Unionen, Board member
2017
1975
Senior high school graduate, social sciences programme.
Sales Manager & Vice President of NOTE Norrtelje.
None.
Former employee representative of NOTE from 2009-2014. 15 years' experience as an Account Manager. Broad-based experience of several functions including manufacturing, supplier development and strategic procurement.
700 shares.

Yes.
Yes.



**JÖRGEN BLOMBERG**

Employee representative IF Metall, Board member
2021
1979
Senior high school graduate, electrical engineering programme and network training.
Test operator at NOTE Torsby.
IF Metall section 14 Värmland (regular member), ABF Norra Värmland (regular member), Social Democrat Party Torsby (regular member), Swedish Trade Union Confederation Torsby (regular member) and IF Metall Torsby branch (regular member).
Broad-based experience of several NOTE functions including testing, programming and assembly. Also has experience as a servicing and printer technician for companies including Peek Traffic, Europark and Canon.
0 shares.

Yes.
Yes.

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# Report of the Directors

## OPERATIONS—GENERAL

NOTE is one of northern Europe's leading EMS partners. Its market positioning is especially strong in the high mix market segment, i.e. products that require a high level of technological competence and flexibility. NOTE produces PCBAs, subassemblies and box build products. NOTE's offering covers the complete product lifecycle, from design to after-sales. The group consists of parent company NOTE AB (publ) and wholly owned subsidiaries in Sweden, Finland, the UK, Estonia and China.

## OPERATIONS IN 2022

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

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

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

NOTE's growth in all customer segments is gratifying. Industrial, the group's largest segment by some margin, reported a growth rate of 37%, and in Communication, which was previously impacted negatively by the pandemic, growth was 78%. Sales in Medtech gathered momentum in the fourth quarter, with growth of 100%. Growth for the full year amounted to 54%. The Greentech segment was negatively impacted by a demand slowdown in the UK, and growth for the full year was 18%. NOTE expects progressively stronger progress in the Greentech segment in 2023.

In the year, NOTE was compelled to provision for doubtful debt, which impacted profit for the year by SEK -15 million. As a manufacturing partner, NOTE works closely with its customers and monitors their progress carefully. Due to a rapid turnaround on the market for refinancing growth companies, one customer in the UK market was presented with liquidity challenges. This customer, active in charging electric vehicles, filed for administration, and its operations were subsequently acquired by a sector peer. This event did not impact NOTE's underlying business, which continued to perform strongly.

Underlying operating profit for the year increased by 49% to SEK 372 million, simultaneous with our underlying operating margin increasing by 1.0 percentage points to 10.6%. This is adjusted for doubtful debt, currency translation effects and re-invoicing of extraordinary cost of materials without margin. Accordingly, underlying profitability was consistent with estimates, and slightly above the long-term profitability target NOTE set for its operation.

With its high growth rate, NOTE works continuously on ensuring further production capacity when required. NOTE's latest acquisition in Herrljunga, Sweden in early-July, has created the potential to expand manufacturing capacity substantially in Sweden, NOTE's largest domestic market. In early-2023, NOTE also signed an agreement to acquire the real estate where NOTE Torsby operates. This acquisition also includes land that enables continued expansion.

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

## SALES AND EARNINGS, 2022

### Group

#### Sales

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

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

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

Demand progressed very strongly on most of NOTE's domestic markets. In Sweden, NOTE's largest market, growth excluding the acquisition of NOTE Herrljunga, was 32%. Growth from plants in Western Europe was 21%, adjusted for the extra sales of iPRO and NOTE Herrljunga.

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

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

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

#### Results of operations

In order to keep sharpening competitiveness and create the potential for profitable growth, NOTE has been conducting methodical improvement work at all the group's plants for several years. This work is conducted locally at each plant and

through a number of group-wide projects. Over and above initiatives to expand and develop its customer offering, NOTE's focus is on measures that improve delivery precision and quality performance, and on cost and working capital rationalisation. One clear example of outcomes of this improvement work is the company's positive trend of sales per employee over time.

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

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

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

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

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

Profit after net financial items was SEK 311 (237) million, equivalent to

a profit margin of 8.4% (9.0%). The underlying profit after net financial items increased by 47% to SEK 351 (239) million.

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

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

### Parent company

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

## FINANCIAL POSITION, CASH FLOW AND INVESTMENTS

### Cash flow

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

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

As part of these efforts, NOTE has consciously upscaled its inventories of critical components. To finance a portion of this inventory build-up, NOTE has been working actively on letting its customers part-finance inventory through consignment stock and advance payments for

inventory. The combination of high growth along with direct shipping delays to customers of the order of SEK 200 million caused by the shortage on the component market, were contributors to capital tied-up in inventory being 41% higher gross than at the previous year-end. Allowing for customer advance payments, inventory increased by 34% net.

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

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

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

### Equity to assets ratio

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

### Liquidity and net debt

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

The group's reported available cash and cash equivalents, including unused credit facilities, amounted to SEK 244 (215) million at the end of the year. Disregarding estimated financial liabilities on the additional right-of-use assets for leased properties under IFRS 16 (Leases), net debt at the end of the year was SEK 372 (267) million.

### Investments

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

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

## RESEARCH AND DEVELOPMENT ACTIVITIES

In its business as a manufacturing partner, NOTE is closely involved in its customers' development processes through its operations, including contributing to the industrialisation phase and guiding and developing manufacturing processes for its customers. This work is continuous and not reported separately in the accounts.

NOTE continued to work on developing and implementing a group-wide ERP system in the year. The costs, which satisfy the criteria for capitalised expenditure, have been capitalised in the Balance Sheet.

### THE NOTE SHARE

The total number of shares of the company is 28,983,600. All shares are of the

same class and have a quotient value of SEK 0.52 per share. In March 2022, a three-year incentive programme involving share warrants, which was initiated in 2019, expired. All the share warrants outstanding at that time were exercised, which meant that 400,000 new shares were issued, pursuant to the terms and conditions of the programme, raising SEK 11.7 million for the company.

On 31 December 2022, there were no outstanding share warrants.

There are no limitations on transferring shares in the form of pre-emption clauses or similar that the company is aware of. As of the reporting date there was one shareholder with a shareholding of more than 10%, Johan Hagberg with 20.5% (20.6%) of the votes.

The company's Board members are elected annually by the AGM, which also approves amendments of the Articles of Association.

Otherwise, there are no known circumstances that could affect possibilities to acquire the company through a public takeover bid for the shares of NOTE.

For more information on the share and shareholders, see the NOTE share on pages 30-31.

## **GUIDELINES FOR REMUNERATING SENIOR MANAGERS**

Senior executives are the CEO and other members of group management. These guidelines also cover any compensation to Board members in addition to Directors' fees. The guidelines apply to remuneration agreed after the AGM 2022, and on amendments to previously agreed remuneration subsequently. The guidelines do not cover remuneration resolved by shareholders' meetings.

### **Promotion of the company's business operations, long-term interest and sustainability by the guidelines**

In order to be successful on the market and protect the company's long-term interests, including its sustainability, NOTE needs to hire and retain qualified staff. Accordingly, total compensation of the company's employees should be on

market terms and competitive, and be in relation to responsibility and authority.

### **Forms of remuneration, etc.**

Remuneration should consist of the following components: basic salary, potential variable salary subject to separate agreement, pensions and other benefits. In addition—and independent of these guidelines—shareholders' meetings may resolve on share and share price-related payments, for example.

#### *Basic salary*

Basic salary should consist of basic cash salary and subject to yearly review. Basic salary should reflect the standards applying to the position in terms of skills, responsibility, complexity, and the way it contributes to achieve business objectives. Basic salary should also reflect the performance the manager achieved, and thus be individualised and differentiated.

#### *Variable salary*

In addition to basic salary, the CEO and other members of group management may be eligible to receive variable salary on the satisfaction of defined criteria, subject to separate agreements. Variable salary should be linked to one or more predetermined and measurable goals set by the Board of Directors. Outcomes should relate to the satisfaction of objectives of a financial nature, such as profitability, growth and cash flow, and where necessary, individual measurable and qualitative goals.

Because these goals link senior executives' compensation to the company's results of operations and sustainability, they promote execution of the company's business strategy, long-term interests and competitiveness. The criteria should apply for one financial year at a time. The satisfaction of criteria for the payment of variable salary should be measured yearly. As for financial goals, judgement is based on the company's most recently published financial information.

The terms and conditions governing variable salary are designed so that in exceptional circumstances, the Board of Directors can limit or suspend payment of variable salary if such action is considered reasonable.

Additional cash compensation may be payable in extraordinary circumstances to reward extraordinary efforts over and above the individual's regular duties. Decisions on such compensation should be taken by the Board of Directors after proposal by the Remuneration Committee. However, total variable salary in a calendar year may not exceed an amount corresponding to 100% of basic salary.

#### *Pension*

For the CEO and other senior managers, pension benefits including health insurance should be defined contribution, and premiums should not exceed 30% of basic yearly salary. Variable salary should not be pensionable.

#### *Other benefits*

Other benefits, which may include company cars, travel expenses and health insurance, should be on market terms and only comprise a limited portion of total compensation.

## **Termination conditions**

The notice period of the CEO and other members of group management should be six months for termination from the manager's side. On termination from the company's side, a maximum notice period of 12 months should apply. On termination from the company's side, the total of severance and redundancy payments should not be of an amount exceeding 24 months' basic salary.

In addition, compensation for potential non-competition undertakings may be payable. Such remuneration should compensate for potential income losses, and may only be payable where the previous senior executive is not entitled to severance pay. Such compensation may be up to a maximum of 100% of basic salary at the time of termination, and be payable for a period the non-competition undertakings applies, which should be a maximum of 24 months after terminating employment.

## **Fees to Board members**

In special cases, NOTE's Board members elected by shareholders' meetings may be compensated for services in their



relevant skills segments, which are not service on the Board, for a limited period. A fee on market terms may be payable for these services (including services rendered by a Board members through a wholly owned company), providing that such services contribute to NOTE's operations and long-term interests, including its sustainability.

### **Salary and other employment terms of employees**

When consulting on the Board of Directors' proposal on these remuneration guidelines, the salary and employment terms of the company's employees have been considered by factoring information on employees' total compensation, the components of such compensation, increases and rates of increases to compensation over time, into the Remuneration Committee's and the Board of Directors' supporting data when evaluating the reasonableness of the guidelines and their ensuing limitations.

### **Consultative and decision-making process**

The duties of the Remuneration Committee appointed by the Board of Directors include consulting on the principles for remunerating the group management, and the Board of Directors' decision on proposed guidelines for remunerating senior executives. The Board of Directors consults on proposals for new guidelines at least every fourth year, and submits this proposal to the AGM for resolution.

The guidelines apply until new guidelines are adopted by a shareholders' meeting. The Remuneration Committee monitors and evaluates the programme governing variable compensation to group management, the application of guidelines for remunerating senior executives, and applicable compensation structures and levels in the company. Remuneration of the CEO is resolved within the framework of principles approved by the Board of Directors, after considering the recommendation of the Remuneration Committee. Remuneration of other senior executives is decided by the CEO within the framework of the adopted principles after consulting with, and receiving a

recommendation from, the Remuneration Committee. The CEO and other members of group management do not participate in the Board of Directors' consideration of, and decision-making on, remuneration-related issues, to the extent they are affected by these issues.

### **Departure from the guidelines**

The Board of Directors may decide on wholly or partly departing from these guidelines temporarily, if there are special circumstances in an individual case, and if the departure is necessary to protect the company's long-term interests, including its sustainability, or for ensuring the company's financial viability.

Regarding potential employment terms subject to regulations other than Sweden, customary modifications of pension and other benefits should be made to comply with such regulations or accepted local practice, where the overall purpose of these guidelines should be served as far as possible.

For more information on remuneration, see note 7, Employees, personnel expenses and remuneration to senior executives on page 62.

## **SUSTAINABILITY**

### **The environment, obligation of disclosure and certification**

The operations in Sweden are U-classified, and do not require advance testing or reporting. Instead, the regulatory authority (municipal environmental and health board) can require actions or further investigation—if required for environmental or health reasons. NOTE's production plants have ISO 14001 environmental certification.

### **EU directives**

The WEEE directive regulates the processing of electronic waste. Because NOTE does not have producer liability, no provisioning for processing electronic waste from consumer electronics has been made in accordance with IFRIC 6. This responsibility rests with product owners.

The EU Reach regulation formalises the usage of chemicals. NOTE is classed as a downstream user and/or end-user of chemicals, and is only subject to the

obligation to register substances and prepare risk assessments in those cases where the company uses what are known as SVHC materials.

### **Human resources**

The average number of full-time employees was 1,366 (1,218) in the year, 697 (609) of them being women.

Work attendance in the group was 95.6% (96.2%) of regular working hours and staff turnover was 21.8% (17.2%). For more information on employees, see the Sustainability Report on pages 22-25.

For more information on the environment, social conditions and human resources, as well as human rights and anti corruption, see the Sustainability Report on pages 16-27.

## **SIGNIFICANT RISKS OF OPERATIONS**

### **Operational risks**

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

### *Customers*

The risk that a customer leaves NOTE or does not fulfil its obligations.

NOTE has a large base of active accounts, the 15 largest in sales terms represented 49% of its sales in 2022. In most cases, NOTE manufactures a range of products for each customer. Usually, customers choose to place all their production of each product with the same supplier, so they can achieve economies of scale and limit material commitments and risks. Accordingly, NOTE's production volumes are closely linked to which products are manufactured, and the lifecycle phase of customer's products, so sales variations can be significant for individual customers. Usually, materials risk is regulated by agreements with customers. NOTE follows up on material risks continuously by applying tried-and-tested processes.

### *Capacity*

The risk of not having sufficient production capacity.

Overall, NOTE has good production capacity. Production is of a similar nature in several of the group's plants and NOTE can transfer production from one plant to another. However, sudden fluctuations in demand can create capacity challenges in the group's plants. NOTE invests continuously in more efficient production equipment, and in expanding its production premises.

### *Materials*

Price and access to materials.

The pricing of, and supply of, electronic components and other production materials vary significantly depending on market conditions. NOTE has a central organisation to deal with group-wide sourcing issues.

### *Inventories*

The risk of components and production materials not being consumed, and thus losing value.

NOTE has inventories corresponding to some 30% of sales. Sourcing on customers' behalf is normally formalised through agreements with customers. Considering the complexity of EMS and variation in demand, NOTE collaborates closely with customers to limit the risk of obsolescence in inventories. Obsolescence risk is monitored continuously.

### *Cyclicalities and seasonality*

NOTE sells to a large base of customers in Industrial, Communications, Medtech and Greentech. Usually, customers outsource all their electronics production to one or more EMS partners. Accordingly, NOTE's manufacture is never for capacity reasons or to supplement customers' inhouse resources. Deterioration of the global economy, or a demand downturn on NOTE's major markets, would risk impacting NOTE's sales and earnings.

### *Production downtime*

Downtime in production affecting deliveries to customers and causing extra costs.

Because NOTE conducts high-end manufacture of electronics, it is subject to stringent demands for efficient processes and state-of-the-art production equipment. The risk of production downtime is limited by production being of a similar nature across several of the group's plants. Accordingly, NOTE can transfer production from one plant to another, and have its units interact on production, which limits its risks from long-term production downtime. NOTE has extensive insurance cover, including cover to minimise consequential losses caused by production downtime.

### *Competence*

The risk of not possessing sufficient competence in all parts of the business.

NOTE provides sophisticated EMS which require high technical competence across several segments. NOTE endeavours for staff to achieve continuous skills development.

### *IT*

IT-related disruptions can cause production downtime, loss of invoicing and/or reduced efficiency in administration and sales.

NOTE's operations require highly functional IT systems. NOTE has a selection of local applications and operating environments with varying functionality and capacity. Following a far-reaching, group-wide project, a shared, business-specific ERP system has been introduced at all NOTE plants in Sweden, Estonia and Finland. This is a key step in realising the ambition of further harmonising internal processes and systems support group wide. NOTE works continuously to improve its IT security.

### *Sustainability*

Risk of shortcomings in occupational health & safety, as well as corruption.

Certain materials are manufactured by suppliers or sub-contractors in countries where there are risks of shortcomings in occupational health & safety, as well as corruption. Accordingly, NOTE works actively on concentrating its sourcing of materials on suppliers with sustainable and responsible standpoints on these

issues. NOTE communicates its Code of Conduct to suppliers continuously through audits, agreements and business-related meetings.

### *Environment and climate*

The risk that operations harm the environment, and costs for complying with new, more stringent environmental directives.

Unlike many other sectors such as the heavy engineering and raw materials industries, NOTE's business has a fairly limited environmental impact. All plants are environmentally certified and manage environmental and climate-related risks within their environmental management systems. NOTE's operating activities are currently managed essentially unaffected by climate change and extreme climate events. Contingency plans are in place at each plant. The supply of materials may be impacted by climate events in the geographical regions where electronic components are manufactured. NOTE has a central organisation that coordinates group-wide sourcing issues with NOTE's plants, suppliers and customers.

### *Other sustainability*

The risk that operations are involved in human rights breaches.

The risk that conflict minerals may be present in materials that NOTE purchases on assignment from product owners in accordance with their product specification. Accordingly, NOTE conducts mapping processes in consultation with its customers to avoid these risks. Materials used in NOTE's production processes are compliant with international directives on conflict minerals.

### *Liability*

Risks in addition to the above sustainability and environmental risks where NOTE may be liable for claims due to commitments in its business.

NOTE's role includes it being a collaborative partner for customers, but not a product owner. This means that materials selection and production are in accordance with the customer's specification. Usually, the standards applying to NOTE's documentation of services rendered

are extensive and can be considered complex. Quality monitoring of NOTE's production and strategic suppliers is a continuous process. NOTE's insurance cover is assessed to be reasonable and adapted to operational risks. Where possible and financially viable, there is insurance cover that is appropriate for operations.

### Financial risks

Through its operations, the group is exposed to different forms of financial risks, such as borrowing and interest risk, currency risk, as well as liquidity and credit risks. Essentially, the group is financed through equity, loans and accounts payable-trade. Depending on economic and market conditions, NOTE's prospects of securing the required funding and liquidity should be considered as a significant risk.

Invoicing is in Swedish krona and foreign currency, mainly USD and EUR. Otherwise, exchange rate risks lie mainly in the sourcing of production materials. Net exposure in foreign currency is essentially hedged through binding agreements where the customer bears the currency risk, and partly through cash flow hedges. The hedged currencies are USD and EUR.

### Currency

The risk that a fluctuation in exchange rates affects the group's profit, cash flow or Balance Sheet negatively.

Against the background of an increasing share of value-added being generated in foreign plants and the purchasing of electronic components and other production materials being largely in foreign currencies (EUR/USD), NOTE has fairly extensive currency management. With the aim of limiting currency risks, NOTE trades in currency forwards and similar instruments.

### Financing

The risk that refinancing loans is more difficult or costly, and that accordingly, NOTE's solvency is negatively affected.

NOTE needs external finance, primarily linked to the working capital of operations. Different sources of finance are continuously evaluated in close collaboration with NOTE's lenders. Financing costs and NOTE's prospects of re-financing are closely linked to market conditions and NOTE's profitability and cash flow.

### Customer credit

The risk that a customer is unable to pay its debt to NOTE.

Overall, NOTE has a diversified customer base where no single customer (group) represents more than about 6% of sales. In terms of NOTE's business setup, there are some individual customers that do create fairly high exposure in accounts receivable-trade and inventories, including outstanding purchase orders. If these customers' solvency deteriorated, this could have an adverse impact on NOTE's earnings. NOTE evaluates and credit checks new and existing customers.

Ongoing financial reporting includes close monitoring of accounts receivable-trade and inventories, including outstanding purchase orders.

