

# Annual Report 2004

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## To the reader

NOTE is a Swedish company governed by Swedish law. All values are in Swedish kronor unless otherwise stated; millions of Swedish kronor are abbreviated as SEK million. Quantitative information in brackets is for 2003. Information on markets and competitive positions are NOTE's assessments, unless a specific source is stated. These assessments are based on the most accurate and recent factual information from published sources in the electronics sector.

## Financial information

Preliminary publication dates for Interim Reports in 2005:

January-March	3 May 2005
January-June	9 August 2005
January-September	28 October 2005

# NOTE™

THE EMS PARTNER

# This is ...

## NOTE IN BRIEF

NOTE is a European electronics manufacturer with its head office in Sweden, which is active on the EMS (electronics manufacturing services) market. NOTE offers electronics production know-how right through the value chain from development to after-sales services.

The group has eight production facilities in Sweden and three in foreign countries: Finland, Lithuania and Estonia. Additionally, NOTE controls a production collaboration with a number of subcontractors in Poland and other central European countries through its subsidiary NOTE Gdansk of Poland. NOTE also has operations in France and the UK.

NOTE offers close-to-market production via the ems-ALLIANCE™, a global network of electronics producers with partners in Brazil, China, India and the US.

NOTE has a total of 887 employees and had sales of SEK 1,103.1 million in 2004. Over the last five years, NOTE has achieved average annual turnover growth of over 40%, both organic and acquisition-driven.

NOTE is quoted on the Attract 40 section of the Stockholm Stock Exchange O-list.

## THE NOTE CONCEPT

The NOTE group's activities are divided into three strategic functions:

### 1. Excellence Units

Production facilities located close to key customer regions.

#### Gateways

Smaller units close to customers and industrial centres, possessing a high level of sales and industrialisation know-how.

#### Excellence Plants

Units focused on the key first links in the value chain (development, prototyping, industrialisation).

### 2. Industrial Plants

Production units located in countries with cost-efficient volume production, with high capacity and know-how in production with a high manual content.

### 3. Components

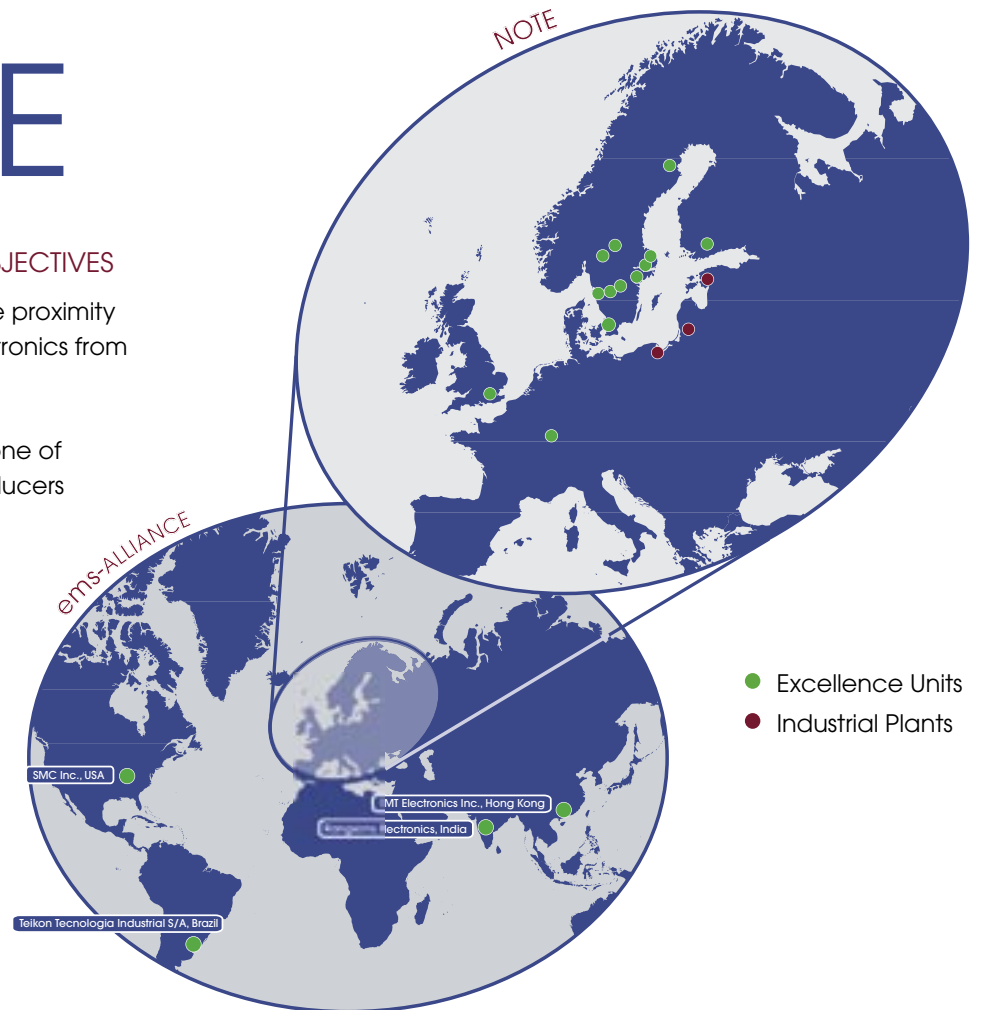
A unit that prepares purchasing agreements with strategic suppliers on behalf of all group companies. By negotiating higher volumes, NOTE's customers get better terms.

# NOTE

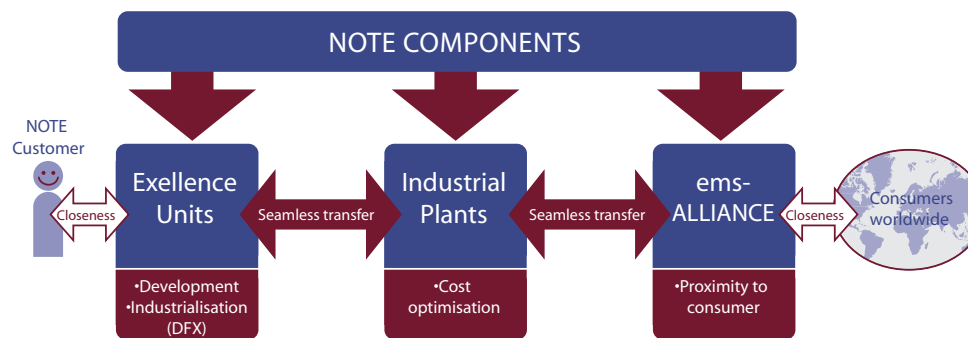
## BUSINESS CONCEPT AND OBJECTIVES