### POST-BALANCE SHEET EVENTS

In January 2023, NOTE signed an agreement to purchase the property and surrounding plot where NOTE Torsby AB operates. This is to enable a future expansion of this operation to address increased demand. The purchase consideration is SEK 41.5 million.

Claes Mellgren, NOTE's current Chairman, has declined re-election to the Board for the AGM 2023, but will remain as Chairman until the AGM on 19 April 2023. Mr. Mellgren has been a Board member of NOTE AB since January 2019, and has held the position of Chairman since April 2021.

The group has no other significant events after the end of the financial year to report.

### EXPECTATIONS OF FUTURE PROGRESS

NOTE has strong order levels, with a range of exciting customers and projects in start-up phases. There is good potential for NOTE to continue its positive progress. NOTE is well positioned to achieve its long-term targets for growth, profitability and sustainability.

### PROPOSED APPROPRIATION OF PROFITS

The Board of Directors propose that profit be appropriated as follows (SEK):

Brought forward	113,778,022
Profit for the year	61,615,136
<b>Total</b>	<b>175,403,158</b>
Distributed to shareholders	
Carried forward	175,403,158
<b>Total</b>	<b>175,403,158</b>

### BOARD OF DIRECTORS' REASONED STATEMENT ON THE PROPOSED DIVIDEND

To ensure maximum financial freedom and enable active participation in the sector's ongoing structural transformation, the Board of Directors is proposing that no dividend is paid for 2022.

With regard to NOTE's results of operations and financial position otherwise, please refer to the Income Statement and Balance Sheet and the Notes on the Financial Statements below. NOTE's financial year is the period 1 January to 31 December inclusive. All amounts are in SEK 000 unless otherwise indicated.





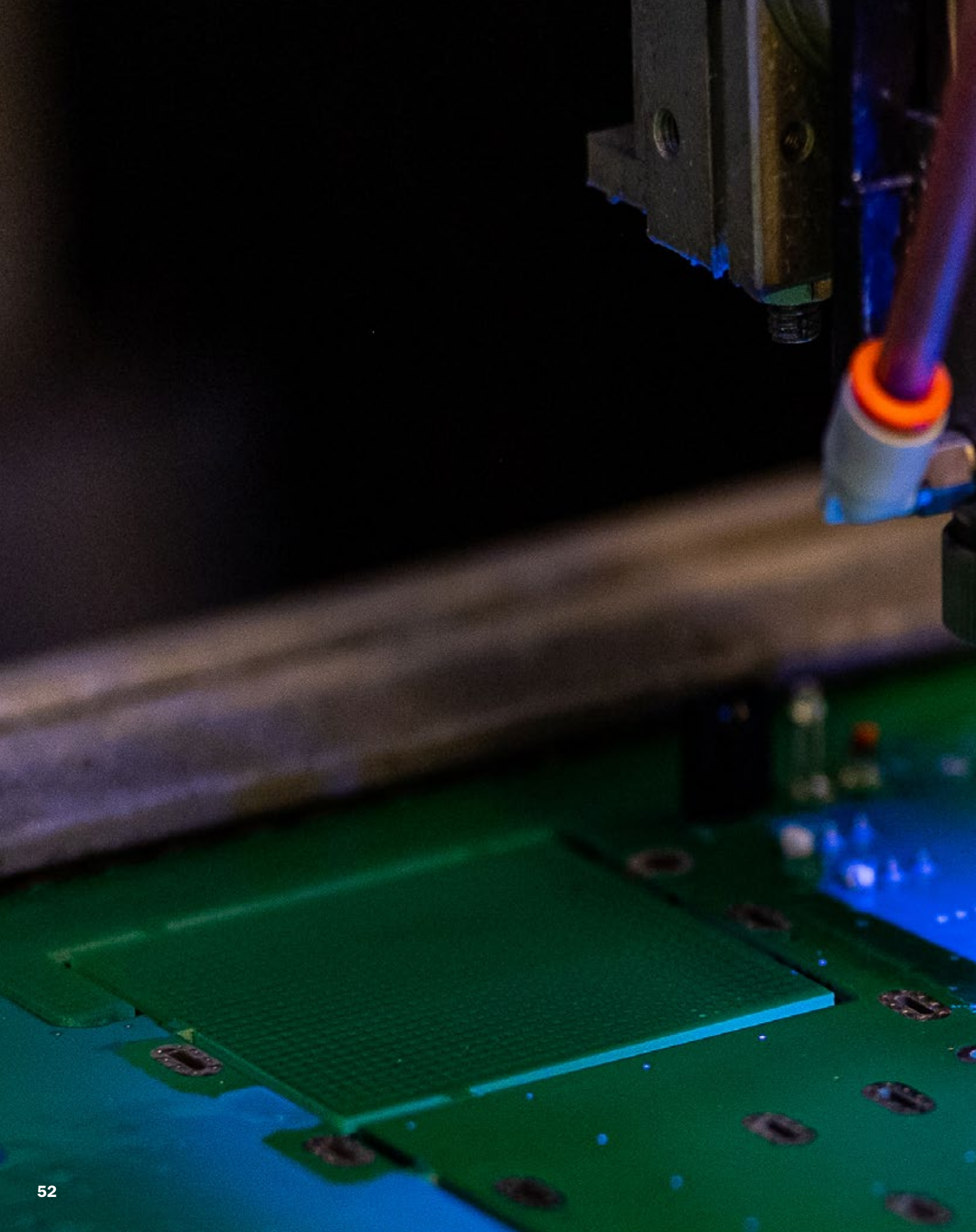


# Five-year summary

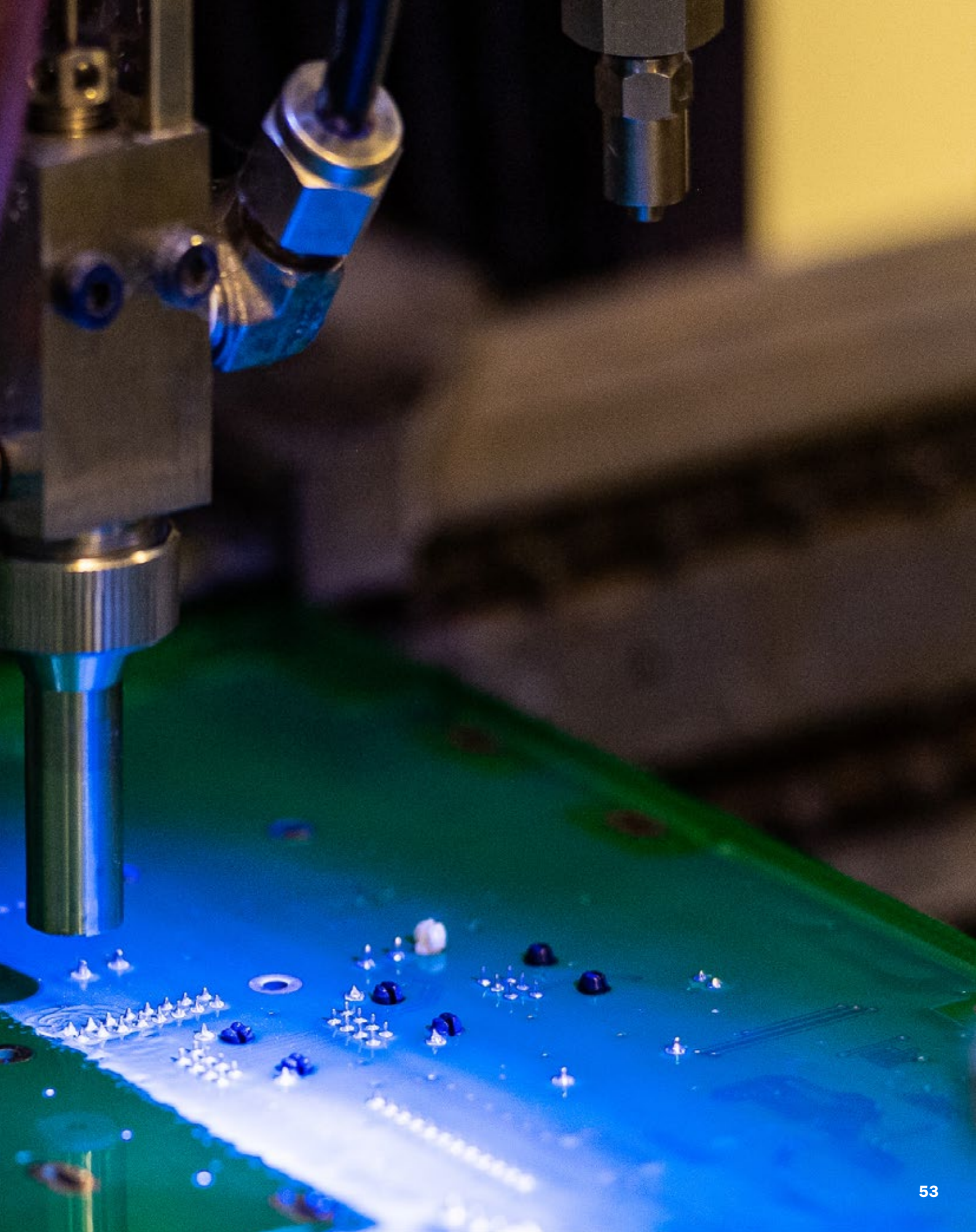
SEK m (unless otherwise stated)

<b>Consolidated Income Statement</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Net revenue	3,687.2	2,643.4	1,873.8	1,760.4	1,378.6
Gross profit	473.2	353.7	224.7	206.5	171.7
Operating profit	344.7	250.5	149.1	124.4	83.9
Profit before tax	310.8	236.7	142.5	116.0	78.8
Profit for the year	254.2	194.1	115.7	92.3	64.2
<b>Consolidated Balance sheet</b>					
<b>Assets</b>					
Non-current assets	508.8	458.5	324.5	288.0	217.5
Current assets	2,256.5	1,705.3	814.6	861.2	766.8
<b>Total assets</b>	<b>2,765.4</b>	<b>2,163.8</b>	<b>1,139.2</b>	<b>1,149.2</b>	<b>984.3</b>
<b>Equity and liabilities</b>					
Equity	1,098.5	800.3	567.6	465.2	383.6
Non-current liabilities	193.7	186.2	110.3	70.6	29.1
Current liabilities	1,473.2	1,177.3	461.3	613.4	571.6
<b>Total equity and liabilities</b>	<b>2,765.4</b>	<b>2,163.8</b>	<b>1,139.2</b>	<b>1,149.2</b>	<b>984.3</b>
<b>Consolidated Cash Flow Statement</b>					
Cash flow from operating activities	49.8	-33.1	188.7	96.5	26.8
Cash flow from investing activities	-81.0	-108.8	-17.0	-21.5	-102.8
<b>Cash flow after investing activities</b>	<b>-31.2</b>	<b>-141.9</b>	<b>171.7</b>	<b>75.0</b>	<b>-76.0</b>
Cash and cash equivalents at beginning of period	99.2	67.7	72.6	31.0	87.2
Cash flow before financing activities	-31.2	-141.9	171.7	75.0	-76.0
Cash flow from financing activities	14.5	168.2	-171.9	-33.5	18.0
Exchange rate difference in cash and cash equivalents	5.2	5.1	-4.8	0.1	1.8
<b>Cash and cash equivalents at end of year</b>	<b>87.7</b>	<b>99.1</b>	<b>67.7</b>	<b>72.6</b>	<b>31.0</b>
<b>Consolidated key figures</b>					
Earnings per share (basic), SEK	8.79	6.82	4.11	3.20	2.22
Earnings per share (diluted), SEK	8.78	6.72	4.05	3.18	2.22
Cash flow per share after investing activities, SEK	-1.08	-4.97	6.06	2.60	-2.63
Market capitalisation at end of period	5,188	6,602	1,691	1,139	616
Operating margin, %	9.3	9.5	8.0	7.1	6.1
Profit margin, %	8.4	9.0	7.6	6.6	5.7
Return on operating capital, %	25.3	27.6	22.7	20.7	17.8
Return on equity, %	26.8	28.4	22.5	21.7	17.1
Operating capital (average)	1,366.0	911.0	655.5	599.5	471.1
Interest-bearing net debt	465.3	369.8	85.3	193.1	157.7
Equity to assets ratio, %	39.7	37.0	49.8	40.5	39.0
Net debt/equity ratio, multiple	0.4	0.5	0.2	0.4	0.4
Interest coverage ratio, multiple	7.7	12.5	9.5	8.1	6.4
Capital turnover rate (operating capital), multiple	2.7	2.9	2.9	2.9	2.9
Sales per employee, SEK 000	2,699	2,170	1,702	1,645	1,407

For Financial definitions, see Note 32 on page 72.







# Consolidated Income Statement

SEK 000	NOTE	2022	2021
Net revenue	2, 3	3,687,202	2,643,393
Cost of goods sold and services		-3,214,031	-2,289,741
<b>Gross profit</b>		<b>473,171</b>	<b>353,652</b>
Selling expenses		-68,589	-58,874
Administrative expenses		-47,501	-40,859
Other operating revenue	4	58,050	24,603
Other operating expenses	5	-70,452	-27,999
<b>Operating profit</b>	3, 6, 7, 8, 26, 28	<b>344,679</b>	<b>250,523</b>
Financial income		12,175	6,744
Financial expenses		-46,085	-20,523
<b>Net financial income/expense</b>	9	<b>-33,910</b>	<b>-13,779</b>
<b>Profit before tax</b>		<b>310,769</b>	<b>236,744</b>
Tax	10	-56,526	-42,681
<b>Profit for the year, attributable to Owners of the Parent Company</b>		<b>254,243</b>	<b>194,063</b>
Earnings per share (basic), SEK	17	8.79	6.82
Earnings per share (diluted), SEK	17	8.78	6.72

# Consolidated Statement of Other Comprehensive Income

SEK 000	2022	2021
<b>Profit for the year</b>	<b>254,243</b>	<b>194,063</b>
<b>Other comprehensive income</b>		
Items that can be subsequently reversed in the Income Statement:		
Exchange rate differences	33,794	35,444
Cash flow hedges	206	120
Tax on cash flow hedges and exchange rate difference	-1,678	-3,123
<b>Total other comprehensive income, net after tax</b>	<b>32,322</b>	<b>32,441</b>
<b>Total comprehensive income for the year, attributable to Owners of the Parent Company</b>	<b>286,565</b>	<b>226,504</b>



# Consolidated Balance Sheet

SEK 000	NOTE	2022-12-31	2021-12-31
<b>Assets</b>			
Goodwill	11	165,578	141,013
Customer relations	11	27,331	25,469
Other intangible assets	11	7,354	9,893
Right-of-use assets–rented properties	3, 12	89,921	101,521
Property, plant and equipment	3, 13	209,103	174,671
Long-term receivables	14	2,222	967
Deferred tax assets	10	7,312	4,943
<b>Total non-current assets</b>		<b>508,821</b>	<b>458,477</b>
Inventories	3, 15	1,253,544	886,639
Accounts receivable–trade	3, 23, 24	872,392	675,084
Tax receivables		4,281	11,749
Other receivables	14	16,815	14,104
Prepaid expenses and accrued income	16	21,850	18,569
Cash and cash equivalents	23, 27	87,657	99,174
<b>Total current assets</b>		<b>2,256,539</b>	<b>1,705,319</b>
<b>Total assets</b>		<b>2,765,360</b>	<b>2,163,796</b>
<b>Equity</b>	18		
Share capital		15,012	14,805
Other paid-up capital		246,945	235,488
Reserves		57,562	25,240
Retained profit incl. profit for the year		778,968	524,725
<b>Total equity attributable to Owners of the Parent Company</b>		<b>1,098,487</b>	<b>800,258</b>
<b>Liabilities</b>			
Long-term interest-bearing liabilities	19, 23, 24	83,679	79,203
Non-current lease liabilities for right-of-use assets–rented properties	19, 23, 24	68,985	79,296
Deferred tax liabilities	10	41,011	27,716
<b>Total non-current liabilities</b>		<b>193,675</b>	<b>186,215</b>
Current interest-bearing liabilities	19, 23, 24	377,100	287,060
Current lease liabilities for right-of-use assets–rented properties	19, 23, 24	23,239	23,413
Advance payment from customers		183,892	88,724
Accounts payable–trade	23, 24	686,255	594,322
Tax liabilities		43,459	52,745
Other liabilities	21	55,549	34,011
Accrued expenses and deferred income	22	102,661	96,147
Other provisions and other financial liabilities	20	1,043	901
<b>Total current liabilities</b>		<b>1,473,198</b>	<b>1,177,323</b>
<b>Total equity and liabilities</b>		<b>2,765,360</b>	<b>2,163,796</b>

For information on the group's pledged assets and contingent liabilities see Note 25 on page 70.

# Consolidated Statement of Changes in Equity

SEK 000	Share capital	Other paid-up capital	Reserves	Retained profit incl. profit for the year	Total equity attributable to Owners of the Parent Company
Opening equity, 1 Jan 2021	14,695	229,478	-7,201	330,662	567,634
<b>Comprehensive income</b>					
Profit for the year				194,063	194,063
<b>Other comprehensive income</b>					
Exchange rate differences			35,444		35,444
Cash flow hedges			120		120
Tax on cash flow hedges and exchange rate difference			-3,123		-3,123
<b>Total comprehensive income</b>			<b>32,441</b>	<b>194,063</b>	<b>226,504</b>
New share issue	110	6,010			6,120
<b>Closing equity, 31 Dec 2021</b>	<b>14,805</b>	<b>235,488</b>	<b>25,240</b>	<b>524,725</b>	<b>800,258</b>

SEK 000	Share capital	Other paid-up capital	Reserves	Retained profit incl. profit for the year	Total equity attributable to Owners of the Parent Company
Opening equity, 1 Jan 2022	14,805	235,488	25,240	524,725	800,258
<b>Comprehensive income</b>					
Profit for the year				254,243	254,243
<b>Other comprehensive income</b>					
Exchange rate differences			33,794		33,794
Cash flow hedges			206		206
Tax on cash flow hedges and exchange rate difference			-1,678		-1,678
<b>Total comprehensive income</b>			<b>32,322</b>	<b>254,243</b>	<b>286,565</b>
New share issue	207	11,457			11,664
<b>Closing equity, 31 Dec 2022</b>	<b>15,012</b>	<b>246,945</b>	<b>57,562</b>	<b>778,968</b>	<b>1,098,487</b>

# Consolidated Cash Flow Statement

SEK 000	NOTE	2022	2021
	27		
<b>Operating activities</b>			
Profit before tax		310,769	236,744
Reversed depreciation and amortisation		83,244	66,375
Other non-cash items	27	20,032	710
Tax paid		-55,037	-16,806
		<b>359,008</b>	<b>287,023</b>
<b>Change in working capital</b>			
Increase (-)/decrease (+) in inventories		-317,795	-422,211
Increase (-)/decrease (+) in trade receivables		-152,235	-259,879
Increase (+)/decrease (-) in trade liabilities		160,811	361,942
		<b>-309,219</b>	<b>-320,148</b>
<b>Cash flow from operating activities</b>		<b>49,789</b>	<b>-33,125</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment		-46,412	-27,492
Purchase of intangible assets		-705	-1,152
Acquisition of subsidiary	29	-33,840	-80,144
<b>Cash flow from investing activities</b>		<b>-80,957</b>	<b>-108,788</b>
<b>Financing activities</b>			
Borrowings	27	63,422	220,210
Amortisation of leasing debts and other interest-bearing liabilities	27	-60,585	-58,104
New share issue		11,664	6,119
<b>Cash flow from financing activities</b>		<b>14,501</b>	<b>168,225</b>
<b>Cash flow for the year</b>		<b>-16,667</b>	<b>26,312</b>
<b>Cash and cash equivalents</b>			
At beginning of period		99,174	67,738
Cash flow before financing activities		-31,168	-141,913
Cash flow from financing activities		14,501	168,225
Exchange rate difference in cash and cash equivalents		5,150	5,124
<b>Cash and cash equivalents at end of period</b>		<b>87,657</b>	<b>99,174</b>

# Notes on the Consolidated Financial Statements

## NOTE 1 Critical accounting principles

### Consistency with standards and law

The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as endorsed by the EU and interpretation statements from the International Financial Reporting Interpretations Committee (IFRIC). RFR's (Rådet för finansiell rapportering, the Swedish Financial Reporting Board) recommendation RFR 1, Supplementary Accounting Rules for Groups, has been applied.

### Basis of preparation of the consolidated financial statements

The parent company's functional currency is the Swedish krona, which is also the presentation currency for the parent company and group. Unless otherwise stated, all amounts are rounded to the nearest thousand.

Judgements made by management when applying IFRS that have a significant impact on the financial statements and estimates made that may imply significant restatements of following years' financial statements are reviewed in more detail in Note 30, Critical estimates and judgements on page 71.

The following accounting principles for the group have been applied consistently for all periods presented in the consolidated financial statements, unless stated otherwise below. The group's accounting principles have been applied consistently on reporting and consolidating the parent company and subsidiaries.

The annual accounts and consolidated accounts were approved by the Board for issuance on 23 March 2023. The Consolidated Income Statement and Balance Sheet will be subject to adoption at the AGM (Annual General Meeting) on 19 April 2023. 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.

### Revised accounting principles

None of the IFRS or IFRIC interpretation statements that are mandatory for first-time adoption in accounts for financial years beginning 1 January 2022 or later are expected to have any material impact on the group.

### New standards and interpretations

A number of new standards and interpretations come into effect for financial years beginning after 1 January 2021, and were not applied in the preparation of these financial statements. None of them are expected to have any material impact on the consolidated financial statements.

### Operating segments

Operating segments are reported in a manner consistent with internal reporting submitted to the chief operating decision maker. The chief operating decision maker is that function with responsibility for allocating resources and judging the results of an operating segment. In the group, this function has been identified as the CEO.

### Classification, etc

Essentially, the non-current assets and non-current liabilities of the group exclusively comprise amounts expected to be recovered or paid after more than 12 months from year-end. Essentially, the current assets and current liabilities of the group only comprise amounts expected to be recovered or paid within 12 months of the reporting date.

### Consolidation principles

#### Subsidiaries

Subsidiaries are companies under the controlling influence of NOTE AB. A controlling influence implies the direct or indirect right to formulate a company's financial and operational strategies with the aim of receiving economic rewards. When judging whether a controlling influence exists, potential shares conferring voting rights that can be exercised or converted without delay are considered.

The group comprises the parent company and 12 wholly owned companies. Subsidiaries are reported in accordance with acquisition accounting. Acquisition accounting means that acquisition of a subsidiary is considered as a transaction whereby the group indirectly acquires the subsidiary's assets and takes over its liabilities and contingent liabilities. The consolidated cost is determined using an acquisition analysis relating to the acquisition. This analysis determines partly the cost of participations or operation, and partly the fair value of acquired identifiable assets and liabilities and contingent liabilities taken over on the acquisition date. The cost of subsidiary shares and operations is the total of the fair value of assets paid, liabilities arising or taken over, and for equity instruments issued that are submitted as payment in exchange for the acquired net assets. In business combinations where the acquisition cost exceeds the fair value of acquired assets and liabilities and contingent liabilities taken over that are recognised separately, the difference is recognised as goodwill. When the difference is negative, this is recognised directly in the Income Statement. Subsidiary financial statements are consolidated from the acquisition date until the date the controlling influence ceases. For acquisitions until 2009 inclusive, transaction expenses directly attributable to the acquisition were also included in cost. For acquisitions from 2010 onwards, transaction costs are recognised in the Income Statement.

#### Transactions to be eliminated on consolidation

Receivables from and liabilities to group companies, revenues or expenses and unrealised

gains or losses arising from group transactions, are fully eliminated when preparing the consolidated financial statements.

### Foreign currency

#### Foreign currency transactions and balance sheet items

Foreign currency transactions are translated to the functional currency (SEK) at the rate of exchange ruling on the transaction date. Foreign currency monetary assets and liabilities are translated to the functional currency at the rates of exchange ruling at the reporting date. The exchange rate differences arising on translation are recognised in the Income Statement. The exceptions are when the transactions are hedges that satisfy the requirements of hedge accounting, when the loss/gain is recognised in other comprehensive income.

Exchange rate gains and losses relating to loans and cash and cash equivalents are recognised as financial revenue or expenses in the Income Statement. All other exchange rate gains and losses are recognised as other operating revenue or expenses in the Income Statement.

#### Financial statements of foreign operations

The assets and liabilities of foreign operations including goodwill and other consolidated surpluses and deficits are translated to Swedish krona at the rates of exchange ruling at the reporting date. The revenues and expenses of foreign operations are translated to Swedish krona at an average rate of exchange, which is an approximation of the rates of exchange ruling at each transaction date. Translation differences arising from the currency translation of foreign operations are recognised in other comprehensive income.

### Revenues

When NOTE has a binding agreement with a customer, performance obligations and transaction price pursuant to this agreement are identified. An agreement that is binding is normally reached when a customer places an order that is confirmed by NOTE. Orders are often based on some form of master agreement, but these are non-binding in terms of quantities. Transaction prices are measured as the fair value of what will be received, and correspond to the amount received for sold goods after deducting for discounts, returns and VAT.

#### Sale of goods

NOTE's revenues are mainly sourced from the production of goods in the form of PCBAs, subassemblies or box build products. Products are manufactured according to customer specification, but NOTE participates in tailoring the manufacturing process. NOTE's performance obligation is to produce and deliver in accordance with the customer's order. Revenue from the sale of goods is recognised in profit or loss when the performance obligation is considered satisfied, which is when control over the goods transfers to the customer in accordance with the terms & conditions of delivery. Usually, a performance obligation is fulfilled at a single point in time. If there is significant uncertainty regarding payment, associated expenses or the risk of returns, no revenues are recognised.

#### Sales of services

Revenue for the sale of services occurs in the form of consulting services relating to prototyping, etc. Revenue from the sale of services is recognised over time providing that NOTE is entitled to compensation if a project is cancelled in advance. If there is no such right, revenue is recognised when the project has been completed, and the right to compensation is invoked.

### Central government support

Central government support intended to cover expenses is allocated and recognised in profit or loss over the same period as the expenses the subsidies are intended to compensate for. Central government support for investments is recognised as a reduction of the carrying amount of the asset.

### Leases

The group recognises rights of use and lease liabilities relating to all lease arrangements in its Balance Sheet, with certain exceptions. This model reflects the lessee's rights to use an asset for a specific period of time at the start of the lease, and its liability to pay for this right. In evaluating a lease arrangement, lease components are separated from those components not containing a lease, and the lease period is defined considering any applicable extension or cancellation options.

The lease liability is initially measured as the present value of lease payments that are not paid at the start state, normally discounted based on the group's incremental borrowing rate for leases. Lease payments included in the liability are fixed payments, variable payments affected by indexation or other adjustment factor, residual values and penalties for breach of contract.

Rights of use are initially measured at cost, which initially, is the same amount as defined on initial measurement of the lease liability, restated for any lease payments before and at the start state, less any discounts received, plus any initial direct expenses or restoration costs.

The group applies the practical expedient entitling it not to recognise short-term lease arrangements, and leases with low underlying asset values. For these arrangements, expenses are recognised on a straight-line basis. The interest cost for least liabilities is presented as a component of financial expenses separately from amortisation of rights of use.



In the Cash Flow Statement, payments attributable to the lease liability are recognised in financing activities, while payments for short-term leases, leases of low value assets and variable lease payments not included in measurement of the lease liability are recognised in operating activities.

The group has decided to continue to recognise machinery and other plant financed with leases under the property, plant and equipment item.

For more information see note 12 Right-of-use assets on page 65 and note 13 Property, plant and equipment on page 66.

### Financial income and expenses

Financial income and expenses comprise interest income on bank balances and receivables, interest expenses on loans and lease liabilities, exchange rate differences and un-realised and realised gains on financial investments and derivative instruments used in financing activities.

Interest income/ expenses are recognised according to the effective interest method. Effective interest is the interest that discounts estimated future payments received and made during the expected term of a financial instrument, at the financial asset's or liability's recognised net value. The calculation includes all expenditure paid or received from contract counterparties that is a part of effective interest, transaction expenses and all other premiums and discounts.

### Financial instruments

#### Classification

The group classifies its financial assets and liabilities in the following categories: financial assets and liabilities measured at fair value, and assets and liabilities measured at amortised cost. The classification of investments in debt instruments depends on the group's business model for accounting financial assets and the contracted terms for the cash flows of these assets.

#### Financial assets and liabilities measured at fair value

For the group, any derivatives not included in hedge accounting, and the contingent portion of the purchase consideration of acquisitions is included in this category.

#### Assets measured at amortised cost

The group's assets in this class consist of trade receivables, cash and cash equivalents and the financial instruments recognised under other receivables.

Trade receivables and other financial receivables are initially recognised at transaction price. However, trade receivables with a significant financing component are recognised at fair value. The group holds trade receivables in order to collect contracted cash flows and accordingly, at subsequent reporting dates, measures them at amortised cost by applying the effective interest method less any credit allowances. Trade receivables and other receivables are included in current assets apart from items with due dates more than 12 months from the reporting period, which are classified as non-current assets.

Cash and cash equivalents consist of cash funds and immediately available balances with banks and corresponding institutions.

#### Liabilities recognised at amortised cost

The group's liabilities in this class consist of non-current and current interest-bearing liabilities, accounts payable—trade and those financial instruments recognised in other liabilities.

Interest-bearing liabilities, accounts payable—trade and other financial liabilities are initially recognised at fair value including transaction costs, and subsequently at amortised cost by applying the effective interest method.

#### Recognition and measurement

A financial asset or financial liability is recognised in the Balance Sheet when the company becomes party to the instrument's contracted terms. Accounts receivable—trade are recognised in the Balance Sheet when invoices are sent. Liabilities are recognised when the counterparty has delivered and there is a contracted obligation to pay, even if no invoice has been received. Accounts payable—trade are recognised when invoices are received.

A financial asset is de-recognised from the Balance Sheet when the contracted rights are realised, mature or the company relinquishes control over them. The same applies to part of a financial asset. A financial liability is de-recognised from the Balance Sheet when the contracted obligation is satisfied or otherwise extinguished. The same applies to part of a financial liability.

NOTE uses factoring as part of its external finance. NOTE has two types of factoring setup. In the first, the risk of the customer receivable remains with NOTE. The whole factored customer receivable is recognised as collateral pledge in the group's contingent liabilities. The factoring debt is recognised as a current interest-bearing liability on payment. On full payment from the customer, the amount in accounts receivable—trade and in the factoring liability are zeroed, and NOTE's contingent liability ceases.

With NOTE's other factoring set up, used only in Estonia, 90% of the risk in accounts receivable—trade transfers to the lender. Because 90% of the risk transfers to the lender, only the remaining 10% is accounted as customer receivables. No liability or contingent liability is accounted in this setup.

A financial asset and financial liability are offset and recognised at a net amount in the Balance Sheet only when there is a legal right to offset the amount and there is an intention to settle the items at a net amount or to simultaneously realise the asset and settle the liability.

Purchases and sales of financial assets are recognised on the transaction date, which is the date the company undertakes to purchase or sell the asset.

#### Impairment of financial assets

##### Assets recognised at amortised cost

The group accounts the expected future credit losses associated with assets at amortised

cost. The group reports a credit lost reserve for such expected credit loss at each reporting date. For accounts receivable—trade, the group uses the simplified approach for credit reserves, i.e. the reserve corresponds to the expected loss over the whole term of accounts receivable—trade. To measure the expected credit losses, NOTE makes a case-by-case assessment of outstanding assets. The group uses prospective variables for expected credit losses. Historic credit losses have also been considered but are not significant. Expected credit losses are recognised in the Consolidated Income Statement under the cost of goods sold item. Extraordinary credit risks relating to Covid-19 are recognised in the Consolidated Income Statement on the other operating expenses line.

#### Hedge accounting

Currency exposure regarding future forecast flows is partly hedged through currency forwards. Currency forwards that hedge future flows are recognised in the Balance Sheet at fair value. Changes to fair value are recognised in other comprehensive income and are reclassified from equity to profit or loss in those periods when the hedged item affects profit or loss. When a forecast transaction is no longer expected to occur, the accumulated gain or loss recognised in other comprehensive income is immediately reclassified from equity to the Income Statement.

### Property, plant and equipment

Property, plant and equipment are recognised in the group at cost less deductions for accumulated depreciation and potential impairment losses. The cost includes the purchase price and expenses directly attributable to bringing the asset into the location and condition for use in accordance with the purpose of its acquisition. The accounting principles for impairment losses are reported below.

Property, plant and equipment that comprise components of differing useful lives are treated as separate components of property, plant and equipment.

The carrying amount of property, plant and equipment is de-recognised from the Balance Sheet on disposal or sale, or when no future economic rewards are expected from using or disposing of/selling the asset. Profits or losses arising upon disposal or sale of an asset comprise the difference between the sales price and the asset's carrying amount less direct selling expenses. Profits and losses are recognised as other operating revenue/expenses.

#### Additional expenditure

Additional expenditure is added to cost only if it is likely that the future economic rewards associated with the asset will arise for the company, and the cost can be measured reliably. All other additional expenditure is recognised as a cost in the period it occurs. Additional expenditure is added to cost to the extent that the performance of the asset is improved in relation to the level applying when originally acquired. All other additional expenditure is recognised as a cost in the period it occurs. Whether expenditure relates to the exchange of identifiable components, or parts thereof, is decisive to evaluation of when additional expenditure is added to cost, whereupon such expenditure is capitalised. Even in those cases where new components are added, expenditure is added to cost. Potential carrying amounts not expensed on exchanged components, or parts of components, are retired and expensed at exchange. Repairs are expensed on an ongoing basis.

#### Depreciation principles

Depreciation is on a straight-line basis over the estimated useful lives of assets. Land is not depreciated. The group utilises component depreciation, which means that the components' estimated useful lives are the basis for depreciation.

#### Estimated useful lives:

→ Land improvements	20 years
→ Buildings, real estate used in business operations	see below
→ Leasehold improvements—permanent equipment, servicing facilities etc. in buildings	5 years
→ Leasehold improvements—permanent installation, buildings	20 years
→ Permanent equipment, servicing facilities etc. in buildings	see below
→ Plant and machinery	5–10 years
→ Equipment, tools fixtures and fittings	3–5 years

Real estate used in business operations comprises a number of components with differing useful lives. The main division is buildings and land. However, buildings comprise several components, whose useful lives vary. The useful lives of these components are assessed to vary between 10 and 100 years.

The following main groups of components have been identified and are the basis for depreciation on buildings:

→ Framework	100 years
→ Additions to framework, interior walls, etc.	20–40 years
→ Fixtures and fittings, heating, electricity, ventilation and sanitation, etc.	20–40 years
→ Exterior surfaces, frontage, external roofing, etc.	20–30 years
→ Interior surfaces, mechanical equipment, etc.	10–15 years

The depreciation methods applied and residual values and useful lives of assets are re-evaluated at each year-end.

### Intangible assets

#### Goodwill

Goodwill is the difference between the cost of a business combination and the fair value of acquired assets, liabilities taken over and contingent liabilities.

Goodwill is recognised at cost less potential accumulated impairment losses. There is no amortisation of goodwill. Goodwill from a business combination is allocated to the

groups of cash generating units that are expected to benefit from the synergies of the business combination. NOTE allocates goodwill to the Western Europe and Rest of World business segments. Goodwill is subject to impairment tests at least yearly.

#### *Customer relationships*

Customer relationships have been identified on business combinations and are an intangible asset. Customer relationships are measured at fair value on acquisition, and then amortised on the straight-line basis over their expected useful life corresponding to the estimated time they will generate cash flows (see below).

#### *Other intangible non-current assets*

Other intangible non-current assets consist of capitalised expenditure for software, and trademarks etc. Other intangible assets acquired by the group are recognised at cost less accumulated amortisation (see below).

Expenses incurred for internally generated goodwill and internally generated trademarks and brands are recognised in the Income Statement when the expense occurs.

For several years, a new ERP system has been implemented in the Group companies whose cost was covered by purchased consulting hours and time allocated to the project internally, which satisfies the criteria for capitalised expenditure.

#### *Additional expenditure*

Additional expenditure for capitalised intangible assets is recognised as an asset in the Balance Sheet only when it increases the future economic rewards for the specific asset to which it is attributable. All other expenditure is expensed as it occurs.

#### *Amortisation*

Amortisation is recognised in the Income Statement on a straight-line basis over the estimated useful lives of intangible assets, providing such useful lives are not indefinite. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are:

→ Goodwill	-
→ Customer relationships, trademarks, brands and similar rights	5 years
→ Capitalised expenditure on software	10 years
→ Capitalised expenditure for process development	3-5 years

#### **Inventories**

Inventories are recognised at the lower of cost and net realisable value. Net realisable value is the estimated sales price in operating activities less estimated expenditure for completion and achieving a sale.

Cost is calculated by applying the FIFO (first in first out) method and includes expenditure arising from the acquisition of inventory items and their transportation to their current location and condition. The cost of producing finished goods and work in progress includes a reasonable proportion of indirect expenses based on normal capacity utilisation.

The cost of finished and semi-finished goods produced by the company includes direct production expenses and a reasonable proportion of indirect production expenses. Valuations consider normal capacity utilisation.

Inventories are recognised net of deductions for individually judged risk of obsolescence.

#### **Impairment**

With the exception of inventories, deferred tax assets and financial assets, the carrying amounts of the group's assets are subject to impairment tests at each reporting date. If there are indicators of impairment, the asset's recoverable value is calculated. Assets exempted by the above are subject to impairment tests in accordance with the relevant standards.

An impairment loss is recognised when an asset or cash-generating unit's carrying amount exceeds its recoverable value. An impairment loss is charged to the Income Statement. Impairment losses on assets attributable to cash-generating units (group of units) are primarily assigned to goodwill. A proportional impairment loss of the unit's other constituent assets (group of units) is effected subsequently.

#### *Measuring recoverable values*

Recoverable value is the greater of fair value less selling expenses and value in use.

#### *Reversal of impairment losses*

Impairment of goodwill is not reversed. Impairment losses on other assets are reversed if changes to the assumptions forming the basis for calculating the recoverable value have occurred. An impairment loss is only reversed to the extent the asset's carrying amount after reversal does not exceed the carrying amount the asset would have had if no impairment loss had been effected, considering the depreciation or amortisation that would then have been effected.

#### **Share capital**

##### *Dividends*

Dividends are recognised as a liability after the AGM has approved the dividends.

#### **Employee benefits**

##### *Defined-contribution pension plans*

Obligations regarding expenditure on defined-contribution plans are recognised as an expense in the Income Statement when they occur.

A defined contribution pension plan is a pension plan by which NOTE pays fixed charges to a separate legal entity. NOTE does not have any legal or informal obligation to pay further contributions if this legal entity does not have sufficient assets to pay all benefits to employees associated with employees' service during current or previous periods.

##### *Termination benefits*

A cost for remuneration coincident with the notices of termination to staff is recognised only if the company has demonstrably committed to terminate employment before the normal time, without the realistic possibility of withdrawing its decision, by a formal detailed plan. When remuneration is disbursed as an offering to encourage voluntary redundancies, a cost is recognised if it is probable that the offer will be accepted and that the number of employees who will accept the offer can be reliably estimated.

#### **Provisions**

Provisions are recognised in the Balance Sheet when the group has an obligation, and it is likely that an outflow of economic resources will be necessary to fulfil the obligation and the amount can be reliably measured. Provisions are measured at the present value of the amounts expected to be required to fulfil the obligation.

##### *Restructuring programme and other non-recurring expenses*

A restructuring programme provision is recognised when the group has determined an executable and formal restructuring programme plan, and the restructuring programme has either begun or been publicly disclosed.

Non-recurring expenses mean expenses of significant amounts, and simultaneously, of such a nature that they can be considered as non-operating and not recurrent each year. For example, non-recurring expenses are impairment of assets in disputes and expenses relating to changing CEOs.

#### **Tax**

Income tax comprises current tax and deferred tax. Income tax is recognised in the Income Statement apart from when the underlying transaction is recognised directly in other comprehensive income or directly against equity, whereupon the associated tax effect is recognised in other comprehensive income or directly in equity.

Current tax is tax to be paid or received for the current year, applying the tax rates enacted or substantively enacted as of the reporting date, which also includes adjustments to current tax attributable to previous periods.

Deferred tax is calculated according to the balance sheet method, proceeding from temporary differences between carrying amounts and taxable values of assets and liabilities. The following temporary differences are not considered; for temporary differences arising in the first-time recognition of goodwill, the first-time recognition of assets and liabilities that are not business combinations, and that at the time of the transaction neither influence reported nor taxable profits. Nor are temporary differences attributable to participations in subsidiaries not expected to be reversed within the foreseeable future considered. The measurement of deferred tax is based on how the carrying amounts of assets or liabilities are expected to be realised or settled. Deferred tax is calculated by applying the tax rates and tax regulations that are enacted or substantively enacted as of the reporting date.

Deferred tax assets on taxable temporary differences and loss carry-forwards are only recognised to the extent it is likely that they will be utilised. The value of deferred tax assets is reduced when it is no longer considered likely that they can be utilised.

#### **Earnings per share**

The measurement of earnings per share is based on the consolidated profit for the year and on the weighted average number of shares outstanding in the year. When measuring earnings per share after dilution, the average number of shares is adjusted to take into account effects of any diluting ordinary shares, which, in the relevant reporting period, derive from share warrants issued to senior management.

#### **Contingent liabilities**

A contingent liability is recognised when there is a possible commitment resulting from events that have occurred and whose incidence is only confirmed by one or more uncertain future events, or when there is a commitment that is not recognised as a liability or provision because it is not likely that an outflow of resources will be necessary or the size of the commitment can be reliably measured.

## NOTE 2 Revenue from customer segments

All group sales are derived from EMS operations, i.e. contract manufacture services for electronics products. Essentially, revenue is recognised when control over the goods has transferred, which occurs on shipment from the warehouse. Generally speaking, NOTE has a diversified customer base where no single customer (group) represents more than 6% (7%) of total group sales. NOTE divides its sales into four customer segments. A review of these segments is under This is NOTE on page 3.

	Western Europe		Rest of World		Intra-group		Total	
External net revenue	2022	2021	2022	2021	2022	2021	2022	2021
Industrial	1,248,366	906,505	668,525	488,879	-	-	1,916,891	1,395,384
Communications	231,821	111,028	354,381	218,488	-	-	586,202	329,516
Medtech	410,941	266,549	27,661	18,895	-	-	438,602	285,444
Greentech	656,870	554,424	88,637	78,625	-	-	745,507	633,049
<b>Total</b>	<b>2,547,998</b>	<b>1,838,506</b>	<b>1,139,204</b>	<b>804,887</b>	<b>-</b>	<b>-</b>	<b>3,687,202</b>	<b>2,643,393</b>

Regarding future sales, the group order backlog consists of a combination of fixed orders and customer forecasts/material authorizations.

## NOTE 3 Operating segments

Significant key figures for NOTE's operating segments are in the following table. 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 serial production. 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. The segment also includes group eliminations.

	Western Europe		Rest of World		Intra-group		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
External net revenue	2,547,998	1,838,506	1,139,204	804,887	-	-	3,687,202	2,643,393
Internal net revenue	10,624	28,956	54,704	77,846	-65,328	-106,802	-	-
<b>Net revenue</b>	<b>2,558,622</b>	<b>1,867,462</b>	<b>1,193,908</b>	<b>882,733</b>	<b>-65,328</b>	<b>-106,802</b>	<b>3,687,202</b>	<b>2,643,393</b>
<b>Operating profit</b>	<b>273,566</b>	<b>193,966</b>	<b>90,888</b>	<b>71,871</b>	<b>-19,775</b>	<b>-15,314</b>	<b>344,679</b>	<b>250,523</b>
Financial income and expenses-net							-33,910	-13,779
<b>Profit before tax</b>							<b>310,769</b>	<b>236,744</b>
<b>Significant assets by segment</b>								
Right-of-use assets -rented properties	78,356	85,314	5,658	8,909	5,907	7,298	89,921	101,521
Property, plant and equipment	161,081	132,499	47,771	41,787	251	385	209,103	174,671
Inventories	927,051	610,661	326,493	275,978	-	-	1,253,544	886,639
External accounts receivable-trade	625,553	476,617	244,269	195,953	2,570	2,514	872,392	675,084
Total assets	2,287,387	1,764,175	753,621	617,617	-275,648	-217,996	2,765,360	2,163,796
<b>OTHER INFORMATION</b>								
Investments in property, plant and equipment	64,878	50,943	11,128	13,708	38	2,018	76,044	66,669
Depreciation and amortisation	-65,986	-51,579	-12,104	-9,922	-5,154	-4,874	-83,244	-66,375
Average number of employees	782	658	569	543	15	17	1,366	1,218

NOTE's registered office is in Sweden. Revenues from external customers in Sweden were SEK 1,665.5 (1,110.8) million, in Finland SEK 198.4 (185.2), million, in Germany SEK 132.1 (113.2) million, in Italy SEK 90.0 (79.5) million, in the UK SEK 731.2 (553.8) million, from the rest of Europe SEK 373.9 (181.5) million, in China SEK 213.4 (200.9) million, in USA SEK 192.0 (161.3) million and from the rest of the world SEK 90.7 (57.2) million. Non-current assets in Sweden (excluding financial) were SEK 280.8 (233.7) million, in Estonia SEK 36.3 (28.8) million, in Finland SEK 27.4 (23.1) million, the UK SEK 124.9 (132.1) million and in China SEK 29.9 (34.9) million as of the reporting date. Deferred tax assets in Sweden were SEK 1.3 (0.4) million and other countries SEK 6.0 (4.5) million as of the reporting date.

## NOTE 4 Other operating revenue

	2022	2021
Exchange gains on trade receivables/liabilities	55,692	16,352
Refund FORA	-	5,423
Reversed rent provision	-	1,996
Reversed contingent consideration, acquisition	-	601
Other	2,358	231
<b>Total</b>	<b>58,050</b>	<b>24,603</b>

Reversed contingent consideration for acquisitions relate to all reversals for the cases of predefined threshold values not being fully achieved. For 2021, the reversed contingent consideration relates to the acquisition of iPRO in 2021. For more information, see note 24 Financial risks and finance policy on page 69-70.

## NOTE 5 Other operating expenses

	2022	2021
Exchange losses on trade receivables/liabilities	-70,452	-27,620
Other	-	-379
<b>Total</b>	<b>-70,452</b>	<b>-27,999</b>

## NOTE 6 Operating expenses by type

	2022	2021
Cost of goods and materials	-2,520,361	-1,742,201
Personnel expenses	-540,939	-450,776
Depreciation and amortisation	-83,244	-66,375
Other	-256,029	-158,121
<b>Total</b>	<b>-3,400,573</b>	<b>-2,417,473</b>

## NOTE 7 Employees, personnel expenses and remuneration to senior management

Expenses for employee benefits	2022	2021
Salaries and benefits	-419,104	-344,020
Pension expenses, defined-benefit plans	-	-
Pension expenses, defined-contribution plans	-26,684	-23,471
Social security contributions	-95,151	-83,285
<b>Total</b>	<b>-540,939</b>	<b>-450,776</b>

Support received is SEK 7.7 (3.3) million, which reduced expenses for salaries and benefits.

Average number of employees	2022	Of which men	2021	Of which men
Sweden	518	60%	444	62%
UK	206	53%	165	56%
Finland	59	49%	58	52%
Estonia	293	29%	267	32%
China	290	46%	284	45%
<b>Group total</b>	<b>1,366</b>	<b>49%</b>	<b>1,218</b>	<b>50%</b>

Division between sexes in group management	2022 Share of women	2021 Share of women
Board members, Presidents	46%	30%
Other senior management, 3 (3) people	36%	0%

### Alecta

The commitments for retirement and survivors' pensions for salaried employees in Sweden are largely insured through a policy with Alecta. Statement UFR10 from The Swedish Financial Reporting Board, Classification of ITP plans financed by insurance in Alecta, defines this as a defined-benefit multi-employer plan. For the financial year 2022, the company did not have access to sufficient information enabling the plan to be reported as a defined-benefit plan. Thus, ITP (Supplementary Pensions for Salaried Employees) plans insured through Alecta are reported as defined-contribution plans.

The expenditure for pension policies with Alecta in the year were SEK 3.8 (3.7) million. The charges for next year are estimated at some SEK 3.0 million. The group's share of total expenditure to the plan is negligible. Alecta's surplus can be divided between policyholders and/or beneficiaries. At year-end 2022, Alecta's surplus, expressed as a collective consolidation ratio was 172% (172%). The collective consolidation ratio comprises the market value of Alecta's assets as a percentage of insurance commitments calculated in accordance with Alecta's actuarial calculation assumptions, which are not consistent with IAS 19.

### Defined-contribution pension plans

The group has defined-contribution pension plans in Sweden for white-collar and blue-collar staff, which the companies fund fully. There are defined-contribution plans in foreign countries, which are partly paid by subsidiaries and partly covered through employees' contributions. Payments to these plans is on an ongoing basis subject to the regulations of each plan.

	2022	2021
Expenses for defined-contribution plans*	-26,684	-23,471

\* Includes 3,839 (3,716) for an ITP plan insured with Alecta.

Senior management's remuneration		Basic salary, Directors' fees		Performance related pay		Other benefits		Pension expenses		Total	
Remuneration and other benefits		2022	2021	2022	2021	2021	2021	2022	2021	2022	2021
Chairman of the Board:	Claes Mellgren	-275	-230	-	-	-	-	-	-	-275	-230
Board members:	Anna Belfrage	-205	-205	-	-	-	-	-	-	-205	-205
	Johan Hagberg	-140	-185	-	-	-	-	-	-	-140	-185
	Bahare Mackinovski	-150	-150	-	-	-	-	-	-	-150	-150
	Charlotte Stjerngren	-175	-175	-	-	-	-	-	-	-175	-175
CEO:	Johannes Lind-Widestam	-3,117	-2,857	-1,523	-1,410	-159	-142	-941	-898	-5,740	-5,307
Other senior management (3 (3) people)		-4,110	-3,648	-845	-900	-308	-288	-818	-978	-6,081	-5,814
<b>Total</b>		<b>-8,172</b>	<b>-7,450</b>	<b>-2,368</b>	<b>-2,310</b>	<b>-467</b>	<b>-430</b>	<b>-1,759</b>	<b>-1,876</b>	<b>-12,766</b>	<b>-12,066</b>

### Comments on the table:

Salary, benefits and Directors' fees are remuneration charged to consolidated profit for 2022. Directors' fees expensed in 2022 consist of fees for January-April approved by the AGM 2021, and fees for May-December approved by the AGM 2022. Performance related pay refers to expensed bonus for the financial year, which is paid out in 2023. There was a profitability-based, performance-related remuneration programme for the CEO, senior managers, subsidiary Presidents and other key staff, during the financial year 2022. This programme had 17 (16) participants. In 2022, an estimated outcome of SEK 3.9 (4.0) million excluding social security contributions, was charged to the group's profit, of which SEK 2.4 (2.3) million related to senior managers which was 67% (67%) of the possible maximum. Other benefits mostly refer to car benefits. The Report of the Directors states the details of the remuneration guidelines for senior managers.

### Share warrants for senior managers and other key individuals

As of December 31, 2022, NOTE has no outstanding incentive programmes. During the year, a three-year incentive programme (2019/2022) with warrants that was initiated in 2019 expired. All warrants were exercised, which meant that 400,000 shares were newly issued according to the terms of the programme and SEK 11.7 million was added to the company.

Share warrant programmes (no. of warrants in 000)	2019/2022		Total	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
CEO: Johannes Lind-Widestam	-	400	-	400
Other senior management	-	-	-	-
Others	-	-	-	-
<b>Total</b>	<b>-</b>	<b>400</b>	<b>-</b>	<b>400</b>

### Share warrant programmes

#### Incentive programme 2019/2022

NOTE's EGM in January 2019 resolved to introduce an incentive programme for CEO Johannes Lind-Widestam based on the issue of a maximum of 400,000 share warrants. The programme was fully subscribed. These share warrants have a term of just over three years, until March 2022. The options were transferred on market terms, and the exercise price is SEK 29.20. Each option gives the holder the right to subscribe for one new NOTE share, which means 400,000 shares on full exercise.



## NOTE 8 Auditors' fees and reimbursement

	PwC		Other Auditors	
	2022	2021	2022	2021
Auditing assignment	-1,701	-1,253	-954	-1,081
Audit activities in addition to the audit assignment	-	-	-	-
Tax consultancy	-	-	-	-24
Other services	-	-82	-	-36

Auditing of the consolidated accounts was conducted through the whole year. No separate fees were payable for reviewing interim reports.

## NOTE 9 Net financial income/expense

Financial income	2022	2021
Interest income	836	300
Exchange rate gains	11,339	6,444
<b>Total</b>	<b>12,175</b>	<b>6,744</b>
<b>Financial expenses</b>		
Interest costs on financial liabilities measured at amortised cost	-10,183	-3,184
Interest costs of property, plant and equipment financed with leases	-3,248	-1,782
Interest costs of liabilities for right-of-use assets -rented properties	-2,248	-1,426
Bank charges	-6,023	-3,957
Exchange rate losses	-24,383	-10,174
<b>Total</b>	<b>-46,085</b>	<b>-20,523</b>
<b>Net financial income/expense</b>	<b>-33,910</b>	<b>-13,779</b>

## NOTE 10 Tax

Reported in Income Statement	2022	2021
<b>Current tax expense (-)/tax revenue (+)</b>		
Tax expense for the period	-49,378	-37,647
Adjustment of tax attributable to previous year	-499	115
<b>Total current tax</b>	<b>-49,877</b>	<b>-37,532</b>
<b>Deferred tax expense (-)/tax revenue (+)</b>		
Deferred tax relating to temporary differences/appropriations	-6,649	-5,149
<b>Total deferred tax</b>	<b>-6,649</b>	<b>-5,149</b>
<b>Total reported tax in group</b>	<b>-56,526</b>	<b>-42,681</b>

### Deferred tax assets and loss carry-forwards

Deferred tax assets are temporary differences relating to the measurement of fixed assets and provisions, which will be allocated over most years.

Deferred tax assets are recognised in deductible loss carry-forwards to the extent it is likely that they can be used against future taxable profits. Deductible temporary differences and tax loss carry-forwards for which deferred tax assets have not been reported in the Income Statement and Balance Sheet amount to SEK 5.1 (5.1) million. None of the loss carry-forwards are subject to time limitation.

Reconciliation of effective tax	%	2022	%	2021
Profit before tax		310,769		236,744
Tax at applicable rate for parent company	-20.6%	-64,018	-20.6%	-48,769
Effect of other tax rates for foreign subsidiaries	2.0%	6,365	2.3%	5,517
Non-deductible expenses	-0.2%	-626	-0.5%	-1,146
Non-taxable revenue	0.8%	2,416	0.7%	1,684
Un-reported tax revenue on loss for the year	-	-	0.0%	-3
Tax attributable to previous year	-0.2%	-499	0.0%	115
Other	-0.1%	-164	-0.0%	-79
<b>Total reported tax in group</b>	<b>-18.2%</b>	<b>-56,526</b>	<b>-18.0%</b>	<b>-42,681</b>

Provisions for deferred tax	2022-12-31	2021-12-31
Carrying amount at beginning of period	27,717	14,960
Amount provisioned in period	15,425	14,189
Amounts utilised in period	-2,131	-1,432
<b>Carrying amount at the end of period</b>	<b>41,011</b>	<b>27,717</b>

Recognised in Balance Sheet	Deferred tax asset		Deferred tax liability		Net	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Intangible assets	-	-	6,362	6,223	-6,362	-6,223
Property, plant and equipment and right-of-use assets -rented properties	839	353	1,409	1,226	-570	-873
Derivatives measured at fair value	397	-262	-	-	397	-262
Provisions	6,076	4,852	2,642	2,069	3,434	2,783
Untaxed reserves	-	-	30,598	18,198	-30,598	-18,198
<b>Tax receivables/liabilities</b>	<b>7,312</b>	<b>4,943</b>	<b>41,011</b>	<b>27,716</b>	<b>-33,699</b>	<b>-22,773</b>

### Change in deferred tax in temporary differences and loss carry-forwards

	Balance as of 1 Jan 2021	Reported in Income-Statement	Reported against Comprehensive Income	Reported directly in equity	Increase through business acquisition	Balance as of 31 Dec 2021	Balance as of 1 Jan 2022	Reported in Income-Statement	Reported against Comprehensive Income	Reported directly in equity	Increase through business acquisition	Balance as of 31 Dec 2022
Intangible assets	-3,250	2,304	-	-	-5,277	-6,223	-6,223	2,082	-151	-	-2,070	-6,362
Property, plant and equipment and right-of-use assets -rented properties	-1,000	111	16	-	-	-873	-873	291	12	-	-	-570
Derivatives measured at fair value	88	-306	-44	-	-	-262	-262	730	-71	-	-	397
Provisions	4,561	-1,678	-100	-	-	2,783	2,783	719	-68	-	-	3,434
Untaxed reserves	-9,611	-8,587	-	-	-	-18,198	-18,198	-12,079	-321	-	-	-30,598
Other	-	3,007	-3,007	-	-	-	-	1,608	-1,608	-	-	-
<b>Total</b>	<b>-9,212</b>	<b>-5,149</b>	<b>-3,135</b>	<b>-</b>	<b>-5,277</b>	<b>-22,773</b>	<b>-22,773</b>	<b>-6,649</b>	<b>-2,207</b>	<b>-</b>	<b>-2,070</b>	<b>-33,699</b>

**NOTE 11 Intangible assets**

	Goodwill, purchased	Customer relations	Capitalised expenditure for software	Trademarks and brands etc	Total
<b>Cumulative cost</b>					
Opening balance, 1 Jan 2021	107,736	15,556	23,322	719	147,333
Investments	30,290	20,997	1,152	0	52,439
Reclassification and exchange rate effects	5,017	2,274	28	14	7,333
Sales and retirements	-	-	-	-	-
<b>Closing balance, 31 Dec 2021</b>	<b>143,043</b>	<b>38,827</b>	<b>24,502</b>	<b>733</b>	<b>207,105</b>
Opening balance, 1 Jan 2022	143,043	38,827	24,502	733	207,105
Investments	22,063	10,048	567	138	32,816
Reclassification and exchange rate effects	2,502	1,282	136	72	3,992
Sales and retirements	-	-	-	-	-
<b>Closing balance, 31 Dec 2022</b>	<b>167,608</b>	<b>50,157</b>	<b>25,205</b>	<b>943</b>	<b>243,913</b>
<b>Accumulated amortisation and impairment</b>					
Opening balance, 1 Jan 2021	-2,030	-6,741	-11,590	-675	-21,036
Reclassification and exchange rate effects	-	-819	-9	-13	-841
Amortisation for the year	-	-5,798	-3,035	-20	-8,853
Sales and retirements	-	-	-	-	-
<b>Closing balance, 31 Dec 2021</b>	<b>-2,030</b>	<b>-13,358</b>	<b>-14,634</b>	<b>-708</b>	<b>-30,730</b>
Opening balance, 1 Jan 2022	-2,030	-13,358	-14,634	-708	-30,730
Reclassification and exchange rate effects	-	-498	-71	-64	-633
Amortisation for the year	-	-8,970	-3,291	-26	-12,287
Sales and retirements	-	-	-	-	-
<b>Closing balance, 31 Dec 2022</b>	<b>-2,030</b>	<b>-22,826</b>	<b>-17,996</b>	<b>-798</b>	<b>-43,650</b>
<b>Carrying amounts</b>					
As of 1 Jan 2021	105,706	8,815	11,732	44	126,297
<b>As of 31 Dec 2021</b>	<b>141,013</b>	<b>25,469</b>	<b>9,868</b>	<b>25</b>	<b>176,375</b>
As of 1 Jan 2022	141,013	25,469	9,868	25	176,375
<b>As of 31 Dec 2022</b>	<b>165,578</b>	<b>27,331</b>	<b>7,209</b>	<b>145</b>	<b>200,263</b>

**Amortisation are included in the following lines of the Income Statement**

	2022	2021
Cost of goods sold and services	-12,287	-8,853
<b>Total</b>	<b>-12,287</b>	<b>-8,853</b>

**Impairment testing of goodwill**

NOTE allocates and tests goodwill in the Western Europe and Rest of World operating segments. The following table states goodwill values by operating segment.

	31 Dec 2022	31 Dec 2021
Western Europe	153,404	128,839
Rest of World	12,174	12,174
<b>Total</b>	<b>165,578</b>	<b>141,013</b>

Impairment tests are based on measurement of value in use, a value based on cash flow forecasts totalling 3 (3) years. Cash flow for the first year is based on budget set by the Board of Directors. The following two years are based on the company's best judgement. Cash flow beyond the forecast period is extrapolated using the assessed growth rate as follows.

Impairment testing is conducted in the two operating segments - Western Europe and Rest of World. As operations are monitored otherwise, goodwill is monitored and impairment is tested at operating segment level.

Testing is based on estimated present values of future cash flows for each constituent legal entity of the operating segment. The present value of these aggregated cash flows are then compared with the goodwill and capital employed that is allocated to the operating segment.

The present value of forecast cash flow is calculated by applying a discount rate after tax based on risk-free interest and the risk judged to be associated with the operation. Against the background of NOTE mainly having shared borrowings, and that the group's entities operate on the same markets, the same discount rate after tax of 7.2% (6.9%) has been applied for both operating segments. The discount rate before tax amounts to 9.1% (8.6%).

The recoverable values for both Western Europe and Rest of World exceed carrying amounts.

Important variables	Method for defining values
Growth in the forecast period	Market growth has been estimated at 5% (5%) during the forecast period for all units. Market growth is based on historical experience, estimates in sector research and other externally available information.
Growth after the forecast period	Growth after the forecast period is estimated at 2% (2%).
Cost of materials	The cost of electronic components is expected to reduce during the forecast period, partly because of continued rationalisation of the production process and partly through increased purchasing volumes and improved co-ordination or purchasing processes.
Personnel costs	Payroll expenses have been estimated using collective agreements and considering historical pay increases. In addition, a growing share of production being conducted in the group's plants in low-cost countries has also been considered.

**Sensitivity analysis, goodwill impairment testing**

With the above calculation assumptions and considering the growth and profitability potential estimated by NOTE in its business model, there is no impairment of goodwill values at the reporting date.

If there is no market growth during or after the forecast period, this would not cause any impairment. An increase of the discount rate after tax by one percentage point, from 7.2% to 8.2%, would not imply any impairment.

Value in use reduces but still significantly exceeds the carrying amount of both Western Europe and Rest of World.

## NOTE 12 Right-of-use assets

	Rented properties	Lease liabilities attributable to right-of-use assets –rented properties	31 Dec 2022	31 Dec 2021
<b>Cumulative cost</b>				
Opening balance, 1 Jan 2021	85,392	Non-current lease liabilities attributable to right-of-use assets –rented properties	68,985	79,296
Investments	65,642	Current lease liabilities attributable to right-of-use assets –rented properties	23,239	23,413
Sales and retirements	-			
Reclassification and exchange rate effects	3,635			
<b>Closing balance, 31 Dec 2021</b>	<b>154,669</b>			
Opening balance, 1 Jan 2022	154,669			
Investments	13,232			
Sales and retirements	-			
Reclassification and exchange rate effects	2,684			
<b>Closing balance, 31 Dec 2022</b>	<b>170,585</b>			
<b>Depreciation and impairment</b>				
Opening balance, 1 Jan 2021	-30,241			
Depreciation for the year	-21,313			
Sales and retirements	-			
Reclassification and exchange rate effects	-1,594			
<b>Closing balance, 31 Dec 2021</b>	<b>-53,148</b>			
Opening balance, 1 Jan 2022	-53,148			
Depreciation for the year	-26,097			
Sales and retirements	-			
Reclassification and exchange rate effects	-1,419			
<b>Closing balance, 31 Dec 2022</b>	<b>-80,664</b>			
<b>Carrying amounts</b>				
As of 1 Jan 2021	55,151			
<b>As of 31 Dec 2021</b>	<b>101,521</b>			
As of 1 Jan 2022	101,521			
<b>As of 31 Dec 2022</b>	<b>89,921</b>			

For more information on the maturity analysis of lease liabilities, see note 24 Financial risks and finance policy on pages 69-70, and for more information on the cash flow effect related to liabilities attributable to right-of-use assets –rented properties, see note 27 Cash Flow Statement on page 70.

The following amounts related to right-of-use assets are recognised in the Income Statement:

Amortisation are included in the following lines of the Income Statement	2022	2021
Cost of goods sold and services	-24,710	-20,028
Administrative expenses	-592	-554
Selling expenses	-795	-731
<b>Total</b>	<b>-26,097</b>	<b>-21,313</b>
	<b>2022</b>	<b>2021</b>
Interest costs (included in financial costs)	-2,248	-1,426
Expenditure related to short-term leases	-4,810	-1,767
Expenditure related to leases where the underlying asset is of low value that are not short-term leases (included in cost of goods sold, administrative expenses and selling expenses).	-7,017	-6,187

The group has decided to continue to recognise machinery and other plant financed with leases under the property, plant and equipment item, see note 13 Property, plant and equipment on page 66. On 31 December 2022, their value was SEK 106,972 (95,649).

**NOTE 13 Property, plant and equipment**

	Buildings and land (real estate used in business operations)	Cost incurred on other party's property	Machinery and other plant	Equipment, tools, fixtures and fittings	Total
<b>Cumulative cost</b>					
Opening balance, 1 Jan 2021	24,926	16,274	279,660	49,796	370,656
Investments	1,761	3,059	49,371	12,478	66,669
Acquisition	1,233	-	4,519	-	5,752
Sales and retirements	-1,434	-	-14,054	-1,721	-17,209
Reclassification and exchange rate effects	446	1,183	6,843	2,887	11,359
<b>Closing balance, 31 Dec 2021</b>	<b>26,932</b>	<b>20,516</b>	<b>326,339</b>	<b>63,440</b>	<b>437,227</b>

Opening balance, 1 Jan 2022					
Investments	26,932	20,516	326,339	63,440	437,227
Acquisition	3,130	7,698	53,972	11,244	76,044
Sales and retirements	-	-353	-20,162	-272	-20,787
Reclassification and exchange rate effects	2,224	535	8,740	1,216	12,715
<b>Closing balance, 31 Dec 2022</b>	<b>32,286</b>	<b>28,396</b>	<b>368,889</b>	<b>75,628</b>	<b>505,199</b>

<b>Depreciation and impairment</b>					
Opening balance, 1 Jan 2021	-12,423	-11,135	-171,337	-39,030	-233,925
Depreciation for the year	-465	-1,339	-29,686	-4,719	-36,209
Sales and retirements	1,434	-	13,253	1,721	16,408
Reclassification and exchange rate effects	-320	-1,043	-5,244	-2,223	-8,830
<b>Closing balance, 31 Dec 2021</b>	<b>-11,774</b>	<b>-13,517</b>	<b>-193,014</b>	<b>-44,251</b>	<b>-262,556</b>

Opening balance, 1 Jan 2022	-11,774	-13,517	-193,014	-44,251	-262,556
Depreciation for the year	-228	-1,475	-36,742	-6,415	-44,860
Sales and retirements	-	182	19,858	3	20,043
Reclassification and exchange rate effects	-1,609	-497	-5,737	-880	-8,723
<b>Closing balance, 31 Dec 2022</b>	<b>-13,611</b>	<b>-15,307</b>	<b>-215,635</b>	<b>-51,543</b>	<b>-296,096</b>

<b>Carrying amounts</b>					
As of 1 Jan 2021	12,503	5,139	108,323	10,766	136,731
<b>As of 31 Dec 2021</b>	<b>15,158</b>	<b>6,999</b>	<b>133,325</b>	<b>19,189</b>	<b>174,671</b>
As of 1 Jan 2022	15,158	6,999	133,325	19,189	174,671
<b>As of 31 Dec 2022</b>	<b>18,675</b>	<b>13,089</b>	<b>153,254</b>	<b>24,085</b>	<b>209,103</b>

**Collateral**

As of 31 December 2022, property with a carrying amount of 15,387 (12,394) was pledged as collateral for bank borrowings. As of 31 December 2022, there is ownership reservation on machinery, with a carrying amount of 204 (333). For leased production equipment, the lessee retains the right to the leased asset until the lease liability is paid in full.

**Property, plant and equipment financed with leases**

In addition to the right-of-use assets accounted in note 12 Right-of-use assets on page 65, leased production equipment is also included in the Machinery and other plant category in the table of Property, plant and equipment. Only production equipment with remaining lease liability is recognised as leased production equipment. If the lease liability is paid, there is a transfer to right of ownership, which means that production equipment is removed from the following table as a Transfer to right of ownership.

Leased production equipment	2022	2021
Opening balance	130,922	97,547
Investments and exchange rate effects	40,049	38,335
Transfer to right of ownership, acquisition value	-18,664	-4,961
Accumulated depreciation and exchange rate effects	-57,454	-38,064
Transfer to right of ownership, depreciation	12,119	2,792
<b>Total</b>	<b>106,972</b>	<b>95,649</b>

Liabilities attributable to property, plant and equipment financed with leases	31 Dec 2022	31 Dec 2021
Non-current liabilities attributable to property, plant and equipment financed with leases	77,810	67,204
Current liabilities attributable to property, plant and equipment financed with leases	24,193	22,282

For more information on the maturity analysis of liabilities attributable to property, plant and equipment financed with leases, see note 24 Financial risks and finance policy on pages 69-70, and for more information on the cash flow effect associated with liabilities attributable to property, plant and equipment financed with leases, see note 27 Cash Flow Statement on page 70.

Depreciation is included in the following Income Statement lines	2022	2021
Cost of goods sold and services	-44,335	-35,743
Administrative expenses	-328	-293
Selling expenses	-197	-173
<b>Total</b>	<b>-44,860</b>	<b>-36,209</b>

Of which depreciation and impairment of property, plant and equipment financed with leases amounts to, and is included in, the following lines of the Income Statement:

	2022	2021
Cost of goods sold and services	-21,538	-18,243
<b>Total</b>	<b>-21,538</b>	<b>-18,243</b>

The following amounts related to property, plant and equipment financed with leases are also recognised in the Income Statement:

	2022	2021
Interest costs (included in financial costs)	-3,248	-1,782



## NOTE 14 Long-term receivables and other receivables

	31 Dec 2022	31 Dec 2021
<b>Long-term receivables</b>		
Other long-term receivables	2,222	967
<b>Total</b>	<b>2,222</b>	<b>967</b>
<b>Other receivables that are current asset</b>		
VAT	13,899	11,838
Other	2,916	2,266
<b>Total</b>	<b>16,815</b>	<b>14,104</b>

## NOTE 15 Inventories

	31 Dec 2022	31 Dec 2021
Raw materials and consumables	1,069,551	744,387
Products in process	135,100	106,295
Finished goods and goods for re-sale	110,306	80,296
Obsolescence provision	-61,413	-44,339
<b>Total</b>	<b>1,253,544</b>	<b>886,639</b>

The expensed inventories for the year are stated in Note 6, Operating expenses by type, on page 61.

## NOTE 16 Prepaid expenses and accrued income

	31 Dec 2022	31 Dec 2021
Accrued income	8,099	6,443
Prepaid services	4,346	6,170
Prepaid licenses	5,315	3,928
Prepaid insurance	1,926	1,673
Prepaid lease payments	628	337
Other prepaid expenses	1,536	18
<b>Total</b>	<b>21,850</b>	<b>18,569</b>

## NOTE 17 Earnings per share

	Before dilution		After dilution	
Earnings per share	2022	2021	2022	2021
Earnings per share, SEK	8.79	6.82	8.78	6.72

The calculation of earnings per share for 2022 is based on profit for the year of SEK 254,243 (194,063) and a weighted number of outstanding shares in 2022 of 28,983,600 (28,583,600) before dilution. After dilution effects, the weighted average number of outstanding shares is 28,972,168 (28,863,962).

### Earnings per share after dilution

As of 31 December 2022, NOTE had issued share warrants on - (400,000) shares.

## NOTE 18 Equity

	Share class A	
No. of shares (thousands)	31 Dec 2022	31 Dec 2021
As of 1 January	28,584	28,373
New share issue	400	211
<b>As of 31 December</b>	<b>28,984</b>	<b>28,584</b>

As of 31 December 2022 registered share capital comprised 28,983,600 shares with a quotient value of SEK 0.52 each. In 2022, a new issue of 400,000 shares was carried out in connection with the share warrant programme that expired in March 2022. No (611,000) outstanding warrants were available as of 31 December 2022. There were no other instruments with potential dilutive effect as of 31 December 2022. Holders of shares are entitled to dividends, and shareholdings entitle holders to votes at the AGM, at one vote per share.

### Other paid-up capital

Equity that is contributed by the owners. This includes a portion of share premium reserves transferred to the statutory reserve as a 31 December 2005, a premium of SEK 4 per share in the rights issue of 2010, less issue expenses and payment for warrants issued in 2017-2019.

### Reserves

Translation reserve	31 Dec 2022	31 Dec 2021
Opening translation reserve	25,165	-7,156
Translation differences for the year	32,116	32,321
<b>Closing translation reserve</b>	<b>57,281</b>	<b>25,165</b>

The translation reserve includes all exchange rate differences arising from translating financial statements from foreign operations that prepared their financial statements in currencies other than the currency the consolidated financial statements are presented in. The parent company and group present their financial statements in Swedish kronor. The translation reserve also includes the effect of exchange rate differences on long-term internal loans that are equivalent to equity in subsidiaries.

Hedging reserve	31 Dec 2022	31 Dec 2021
Opening hedging reserve	75	-45
Forecast cash flow hedges for the year	206	120
<b>Closing hedging reserve</b>	<b>281</b>	<b>75</b>

The hedging reserve includes the cash flow hedges whose effectiveness is partly tested in accordance with IFRS 9 Financial Instruments and partly relates to the forecast flows that have not yet affected the Consolidated Income Statement and Consolidated Balance Sheet.

### Retained profit including profit for the period

Retained profits including profit for the period include accrued profits of the parent company and its subsidiaries. Previous provisions to statutory reserves, excluding transfers to share premium reserve are included in retained profit including profit for the year.

A repurchase of treasury shares was executed in 2018, with 1 million shares acquired. The repurchase was charged to retained profits.

### Capital management

The Board of Directors and management of NOTE have set the following financial targets:

#### Growth target

NOTE will increase its market shares and its target is to achieve sales of SEK 5 billion by 2025 at the latest. This will essentially be achieved through continued high organic growth.

#### Profitability target

NOTE will grow with profitability. Its target is to achieve an operating margin of 10% by 2025 at the latest. Its operating margin for the year was 9.3% (9.5%).

#### Capital structure target

The minimum equity to assets ratio should be 30%. At year-end, the equity to assets ratio was 39.7 (37.0)%.

#### Dividend policy

Each year, the Board of Directors will judge the level of share dividend that it considers optimal for the year. This may be distributed to shareholders in the form of dividends and/or repurchase of shares. First and foremost, future dividend will be adapted to NOTE's investment need and financial position.

## NOTE 19 Interest-bearing liabilities

	31 Dec 2022	31 Dec 2021
<b>Non-current liabilities</b>		
Bank loan	5,869	11,998
Lease liabilities attributable to property, plant and equipment	77,810	66,854
Lease liabilities attributable to right-of-use assets –rented properties	68,985	79,296
<b>Total</b>	<b>152,664</b>	<b>158,148</b>
<b>Current liabilities</b>		
Overdraft	56,201	–
Factoring	270,247	245,623
Short-term part of bank loans	1,984	3,325
Short-term portion of lease liabilities attributable to property, plant and equipment	24,193	22,631
Short-term portion of lease liabilities attributable to right-of-use assets –rented properties	23,239	23,413
Additional purchase price consideration	24,475	15,833
<b>Total</b>	<b>400,339</b>	<b>310,825</b>

### Pledged assets

16,292 (14,972) of collateral for bank loans, finance lease liabilities and overdraft facilities are pledged in the company's land and buildings (see also Note 13) and 203,343 (197,853) in operations. Collateral for factoring is issued at an amount of 516,588 (358,805) in pledged accounts receivable-trade.

### Finance lease liabilities

Finance lease liabilities are due for payment as follows:

	2022			2021		
	Minimi lease payments	Interest	Principal	Minimi lease payments	Interest	Principal
<b>Lease liabilities attributable to property, plant and equipment</b>						
Within one year	28,423	-4,230	24,193	24,676	-2,394	22,282
Between one and five years	76,750	-7,024	69,726	59,004	-3,421	55,583
Over five years	8,360	-276	8,084	11,755	-145	11,620
<b>Total</b>	<b>113,533</b>	<b>-11,530</b>	<b>102,003</b>	<b>95,435</b>	<b>-5,960</b>	<b>89,485</b>
<b>Lease liabilities attributable to right-of-use assets –rented properties</b>						
Within one year	25,133	-1,894	23,239	25,567	-2,154	23,413
Between one and five years	40,338	-4,383	35,955	51,436	-4,734	46,702
Over five years	36,960	-3,930	33,030	36,924	-4,330	32,594
<b>Total</b>	<b>102,431</b>	<b>-10,207</b>	<b>92,224</b>	<b>113,927</b>	<b>-11,218</b>	<b>102,709</b>

For more information, see Note 24 Financial risks and finance policy on pages 69-70.

## NOTE 20 Provisions and other financial liabilities

	31 Dec 2022	31 Dec 2021
<b>Short-term portion of provision</b>		
Other	1,043	901
<b>Total</b>	<b>1,043</b>	<b>901</b>

## NOTE 21 Other current liabilities

	31 Dec 2022	31 Dec 2021
Staff withholding tax	6,817	5,904
Social security contributions	8,115	7,040
VAT	32,912	21,067
Other	7,705	0
<b>Total</b>	<b>55,549</b>	<b>34,011</b>

## NOTE 22 Accrued expenses and deferred income

	31 Dec 2022	31 Dec 2021
Accrued salaries and benefits	20,409	21,286
Accrued social security contributions	15,543	13,871
Accrued vacation payment	41,161	35,384
Other	25,548	25,606
<b>Total</b>	<b>102,661</b>	<b>96,147</b>

## NOTE 23 Financial instruments by category

	Assets recognised at amortised cost	Derivatives used for hedging purposes	Liabilities recognised at amortised cost	Liabilities measured at fair value through profit or loss
<b>31 Dec 2022</b>				
<b>Assets in the Balance Sheet</b>				
Accounts receivable-trade and other financial receivables	872,392	–	–	–
Cash and cash equivalents	87,657	–	–	–
<b>Total assets</b>	<b>960,049</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Liabilities in the Balance Sheet</b>				
Interest-bearing liabilities*	–	–	528,528	24,475
Other liabilities	–	1,925	–	–
Accounts payable-trade and other financial liabilities	–	–	686,255	–
<b>Total liabilities</b>	<b>–</b>	<b>1,925</b>	<b>1,214,783</b>	<b>24,475</b>

	Assets recognised at amortised cost	Derivatives used for hedging purposes	Liabilities recognised at amortised cost	Liabilities measured at fair value through profit or loss
<b>31 Dec 2021</b>				
<b>Assets in the Balance Sheet</b>				
Accounts receivable-trade and other financial receivables	675,084	–	–	–
Cash and cash equivalents	99,174	–	–	–
<b>Total assets</b>	<b>774,258</b>			
<b>Liabilities in the Balance Sheet</b>				
Interest-bearing liabilities*	–	–	453,139	15,833
Other liabilities	–	-1,270	–	–
Accounts payable-trade and other financial liabilities	–	–	594,322	–
<b>Total liabilities</b>	<b>–</b>	<b>-1,270</b>	<b>1,047,461</b>	<b>15,833</b>

\* Includes the group's lease liabilities for right-of-use assets –rented properties and lease liabilities for property, plant and equipment financed with leases. They also constitute financial instruments, although are not in the categories stated in IFRS 9 Financial instruments, but are measured pursuant to IFRS 16 Leases.

For more information on financial instruments measured at fair value, see note 24 Financial risks and finance policy on pages 69-70.

## NOTE 24 Financial risks and finance policy

Through its operations, the group is exposed to various types of financial risk such as currency risks, funding and interest risks and liquidity and credit risks. The group's finance policy stipulates that financial risks are to be kept at the lowest possible level.

The group's finance policy for managing financial risk has been formulated by the Board and constitutes a framework for risk management. The policy's overall goal is to ensure the company's long and short-term access to capital, to adapt the financial strategy to the company's operations to enable the attainment and retention of a stable long-term capital structure, and to achieve the best possible financial income/expenses within stated risk limits.

The group's guidelines for loan financing state that there should be one main lender.

The parent company is primarily focused on the management, co-ordination and development of the group, as well as group reporting and communication with shareholders. The group's operations are conducted in legal subsidiaries, and accordingly, the actual risks occur there.

### Agreement terms

Financial assets mainly consist of cash and cash equivalents and accounts receivable-trade. The risk associated with accounts receivable-trade increases with the number of outstanding days of credit. There is a market tendency to require longer credit terms.

NOTE's financing consists of a combination of factoring and traditional overdraft facilities. NOTE has two types of factoring setup. In the first, the risk of the customer receivable remains with NOTE, so the customer receivable is treated as factored, and reported with the associated liability when payment is made by the credit institution. On full payment from the customer, the customer receivable, factoring liability and pledging are zeroed. With NOTE's other factoring set up, used only in Estonia, 90% of the risk in accounts receivable-trade transfers to the lender. Because 90% of the risk transfers to the lender, only the remaining 10% is accounted as customer receivables. No liability or contingent liability is accounted in this setup.

Factored accounts receivable-trade were 517 (359) million at year-end. In early 2022, the overdraft facility also increased to SEK 210 million from the previous SEK 116 million.

The interest terms on the factoring and overdraft facilities are based on a variable base rate plus fixed percentage interest rates, average interest of 2.4% (1.6%) was charged to consolidated profit.

NOTE has agreed on a number of covenants to its lender as security for the liabilities. There were no breaches of covenants during the year.

### Liquidity risks

Liquidity risk means the risk of being unable to fulfil payment obligations resulting from insufficient liquidity or difficulties in raising external borrowings. Operations are funded through means such as SEK 1,098.5 (800.3) million of equity and interest-bearing liabilities of SEK 553.0 (469.0) million, utilised overdrafts of SEK 56.2 (-) million are included. The un-utilised overdraft facility was SEK 156.0 (116.0) million at year-end. Financial liabilities comprise loans and the utilised portion of the overdraft and factoring facilities.

### Maturity analysis, financial liabilities

2022, SEK millions	Total	Within 1 mth.	1-3 mth.	3 mth. -1 yr.	1-5 yr.	5 yr. or longer
Bank credit facilities including overdraft & factoring*	336.5	157.5	114.6	58.5	5.9	-
Lease liabilities for right-of-use assets - rented properties*	102.4	4.6	2.8	17.7	40.4	36.9
Lease liabilities for property, plant and equipment financed with leases*	113.7	2.4	5.5	20.8	76.6	8.4
Conditional purchase price	24.5	-	24.5	-	-	-
Accounts payable-trade	686.3	375.9	260.1	50.3	-	-
<b>Total</b>	<b>1,263.4</b>	<b>540.4</b>	<b>407.5</b>	<b>147.3</b>	<b>122.9</b>	<b>45.3</b>

2021, SEK millions	Total	Within 1 mth.	1-3 mth.	3 mth. -1 yr.	1-5 yr.	5 yr. or longer
Bank credit facilities including overdraft & factoring*	261.9	150.2	70.9	28.6	12.2	-
Lease liabilities for right-of-use assets - rented properties*	114.0	2.2	4.3	19.2	51.4	36.9
Lease liabilities for property, plant and equipment financed with leases*	95.2	2.1	4.3	18.5	58.6	11.7
Conditional purchase price	15.8	-	-	15.8	-	-
Accounts payable-trade	594.3	344.6	219.8	29.9	-	-
<b>Total</b>	<b>1,081.2</b>	<b>499.1</b>	<b>299.3</b>	<b>112.0</b>	<b>122.2</b>	<b>48.6</b>

\*The factoring and overdraft facilities will be charged with an assessed average interest rate of 4.6 (1.6) percentage points. The above table states the duration of factoring credit based on how the underlying accounts receivable-trade fall due for payment, in accordance with applicable regulations. Most of these credits become due within three months. In practice, these credits are regenerated continuously as new accounts receivable-trade are factored. Lease liabilities will be charged with an assessed average interest rate of 3.2 (2.4) percentage points, and most of these credits become due in 1-7 years.

### Interest risks

Interest risk is the risk that the value of a financial instrument varies due to changes in market interest rates. Interest risks can partly comprise changes in fair value, price risk, and partly changes in cash flow, cash flow risk. Interest fixing periods are a significant factor influencing interest risk. Long interest fixing periods mainly affect cash flow risk, while shorter interest fixing periods affect price risk.

The management of the group's interest exposure is centralised, implying that the central finance function is responsible for identifying and managing this exposure.

The group's exposure to market risk for changes in interest levels is mainly attributable to the group's financial net debt which amounted to SEK 465,3 (369.8) million at year end. There were no interest derivatives as of the reporting date, and accordingly, all interest was variable.

### Credit risks

#### Credit risks in accounts receivable-trade

The risk that the group's customers do not fulfil their commitments, i.e. that payments for accounts receivable-trade are not received, is a credit risk. The group's customers are subject to credit checks, implying the collection of information on customers' financial positions from various credit agencies. The group has prepared rules stating the level of decisions for credit limits, and how valuations of credits and doubtful debts should be managed. Bank guarantees or other collateral are required for customers with low creditworthiness or insufficient credit histories.

The allowance for accounts receivable-trade is SEK -9.6 (-6.5) million, and bad debt for the year amounts to SEK 0.0 (0.0) million. During the year, NOTE made a provision for a suspected customer loss of SEK -15.0 million net. The provision refers to both accounts receivable from the customer as well as inventory and open purchase orders linked to the customer.

The ten biggest customers provide approximately 37 (42%) of sales. The group has a relatively good diversification of customers across a range of industrial sectors.

Age analysis, accounts receivable-trade	31 Dec 2022	31 Dec 2021
Not overdue accounts receivable-trade	731,599	577,816
Overdue accounts receivable-trade 0-30 days	91,902	62,336
Overdue accounts receivable-trade > 30 days-60 days	35,930	21,891
Overdue accounts receivable-trade > 60 days	12,961	13,041
<b>Total</b>	<b>872,392</b>	<b>675,084</b>

### Currency risks

The group is exposed to various types of currency risk. The primary exposure is for purchases and sales in foreign currency, where risks can partly comprise fluctuations in the currency of the financial instrument, customer or supplier's invoice, partly the currency risk in expected or contracted payment flows, termed transaction exposure. Against the background of underlying pricing of electronic components being basically in USD, despite actual purchasing often being conducted in EUR, NOTE considers it relevant to disclose the effects of the aggregate exposure to EUR and USD.

Foreign currency expenses and purchases are largely hedged through binding contracts, where the customer assumes the full currency risk. Invoicing is largely in local currency and the majority is denominated in Swedish kronor, Euro or USD and with a fairly even division between these currencies. NOTE adopts a centralised view of managing currency hedges. NOTE's corporate finance function hedges net flows in EURO and USD foreign currency on rolling six-month forecasts, based on the limits stipulated in NOTE's finance policy.

### Allocation 6 months from the closing date

	Net exposure from sales and purchasing in foreign currencies		Total hedging		Percentage		Average exchange rate	
	2022	2021	2022	2021	2022	2021	2022	2021
EUR	19,340	13,582	4,500	5,740	23%	42%	11,11	10,13
USD	24,157	19,507	10,500	8,159	43%	42%	10,63	8,90

The group classifies its forward contracts used for hedging forecast transactions as cash flow hedging.

### Translation exposure

Currency risk fluctuations also exist in the translation of foreign subsidiaries' assets and liabilities to the functional currency of the parent company, termed translation exposure. The group's foreign net assets are divided between the following currencies, amounts in SEK 000 and percentage share of NOTE's total equity:

	31 Dec 2022		31 Dec 2021	
Currency	Amount	%	Amount	%
CNY	198,830	18.1	149,372	18.7
EUR	218,740	19.9	160,385	20.0
GBP	282,702	25.7	251,376	31.4
NOK	2,797	0.3	2,713	0.3
<b>Total</b>	<b>703,069</b>	<b>64.0</b>	<b>563,846</b>	<b>70.5</b>

## NOTE 24 Cont.

### Materials risks

Because a high proportion of the group's sales values comprise materials, both the price and access to materials are decisive to profitability. NOTE's strategic sourcing company NOTE Components AB manages a substantial portion of materials sourcing agreements.

### Assets and liabilities measured at fair value

NOTE's derivative instruments held for hedge accounting are based on valuation tier 2 of IFRS 7, i.e. fair value is based on observable data from an independent source.

In the acquisition of iPRO 2021 and NOTE Herrljunga 2022, conditional parts of the purchase price were agreed upon. This is valued at fair value in level 3. The conditional parts of the purchase price are based on the development of the respective acquired company in the coming years after the acquisition. The conditional purchase price is paid based on how the acquired companies achieve a number of defined threshold values. In December 2022, a final part of the conditional purchase price was paid for iPRO, based on the development during 2022. As of 31 December 2022, only the conditional purchase price remains for NOTE Herrljunga. The assessment as of 31 December 2022 continues that the threshold values for the conditional purchase price will be achieved by NOTE Herrljunga, which is why the initial assessment of full payment of the conditional purchase price remained.

All financial assets in the Balance Sheet are recognised at amortised cost. All financial liabilities in the Balance Sheet, apart from the contingent portion of the purchase consideration stated above, are recognised at amortised cost. Because most of the financial assets and liabilities are current items, their carrying amounts are considered to correspond to fair values.

### Sensitivity analysis

The following table illustrates the effect on the group from changes in a number of parameters.

	Effect on comprehensive income			
	2022		2021	
Market risk, SEK million	+/- 2%	+/- 5%	+/- 2%	+/- 5%
Change in sales price to customers	73.7	184.4	43.3	108.3
Change in sales volume	16.6	41.6	10.4	25.9
Change in materials price*	50.4	126.0	28.6	71.4
Change in payroll overheads	11.2	27.9	7.6	19.0
Change in interest rates	6.7	16.9	3.5	8.6
Change in EUR/USD exchange rate on customer and supplier liabilities as of 31 Dec	3.0	7.4	2.6	6.4
Currency change on net assets in foreign subsidiaries	14.1	35.2	10.2	25.6

\* Disregarding price adjustment clauses to customers.

## NOTE 25 Pledged assets and contingent liabilities

Pledged assets for own liabilities and provisions	31 Dec 2022	31 Dec 2021
Property mortgage	16,292	14,972
Floating charge	202,343	197,853
Ownership reservation on machinery	204	333
Factored accounts receivable-trade	516,588	358,805
<b>Total</b>	<b>735,427</b>	<b>571,963</b>
<b>Contingent liabilities</b>		
Guarantees issued	31,032	35,032
<b>Total</b>	<b>31,032</b>	<b>35,032</b>

Guarantees issued apply primarily to customer contracts, with guarantees made for the cases where the group does not fulfil its obligations in accordance with the agreement entered. NOTE's opinion is that the likelihood of settling these guarantees is extremely remote, and that accordingly, the financial effect is not significant.

## NOTE 26 Central government support

Central government support	2022	2021
Payroll subsidies	7,727	3,271
<b>Total</b>	<b>7,727</b>	<b>3,271</b>

The central government support received reduced the group's expenses for employee benefits, see note 7, Employees, personnel expenses and remuneration to senior executives on page 62. These expenses are mainly in the amount of cost of goods sold, but also to some extent in selling and administrative expenses in the Consolidated Income Statement.

## NOTE 27 Cash Flow Statements

Interest paid	2022	2021
Interest received	851	462
Interest paid	-15,011	-6,381
<b>Other non-cash items</b>		
Impairment losses	20,222	-3,145
Unrealised exchange rate differences	-2,046	-851
Other items not affecting liquidity	1,856	4,706
<b>Total</b>	<b>20,032</b>	<b>710</b>
<b>Cash and cash equivalents</b>		
<b>2022-12-31</b>	<b>2021-12-31</b>	
Cash and bank balances	87,657	99,174
Un-utilised overdraft facilities	156,040	116,250
<b>Total</b>	<b>243,697</b>	<b>215,424</b>

	Liabilities for right-of-use assets -rented properties	Liabilities for property, plant and equipment financed with leases	Other interest-bearing liabilities	Total
<b>Opening balance 1 jan 2021</b>	<b>56,639</b>	<b>71,538</b>	<b>24,840</b>	<b>153,017</b>
Cash flow effect, amortisation	-21,614	-21,490	-15,000	<b>-58,104</b>
Cash flow impact, borrowings	-	-	220,210	<b>220,210</b>
Assumed liabilities not cash impact	57,255	39,177	27,055	<b>123,487</b>
Liabilities arising from acquisitions	8,387	-	31,031	<b>39,418</b>
Payment of additional purchase price	-	-	-11,483	<b>-11,483</b>
Reversed liabilities, non-cash	-	-	-605	<b>-605</b>
Exchange rate effects	2,042	716	274	<b>3,032</b>
<b>Closing balance 31 Dec 2021</b>	<b>102,709</b>	<b>89,941</b>	<b>276,322</b>	<b>468,972</b>

<b>Opening balance 1 jan 2022</b>	<b>102,709</b>	<b>89,941</b>	<b>276,322</b>	<b>468,972</b>
Cash flow effect, amortisation	-24,983	-19,163	-16,439	<b>-60,585</b>
Cash flow impact, borrowings	-	-	63,422	<b>63,422</b>
Assumed liabilities not cash impact	13,232	29,307	24,475	<b>67,014</b>
Liabilities arising from acquisitions	-	-	26,403	<b>26,403</b>
Payment of additional purchase price	-	-	-16,484	<b>-16,484</b>
Exchange rate effects	1,266	2,009	986	<b>4,261</b>
<b>Closing balance 31 Dec 2022</b>	<b>92,224</b>	<b>102,094</b>	<b>358,685</b>	<b>553,003</b>

## NOTE 28 Close relations

	2022	2021
Sale of goods and services to related parties	-	-
Purchases from related parties	-	-
Liability to related party as of 31 December	-	-
Receivable from related party as of 31 December	-	-

### Transactions with related parties

Within the three-year incentive programme launched in 2019, senior executives purchased all 400,000 newly issued shares pursuant to the terms and conditions of the programme in March 2022. This raised NOTE a total of just over SEK 12 million. No other transactions with related parties occurred in 2022. Within the three-year incentive programme launched in 2018, in May 2021, senior managers purchased all 211,000 newly issued shares pursuant to the terms and conditions of the programme. This raised NOTE a total of nearly SEK 6 million. No other transactions with related parties occurred in 2021.

For more information on transactions with key staff in executive positions, see Note 7, Employees, personnel expenses and remuneration to senior management, on page 62.



## NOTE 29 Acquisitions

At the beginning of July 2022, all shares in the electronics manufacturer Dynamic Precision Solutions AB, now NOTE Herrljunga, were acquired. NOTE Herrljunga's turnover was estimated to amount to SEK 140 million for the full year 2022 with an operating margin in line with NOTES. The number of employees at the time of acquisition amounted to approximately 30 people. Through the acquisition, NOTE expands its manufacturing capacity in Sweden with a fourth factory and gains an establishment close to the customers in western Sweden. The initial purchase price of SEK 20 million was paid in connection with the acquisition at the beginning of July. In favorable circumstances, linked to profitability targets for NOTE Herrljunga in 2022, a maximum additional purchase price of SEK 24 million may be paid. The acquisition analysis is based on the maximum purchase price.

In connection with the acquisition, existing customer relationships with a total value of SEK 10 million were identified. The goodwill of SEK 22 million that arose in connection with the acquisition is primarily attributable to the company's expertise and processes in circuit board manufacturing and box build as well as to expected coordination gains with NOTE's other operations.

Details of the purchase price, acquired net assets and goodwill appear in the table below:

Acquired assets and liabilities taken over in the acquisition	2022
<b>Total purchase consideration</b>	<b>44,475</b>
Intangible assets - customer relationships	10,048
Property, plant and equipment	225
Inventories	38,807
Accounts receivable - trade and other current receivables	35,211
Cash and cash equivalents	2,644
Long-term interest-bearing liabilities	-8,556
Short-term interest-bearing liabilities	-17,851
Deferred tax liability	-2,383
Accounts payable-trade and other current operating liabilities	-35,733
<b>Acquired identifiable net assets</b>	<b>22,412</b>
Goodwill	22,063
<b>Total acquired net assets</b>	<b>44,475</b>
<b>Cash flow relating to acquisitions in the period</b>	
Purchase consideration paid incl additional consideration	20,000
Cash in acquired entity	-2,644
<b>Net outflow, cash and cash equivalents</b>	<b>17,356</b>

External transaction costs for the acquisition amounted to approximately SEK 1 million and were mainly attributable to costs for local lawyers and other advisers. These costs are reported on the line for administration costs in the group's income statement and are included in the current operations in the cash flow analysis.

NOTE Herrljunga's turnover before the acquisition amounted to SEK 70 million, turnover after the acquisition amounted to SEK 154 million. Total turnover for NOTE Herrljunga in 2022 was thus SEK 224 million. NOTE Herrljunga's operating profit before the acquisition amounted to SEK 17 million, operating profit after the acquisition amounted to SEK 21 million. Total operating profit for NOTE Herrljunga during 2022 was therefore SEK 38 million. Operating profit refers to the result reported in NOTE Herrljunga and does not include depreciation on group surplus values.

At the end of May-June 2021, all shares in iPRO Holding Ltd in Haddenham, Buckinghamshire, England were acquired. iPRO's sales during the last 12 months before the acquisition amounted to roughly SEK 330 million with an operating margin in line with NOTES. The number of employees amounted to 110 people. The acquisition was intended to strengthen NOTE's position on the British market and contribute to further growth within the expansive Greentech customer segment.

The initial purchase price of SEK 79 million was paid in connection with the acquisition. In favorable circumstances, linked to growth and profitability targets for iPRO in 2021 and 2022, conditional purchase prices of a maximum of SEK 27 million could be paid. In December, a first installment of SEK 12 million was paid out, based on the development in 2021. In December 2022, a second installment of SEK 16 million was paid out, based on the development during 2022. The acquisition analysis was based on the maximum purchase price.

In connection with the acquisition, existing customer relationships with a total value of SEK 21 million were identified. The goodwill of SEK 30 million that arose in connection with the acquisition was mainly attributable to the company's competence and processes in the market for charging solutions for electric vehicles and in medical technology. In addition, expected coordination gains with NOTE's other operations.

Details of the purchase price, acquired net assets and goodwill can be seen from the table below:

Acquired assets and liabilities taken over in the acquisition	2021
<b>Total purchase consideration</b>	<b>106,280</b>
Intangible assets - customer relationships	20,997
Rights-of-use assets - rented properties	8,387
Property, plant and equipment	5,749
Inventories	64,924
Accounts receivable - trade and other current receivables	64,794
Cash and cash equivalents	11,152
Long-term interest-bearing liabilities	-12,845
Long-term liabilities, right-of-use assets - rented properties	-5,270
Short-term interest-bearing liabilities	-18,186
Short-term liabilities, right-of-use assets - rented properties	-3,117
Deferred tax liability	-3,988
Accounts payable-trade and other current operating liabilities	-56,607
<b>Acquired identifiable net assets</b>	<b>75,990</b>
Goodwill	30,290
<b>Total acquired net assets</b>	<b>106,280</b>

### Cash flow relating to acquisitions in the period

Purchase consideration paid incl additional consideration	91,296
Cash in acquired entity	-11,152

**Net outflow, cash and cash equivalents 80,144**

External transaction costs for the acquisition amounted to approximately SEK 2 million and were mainly attributable to costs for local lawyers and other advisers. These costs are reported on the line for administrative expenses in the consolidated income statement and are included in current operations in the cash flow analysis.

iPRO's sales prior to the acquisition were SEK 144 million, and sales after the acquisition were SEK 253 million. Accordingly, iPRO's total sales in 2021 were SEK 397 million. iPRO's operating profit prior to the acquisition was SEK 14 million, and its operating profit after the acquisition was SEK 22 million. Accordingly, iPRO's total operating profit for 2021 was SEK 35 million. Operating profit is the profit iPRO reports, and does not include amortisation of group surplus values.

## NOTE 30 Critical estimates and judgements

### Critical judgements when applying the group's accounting principles

Some critical accounting estimates made when applying the group's accounting principles are reviewed below.

#### Accounts receivable—trade and inventories

In value terms, accounts receivable—trade and inventories were the largest asset items on the reporting date. Both these items are measured at net values after deducting for impairment, based on individual assessments. There is also a customer credit allowance for accounts receivable—trade based on computation from historical data and considering forward-looking information, pursuant to IFRS 9 Financial Instruments. On the reporting date 31 December 2022, the reserve for obsolescence was SEK -61.4 (-44.3) million, and the allowance for doubtful debt was SEK -9.6 (-6.5) million. Information on the judgements applied and information on the risks associated with these asset items is in note 24 Financial risks and finance policy on page 69-70.

#### Goodwill

The group's goodwill is attributable to Swedish and foreign subsidiaries. Goodwill is tested for impairment pursuant to IAS 36 Impairment of Assets. As of 31 December 2022, the group's goodwill was SEK 165.6 (141.0) million. More information on the measurement of goodwill items is in note 11 Intangible assets on page 64.

#### Right-of-use assets, property, plant and equipment financed with leases and lease liabilities

Right-of-use assets are the group's lease contracts for offices and production equipment. These contracts are signed for definite periods, and in most cases, also have extension options. How many lease terms are included in the supporting data for computation has a material impact on the size of this item. The judgement is that lease contracts on offices are reported over the contracted period. For production units, over and above the contracted period, extension options are also accounted in those cases where an extension facility exist in each contract, and this judgement is based on the business plans compiled should the initial lease term be at least three years, or longer if investments are made in production equipment with an estimated useful life of longer than three years.

#### Deferred tax assets

Deferred tax assets are recognised on loss carry-forwards to the extent it is likely that they can be used against future taxable earnings. The group's deferred tax assets consist mainly of provisions. On the reporting date 31 December 2022 the group's deferred tax assets were SEK 7.3 (4.9) million. More information on the group's deferred tax assets is in note 10 Tax on page 63.

## NOTE 31 Post-balance sheet events

During January 2023, NOTE has signed an agreement for the acquisition of the property and surrounding land where NOTE Torsby AB conducts its business. This is to enable future expansion of the business to meet increasing demand. The purchase price amounts to SEK 41.5 million.

Claes Mellgren, current chairman of the board of NOTE, has declined re-election to the board ahead of the 2023 annual general meeting, but remains chairman until the annual general meeting on 19 April 2023. Claes Mellgren has been a board member of NOTE AB since January 2019 and held the position of chairman of the board since April 2021.

The group has no other significant events after the end of the financial year to report.

## NOTE 32 Financial definitions

**Attendance** – Attendance as a percentage of regular working-hours.

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

**Earnings per share** – Profit after tax divided by the average number of shares.

**Equity per share** – Equity divided by the number of shares at year-end.

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

**Interest-bearing net debt** – Interest-bearing liabilities and provisions less cash and interest-bearing receivables.

**Interest coverage ratio, multiple** – Operating profit plus financial income divided by financial expenses.

**Market capitalisation** – Share price multiplied by total number of outstanding shares.

**Net debt/equity ratio, multiple** – Interest-bearing net debt divided by equity.

**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.

**Order backlog** – A combination of fixed orders and customer forecasts.

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

**Return on equity** – Net profit for the year 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.

**Rate of capital turnover (operating capital), multiple** – Sales divided by operating capital.

**Sales per employee** – Sales divided by the average number of full-time employees.

**Staff turnover** – Number of employees whose employment was terminated voluntarily in the year as a percentage of the average number of employees.

**Underlying Gross Margin** – Adjusted for doubtful debt and for the re-invoicing of extraordinary cost increases on electronic components essentially without margin.

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

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

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

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

# Parent Company Income Statement

SEK 000	NOTE	2022	2021
Net revenue		37,740	32,977
Cost of sold services		-14,582	-12,562
<b>Gross profit</b>		<b>23,158</b>	<b>20,415</b>
Selling expenses		-15,947	-14,122
Administrative expenses		-12,479	-12,383
Other operating revenue	2	29,473	23,168
Other operating expenses	3	-20,184	-7,870
<b>Operating profit</b>	4, 5, 6, 15	<b>4,021</b>	<b>9,208</b>
<b>Profit from financial items</b>	7		
Profit from participations in group companies		-	1,246
Interest income, etc.		21,271	7,134
Interest costs, etc.		-7,649	-3,273
<b>Profit after financial items</b>		<b>17,643</b>	<b>14,315</b>
Appropriations	8	60,200	-3,850
<b>Profit before tax</b>		<b>77,843</b>	<b>10,465</b>
Tax	9	-16,228	-2,105
<b>Profit for the year</b>		<b>61,615</b>	<b>8,360</b>

# Parent Company Statement of Other Comprehensive Income

SEK 000	2022	2021
<b>Profit for the year</b>	<b>61,615</b>	<b>8,360</b>
<b>Other comprehensive income</b>		
Items that can be subsequently reversed in the Income Statement:	-	-
<b>Total comprehensive income for the year</b>	<b>61,615</b>	<b>8,360</b>

# Parent Company Balance Sheet

SEK 000	NOTE	31 Dec 2022	31 Dec 2021
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	10		
Capitalised expenditure on development work		1,599	2,255
Property, plant and equipment	10	251	385
Financial assets			
Participations in group companies	17	241,486	197,011
Receivables from group companies	11	250,928	217,465
Total financial assets		<b>492,414</b>	<b>414,476</b>
<b>Total non-current assets</b>		<b>494,264</b>	<b>417,116</b>
<b>Current assets</b>			
Short-term receivables			
Receivables from group companies		55,091	26,756
Other receivables	12	11	11,030
Prepaid expenses and accrued income		4,639	3,290
<b>Total short-term receivables</b>		<b>59,741</b>	<b>41,076</b>
Cash and bank balances	18	1,187	18,757
<b>Total current assets</b>		<b>60,928</b>	<b>59,833</b>
<b>TOTAL ASSETS</b>		<b>555,192</b>	<b>476,949</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Restricted equity			
Share capital (28,983,600/28,583,600 class A shares)		15,012	14,805
Statutory reserve		148,161	148,161
Non-restricted equity			
Profit brought forward		113,788	93,971
Profit for the year		61,615	8,360
<b>Total equity</b>		<b>338,576</b>	<b>265,297</b>
<b>Untaxed reserves</b>			
Tax allocation reserve		<b>35,900</b>	<b>9,900</b>
<b>Current liabilities</b>			
Liabilities to credit institutions	13	80,892	333
Accounts payable-trade		4,087	5,407
Liabilities to group companies		83,375	185,951
Other liabilities		3,753	687
Accrued expensed and deferred income	14	8,609	9,374
<b>Total current liabilities</b>		<b>180,716</b>	<b>201,752</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>555,192</b>	<b>476,949</b>



# Summary Statement of Changes in Parent Company's Equity

	Restricted equity		Non-restricted equity		Total equity
	Share capital	Statutory reserve	Profit brought forward	Profit for the year	
<b>SEK 000</b>					
Opening equity, 1 Jan 2021	14,695	148,161	88,665	-704	250,817
Appropriation of profit			-704	704	-
<b>Comprehensive income</b>					
Profit for the year				8,360	8,360
<b>Other comprehensive income</b>					
<b>Total comprehensive income</b>				8,360	8,360
<b>Transactions with shareholders</b>					
New share issue	110		6,010		6,120
<b>Closing equity, 31 Dec 2021</b>	<b>14,805</b>	<b>148,161</b>	<b>93,971</b>	<b>8,360</b>	<b>265,297</b>

	Restricted equity		Non-restricted equity		Total equity
	Share capital	Statutory reserve	Profit brought forward	Profit for the year	
<b>SEK 000</b>					
Opening equity, 1 Jan 2022	14,805	148,161	93,971	8,360	265,297
Appropriation of profit			8,360	-8,360	-
<b>Comprehensive income</b>					
Profit for the year				61,615	61,615
<b>Other comprehensive income</b>					
<b>Total comprehensive income</b>				61,615	61,615
<b>Transactions with shareholders</b>					
New share issue	207		11,457		11,664
<b>Closing equity, 31 Dec 2022</b>	<b>15,012</b>	<b>148,161</b>	<b>113,788</b>	<b>61,615</b>	<b>338,576</b>

# Parent Company Cash Flow Statement

SEK 000	NOTE	2022	2021
<b>Operating activities</b>	18		
Profit before tax		17,643	14,315
Reversed depreciation		827	861
Other non-cash items		-6,057	-12,438
Tax paid		-2,073	-8,773
		<b>10,340</b>	<b>-6,035</b>
<b>Cash flow from change in working capital</b>			
Increase (-)/decrease (+) in trade receivables		-23,845	-24,331
Increase (+)/decrease (-) in trade liabilities		-34,731	123,436
		<b>-58,576</b>	<b>99,105</b>
<b>Cash flow from operating activities</b>		<b>-48,236</b>	<b>93,070</b>
<b>Investing activities</b>			
Acquisition of subsidiaries		-20,000	-
Divestment of subsidiaries		-	1,815
Purchase of financial assets		-16,493	-92,588
Purchase of material assets		-38	-
<b>Cash flow from investing activities</b>		<b>-36,531</b>	<b>-90,773</b>
<b>Financing activities</b>			
Borrowings		56,083	-
Amortisation of interest-bearing liabilities		-	-130
New share issue		11,664	6,120
Group contributions given		-550	-60
<b>Cash flow from financing activities</b>		<b>67,197</b>	<b>5,930</b>
<b>Cash flow for the year</b>		<b>-17,570</b>	<b>8,227</b>
<b>Cash and cash equivalents</b>			
At beginning of period		18,757	10,530
Cash flow before financing activities		-84,767	2,297
Cash flow from financing activities		67,197	5,930
<b>Cash and cash equivalents at end of period</b>		<b>1,187</b>	<b>18,757</b>

# Notes on the Parent Company's Financial Statements

## NOTE 1 Critical accounting principles

### Parent company accounting principles

The parent company has prepared its annual accounts in accordance with the Swedish Annual Accounts Act and RFR's (Rådet för finansiell rapportering, the Swedish Financial Reporting Board) recommendation RFR 2, Accounting for Legal Entities. RFR's statements for listed companies have also been adopted. RFR 2 stipulates that in its annual accounts as a legal entity, the parent company should adopt all IFRS and statements endorsed by the EU, providing this is possible within the framework of the Swedish Annual Accounts Act, The Swedish Pension Obligations Vesting Act (Tryggandelagen) and with consideration to the relationship between accounting and taxation. This recommendation states the exemptions and supplements to be made from and to IFRS.

Accordingly, the parent company adopts those principles presented in Note 1 on page 58, of the consolidated accounts, subject to the exemptions stated below. These principles have been applied consistently for all years presented, unless otherwise stated.

### Subsidiaries

Participations in subsidiaries are reported in the parent company in accordance with the cost method. Shares in subsidiaries are impaired if their recoverable amount is less than fair value. Dividends received are recognised as revenue.

### Loans to subsidiaries

The parent company lends funds to subsidiaries in foreign currency. A portion of these loans is considered as a portion of net investments in subsidiaries. In previous periods, restatement of these loans to closing day rates was recognised in equity in the fair value reserve. Since 2017, these effects are recognised directly in parent company profit or loss in accordance with the revised principle RFR 2.

Other loans receivable in foreign currency are revalued at closing day rates and the revaluation is recognised in the Income Statement.

### Financial guarantees

The parent company has granted sureties in favour of subsidiaries. In accordance with IFRS, these obligations are classified as financial guarantee agreements. For such agreements, the parent company applies the relaxation of RFR 2 point 72, and accordingly reports the surety as a contingent liability. When the company judges that it is likely that payment will be required to settle the obligation, a provision is made.

### Borrowing costs

The company expenses all borrowing costs immediately.

### Revenues

*Sales of goods and conducting services assignments.*

The revenue of services assignments in the parent company is recognised in accordance with Chap. 2 §4 of the Swedish Annual Accounts Act when the services are complete. All parent company sales are to other group companies.

### Property, plant and equipment

Property, plant and equipment in the parent company are recognised at cost less deductions for accumulated depreciation and potential impairment losses in the same manner as for the group, but with a supplement for potential revaluations.

### Intangible assets

The parent company has begun the process of implementing a new group-wide ERP system. Effective 1 January 2015, the parent company is applying the exemption of RFR 2 that permits expenditure for development, which pursuant to IAS 38 p. 57 should be recognised as an asset in the Balance Sheet, to be expensed in the period that it arises instead. Instead, capitalisation is in the group. Remaining intangible assets in the parent company have estimated useful lives of 10 years.

### Leases

All lease arrangements in the parent company are reported in accordance with the rules for operating leases.

### Tax

In the parent company, untaxed reserves are reported including deferred tax liabilities.

### Group contributions and shareholders' contributions for legal entities

The company reports group contributions and shareholders' contributions in accordance with statements from the RR Emerging Issues Task Force. Shareholders' contributions are recognised directly to the recipient's equity and capitalised in shares and participations of the issuer, to the extent no impairment losses are necessary.

## NOTE 2 Other operating revenue

	2022	2021
Exchange gains on trade receivables/liabilities	29,266	23,168
Other operating revenue	207	-
<b>Total</b>	<b>29,473</b>	<b>23,168</b>

## NOTE 3 Other operating expenses

	2022	2021
Exchange losses on trade receivables/liabilities	-20,184	-7,870
Other operating expenses	-	-
<b>Total</b>	<b>-20,184</b>	<b>-7,870</b>

## NOTE 4 Auditors' fees and reimbursement

	2022	2021
<b>PwC</b>		
Auditing assignment	-1,027	-653
Auditing in addition to audit assignment	-	-
Tax consultancy	-	-
Other services	-	-
<b>Total</b>	<b>-1,027</b>	<b>-653</b>

## NOTE 5 Employees, personnel expenses and remuneration to senior management

	2022	2021
<b>Expenses for employee benefits</b>		
Salaries and benefits	-13,620	-12,573
Pension expenses, defined-contribution plans	-2,404	-2,441
Social security contributions	-5,037	-4,965
<b>Total</b>	<b>-21,061</b>	<b>-19,979</b>

Average number of employees	2022	of which men	2021	of which men
Sweden	10	37%	10	41%

	2022	2021
<b>Division between sexes in management</b>	<b>Share of women</b>	<b>Share of women</b>
Board of Directors	60%	60%
Other senior management 3 (3) people	23%	0%

### Salaries, other benefits and social security contributions

	Salaries and benefits (of which bonus)		Social security (of which pension expense)	
	2022	2021	2022	2021
Management	-9,305 (-2,296)	-8,582 (-2,110)	-5,047 (-1,708)	-4,733 (-1,639)
Other employees	-5,260 (-177)	-4,936 (-287)	-2,394 (-695)	-2,673 (-802)

Management means the Board of Directors and the group management.

**NOTE 6 Operating leases**

	31 Dec 2022	31 Dec 2021
Lease arrangements payable within one year	3,980	3,279
Lease arrangements payable between one and five years	5,063	6,902
<b>Total</b>	<b>9,043</b>	<b>10,181</b>

Parent company expenses for operating leases were 3,787 (3,299). A significant proportion of operating leases relates to rents for premises. In addition, NOTE is party to lease agreements relating to cars and office equipment.

**NOTE 7 Net financial income/expense**

	2022	2021
<b>Profit from participations in group companies</b>		
Acquisition of financial fixed assets	-	23,800
Impairment of shares in subsidiaries	-	-22,554
<b>Total</b>	<b>-</b>	<b>1,246</b>
<b>Interest income etc.</b>		
Interest income, group companies	8,865	3,438
Interest income, other	12	116
Exchange rate differences	12,394	3,580
<b>Total</b>	<b>21,271</b>	<b>7,134</b>
<b>Interest costs, etc.</b>		
Interest costs, other	-1,888	-224
Exchange rate differences	-4,715	-2,375
Other	-1,046	-674
<b>Total</b>	<b>-7,649</b>	<b>-3,273</b>

**NOTE 8 Appropriations**

	2022	2021
Tax allocation reserve, provision/dissolved for the year	-26,000	-3,300
Consolidated accounting contributions, received	87,000	-
Consolidated accounting contribution, submitted	-800	-550
<b>Total</b>	<b>60,200</b>	<b>-3,850</b>

**NOTE 9 Tax**

	2022	2021
<b>Reported in Income Statement</b>		
<b>Current tax expense (-)/tax revenue (+)</b>		
Tax expense/tax revenue for the period	-16,228	-2,105
<b>Deferred tax expense (-)/tax revenue (+)</b>		
Deferred tax revenue/expense in capitalised/utilised tax values of loss carry-forwards	-	-
<b>Total reported tax</b>	<b>-16,228</b>	<b>-2,105</b>
<b>Reconciliation of effective tax</b>		
Profit before tax	77,843	10,465
Tax at applicable rate for parent company	-20.6% -16,036	-20.6% -2,156
Non-deductible expenses	-0.2% -173	-1.4% -148
Non-taxable revenue	0.0% 2	2.5% 257
Tax attributable to previous years	0.0% -21	-0.5% -58
<b>Total</b>	<b>-20.8% -16,228</b>	<b>-20.1 -2,105</b>

**NOTE 10 Intangible assets and Property, plant and equipment**

	Capitalised expenditure on development work	Equipment, tools, fixtures and fittings
<b>Cumulative cost</b>		
Opening balances 1 Jan 2021	5,402	1,486
Purchases	-	-
Sales and retirements	-	-
<b>Closing balance, 31 Dec 2021</b>	<b>5,402</b>	<b>1,486</b>
Opening balances 1 Jan 2022	5,402	1,486
Purchases	-	38
Sales and retirements	-	-
<b>Closing balance, 31 Dec 2022</b>	<b>5,402</b>	<b>1,524</b>
<b>Depreciation</b>		
Opening balance, 1 Jan 2021	-2,492	-896
Depreciation for the year	-656	-205
Sales and retirements	-	-
<b>Closing balance, 31 Dec 2021</b>	<b>-3,148</b>	<b>-1,101</b>
Opening balance, 1 Jan 2022	-3,148	-1,101
Depreciation for the year	-656	-172
Sales and retirements	-	-
<b>Closing balance, 31 Dec 2022</b>	<b>-3,804</b>	<b>-1,273</b>
<b>Carrying amounts</b>		
1 Jan 2021	2,910	590
<b>31 Dec 2021</b>	<b>2,255</b>	<b>385</b>
1 Jan 2022	2,255	385
<b>31 Dec 2022</b>	<b>1,599</b>	<b>251</b>

Depreciation is included in the following Income Statement lines	2022	2021
Cost of goods sold and services	-699	-732
Selling expenses	-129	-129
<b>Total</b>	<b>-828</b>	<b>-861</b>

**NOTE 11 Long-term receivables**

	31 Dec 2022	31 Dec 2021
<b>Receivables from group companies</b>		
<b>Cumulative cost</b>		
At beginning of year	217,465	105,931
Purchase	25,606	97,009
Currency revaluation	7,857	14,595
Re-payment	-	-70
<b>Total</b>	<b>250,928</b>	<b>217,465</b>

**NOTE 12 Other receivables**

	31 Dec 2022	31 Dec 2021
Tax receivable	11	11,030
<b>Total</b>	<b>11</b>	<b>11,030</b>

**NOTE 13 Short-term receivables**

	31 Dec 2022	31 Dec 2021
Additional purchase price	24,475	-
Liabilities to credit institutions	56,417	333
<b>Total</b>	<b>80,892</b>	<b>333</b>



**NOTE 14** Accrued expenses and deferred income

	31 Dec 2022	31 Dec 2021
Accrued consulting fees	1,262	1,648
Accrued salaries and benefits	4,421	4,321
Accrued social security contributions	1,424	1,516
Accrued vacation payment	1,502	1,767
Other	0	122
<b>Total</b>	<b>8,609</b>	<b>9,374</b>

**NOTE 15** Pledged assets and contingent liabilities

Contingent liabilities	31 Dec 2022	31 Dec 2021
Ownership reservation	204	333
Rent guarantee	1,032	1,032
Sureties in favour of subsidiaries	30,000	30,000
<b>Total</b>	<b>31,236</b>	<b>31,635</b>

**NOTE 16** Close relations

Close relation	Year	Sales of goods and services to related parties	Purchases from related parties	Liability to related party as of 31 December	Receivable from related party as of 31 December
Company owned by Board member	2022	-	-	-	-
Company owned by Board member	2021	-	-	-	-

**Transactions with persons discharging managerial responsibility**

Within the framework of the three-year incentive programme launched in 2019, senior executives purchased all 400,000 newly issued shares in March 2022 according to the terms of the programme. In total, just under SEK 12 million was added to NOTE. No other transactions with related parties have been made in 2022. Within the framework of the three-year incentive programme launched in 2018, senior executives purchased all 211,000 newly issued shares in May 2021 according to the terms of the programme. A total of nearly SEK 6 million was added to NOTE. No other transactions with related parties were made in 2021.

For the Board of Directors', the CEO's and other senior managers' salaries and other benefits, expenses and commitments relating to pensions and similar benefits, as well as agreements on severance pay, see Note 7 on page 62.

**NOTE 17** Group companies**Specification of the parent company's direct holdings of shares in subsidiaries**

Subsidiary Sweden/Corporate identity no./Registered office	No. of shares	31 Dec 2022 Carrying amount	31 Dec 2021 Carrying amount
NOTE Components AB, 556602-2116, Stockholm, Sweden	1,000	100	100
NOTE Herrljunga AB, 559319-2783, Herrljunga, Sweden	100,000	44,475	-
NOTE Lund AB, 556317-0355, Lund, Sweden	10,661	43,091	43,091
NOTE Norrtälje AB, 556235-3853, Norrtälje, Sweden	1,000	60,719	60,719
NOTE Torsby AB, 556597-6114, Torsby, Sweden	30,000	3,000	3,000
<b>Subsidiary Sweden/Corporate identity no./Registered office</b>			
NOTE Electronics (Dongguan) Co Ltd, 441900400100981, Dongguan, China	1	47,630	47,630
NOTE Hyvinkää Oy, 1931805-1, Hyvinkää, Finland	80	1,347	1,347
NOTE Pärnu OÜ, 10358547, Pärnu, Estonia	1	26,887	26,887
NOTE Stonehouse Ltd, 5257074, Telford, UK	1,850,000	14,237	14,237
<b>Total</b>		<b>241,486</b>	<b>197,011</b>

The participating interest is 100 (100)% in all companies.

NOTE Stonehouse Ltd owns 100% of the shares in NOTE Windsor Ltd, 04849220, Windsor, UK and 100% of the shares in iPRO Holding Ltd, 13230565, Haddenham, UK. iPRO Holding Ltd owns 100% of the shares in iPRO Manufacturing Ltd, 04166303, Haddenham, UK and 100% of the shares in iPRO Solutions Ltd, 03878139, Haddenham, UK.

Cumulative cost	31 Dec 2022	31 Dec 2021
At beginning of year	238,395	267,479
Acquisition	44,475	-
Divestments	-	-29,084
<b>Total</b>	<b>282,870</b>	<b>238,395</b>
Cumulative impairment		
At beginning of year	-41,384	-46,100
Impairment for the year	-	-22,554
Divestments	-	27,270
<b>Total</b>	<b>-41,384</b>	<b>-41,384</b>
<b>Net carrying amount</b>	<b>241,486</b>	<b>197,011</b>

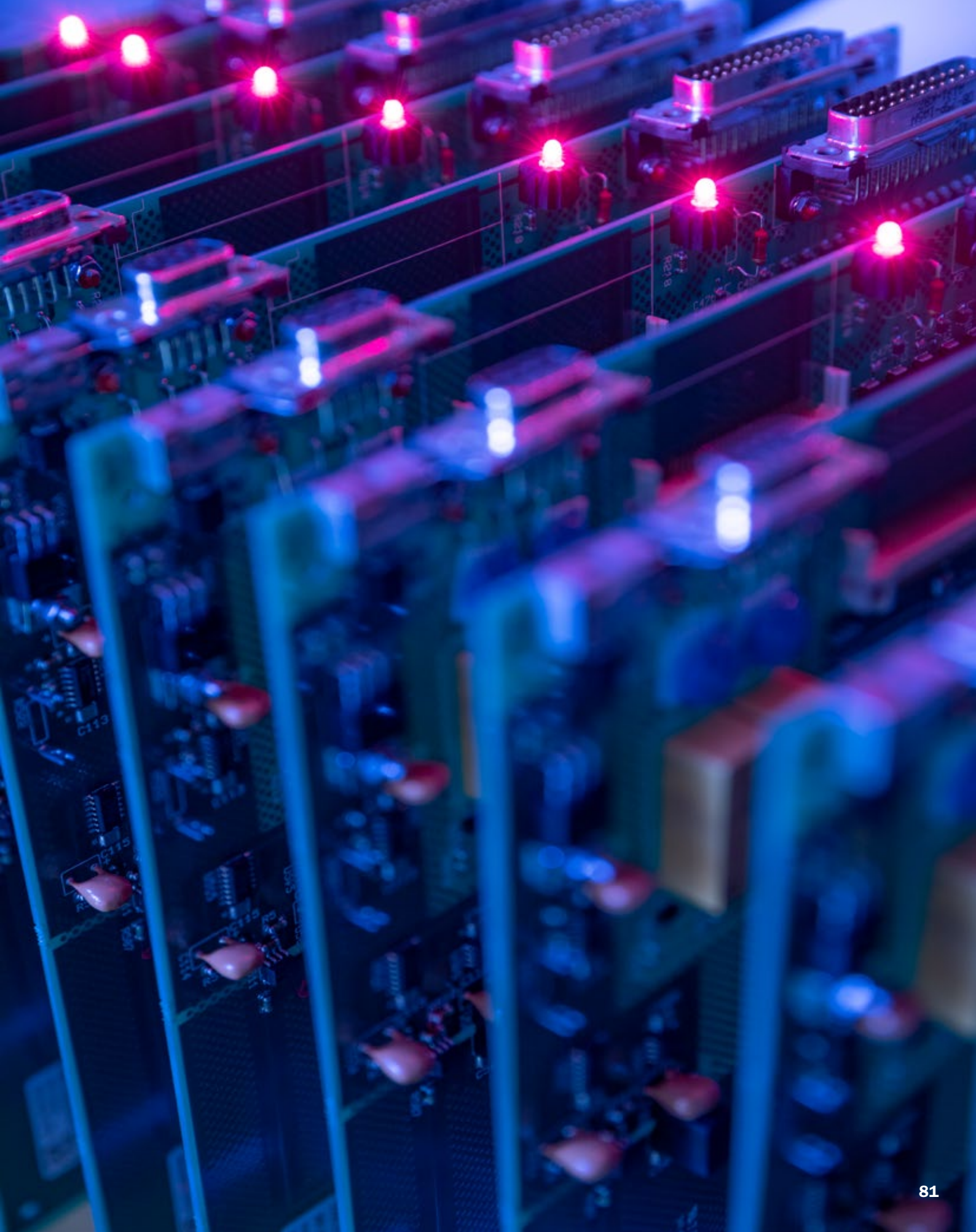
**NOTE 18 Cash Flow Statement**

<b>Interest paid</b>	<b>2022</b>	<b>2021</b>
Interest received	8,865	3,438
Interest paid	-1,888	-224
<b>Other non-cash items</b>		
Unrealised exchange rate differences	-6,057	-11,192
Impairment of shares in subsidiaries	-	22,554
Dividend subsidiaries, not paid in cash	-	-23,800
<b>Total</b>	<b>-6,057</b>	<b>-12,438</b>
<b>Cash and cash equivalents</b>	<b>2022-12-31</b>	<b>2021-12-31</b>
Cash and bank balances	1,187	18,757
<b>Un-utilised credit facilities</b>		
Un-utilised credit facilities	143,787	105,000

**NOTE 19 Information on the parent company**

NOTE AB (publ) is a Swedish-registered limited company with its registered office in Stockholm municipality, Stockholm county, Sweden. The parent company's shares are listed on Nasdaq Stockholm Stock Exchange.

The address of the head office is NOTE AB (publ), Box 3691, 103 59 Stockholm, Sweden. The corporate identity number is 556408-8770. The consolidated accounts for 2022 comprise the parent company and its subsidiaries, collectively termed the group.



## Proportion of turnover from products or services associated with Taxonomy-aligned economic activities - disclosure covering year 2022

Economic activities (1)	Code(s) (2)	Absolute turnover (3)	Proportion of turnover (4)	Substantial contribution criteria					DNSH criteria ("Does Not Significantly Harm")							Minimum safeguards (17)	Taxonomy-aligned proportion of turnover, year N-1 (18)	Taxonomy-aligned proportion of turnover, year N (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
				Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)					
		MSEK	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Percent	Percent	E	T
<b>A. TAXONOMY-ELIGIBLE ACTIVITIES</b>																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)			%	%	%	%	%	%	%					-			%			
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)			%																	
Total (A.1 + A.2)		0	0%														%		%	
<b>B. TAXONOMY-NON-ELIGIBLE ACTIVITIES</b>																				
Turnover of Taxonomy-non-eligible activities (B)		3,687	100%																	
Total (A + B)		3,687	100%																	

## Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities - disclosure covering year 2022

Economic activities (1)	Code(s) (2)	Absolute CapEx (3)	Proportion of CapEx (4)	Substantial contribution criteria					DNSH criteria ("Does Not Significantly Harm")							Minimum safeguards (17)	Taxonomy-aligned proportion of CapEx, year N-1 (18)	Taxonomy-aligned proportion of CapEx, year N (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
				Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)					
		MSEK	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Percent	Percent	E	T
<b>A. TAXONOMY-ELIGIBLE ACTIVITIES</b>																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
Investment in leases		0	0%	0%	0%	0%	0%	0%	0%		N	N	N	N	N	N	%		E	
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)			%	%	%	%	%	%	%					-			%			
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Acquisition and ownership of buildings	7.7	13	13%																	
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)			%																	
Total (A.1 + A.2)			0%														%		%	
<b>B. TAXONOMY-NON-ELIGIBLE ACTIVITIES</b>																				
CapEx of Taxonomy-non-eligible activities (B)		87	87%																	
Total (A + B)		100	100%																	

**Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities - disclosure covering year 2022**

				Substantial contribution criteria							DNSH criteria ('Does Not Significantly Harm')							Minimum safeguards (17)	Taxonomy-aligned proportion of OpEx, year N (18)	Taxonomy-aligned proportion of OpEx, year N-1 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)					
Economic activities (1)	Code(s) (2)	Absolute OpEx (3)	Proportion of OpEx (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Y/N	Y/N						Y/N	Y/N	Y/N	Y/N	Percent
A. TAXONOMY-ELIGIBLE ACTIVITIES																											
A.1. Environmentally sustainable activities (Taxonomy-aligned)																											
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)			%	%	%	%	%	%	%						-							%					
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																											
Short-term or low-value leasing	6.5	12	100%																								
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)			%																								
Total (A.1 + A.2)		0	0%																						%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																											
OpEx of Taxonomy-non-eligible activities (B)		12	100%																								
Total (A + B)		12	100%																								



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.

Claes Mellgren

Chairman

Anna Belfrage

Board member

Johan Hagberg

Board member

Bahare Mackinovski

Board member

Charlotte Stjerngren

Board member

Jörgen Blomberg

Board member, Employee representative

Christoffer Skogh

Board member, Employee representative

Johannes Lind-Widestam

CEO

Stockholm, Sweden, 23 March 2023

As stated above, the annual accounts and consolidated accounts were approved for issuance by the Board of Directors on 23 March 2023. 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 2023.

Our Audit Report was presented on 23 March 2023

Andreas Skogh

Auditor in Charge

Authorised Public Accountant

Öhrlings PricewaterhouseCoopers AB

# 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 2022.

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 2022 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 2022 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 the 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 consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

#### Key audit matter

##### *Valuation of accounts receivable—trade*

We refer to note 23, Financial instruments per category, note

24, Financial risks and finance policy and note 30 Critical estimates and judgements. 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 outstanding accounts receivable—trade depends on the extent customers will pay. 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 accounted for. 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 and considered managements' analysis including, among other things, age distribution and the progress of days sales outstanding (DSO) and other 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 the test of controls in the sales process and measurement of accounts receivable—trade, we monitored payments of a selection of accounts receivable—trade.

#### *Valuation of inventories*

We refer to note 15, Inventories and note 30 Critical estimates and judgements. 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. These include, for example, inventory reconciliations and deliveries from inventories.

In addition to testing controls in the procurement processes and inventory management, we have evaluated the company's obsolescence reserve by sampling details of 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 and 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 and 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, 29-31, 39-41 and 82-83. The information in NOTE's Remuneration Report 2022 also comprises other information. 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 respon-

sible 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](http://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 2022 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit 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/revisornsansvar](http://www.revisorsinspektionen.se/revisornsansvar). This description is part of the auditor's report.

## THE AUDITOR'S EXAMINATION OF THE ESEF REPORT

### Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for NOTE AB (publ) for year 2022.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report has been prepared in a format that, in all material respects, enables uniform electronic reporting.

### Basis for opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the Esef report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of NOTE AB (publ) 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 evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the Esef report in accordance with the Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements. Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts and consolidated accounts. The auditor selects procedures dependent on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of the assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a technical validation of the Esef report, i.e. if the file containing the Esef report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the consolidated statement of financial performance, financial position, changes in equity, cash flow and disclosures in the Esef report have been marked with iXBRL in accordance with what follows from the Esef regulation.

Öhrlings PricewaterhouseCoopers AB, Stockholm, Sweden, was appointed as audit firm of NOTE AB (publ) by the general meeting of shareholders on 20 April 2022, 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.

Andreas Skogh  
Authorised Public Accountant  
Öhrlings PricewaterhouseCoopers AB

Stockholm, Sweden, 23 March 2023



## Shareholders' information

### Annual General Meeting

The Annual General Meeting (AGM) will be held at 2:00 p.m. on Wednesday, 19 April at Westmanska Palatset, Stockholm, Sweden. Information on the notification procedure for the Meeting will be uploaded to the website jointly with the invitation by no later than four weeks prior to the Meeting.

### Notification

Shareholders intending to participate in the AGM must be recorded in the share register maintained by Euroclear Sweden AB by Tuesday, 11 April 2023, and notify NOTE of their intention to participate by no later than Thursday, 13 April 2023. For entitlement to participate at the Meeting, shareholders with nominee-registered holdings must request temporary inclusion in the share register maintained by Euroclear Sweden AB (voting registration). Shareholders must inform their nominee in good time prior to Thursday, 13 April 2023, when this process should be complete.

### Business

Information on the agenda of the AGM is published in the Swedish Official Gazette and will be available on NOTE's website. Documentation is also available from NOTE coincident with notification of intention to participate at the Meeting.

### Dividend

To ensure maximum financial freedom during the ongoing structural transformation of the industry, the Board currently proposes that no dividend be paid for 2022.

### Nomination Committee

The Nomination Committee has the following members:

Johan Hagberg, personal holdings  
Egil Dahl, Vevlen Gård  
Myggenäs Gård and Fredrik Hagberg  
Per Olof Andersson, personal holdings  
and Claes Mellgren's holdings

## Financial information

### Calendar

Interim Report, Jan–Mar	19 Apr 2023
Interim Report, Jan–Jun	13 Jul 2023
Interim Report, Jan–Sep	17 Oct 2023

### Investor Relations contact

Frida Frykstrand  
Chief Financial Officer  
Tel: +46 (0)70 462 0939  
E-mail: [frida.frykstrand@note-ems.com](mailto:frida.frykstrand@note-ems.com)

### Ordering financial information

Financial and other relevant information can be obtained from NOTE on request. Out of consideration for the environment, an electronic subscription service is readily available from NOTE's website.

Website: [www.note-ems.com](http://www.note-ems.com)  
E-mail: [info@note-ems.com](mailto:info@note-ems.com)  
Tel: +46 (0)8-568 990 00  
Address: NOTE AB (publ),  
Box 3691, 103 59 Stockholm

### NOTE AB (publ) Annual Report 2022

Corporate identity number 556408-8770

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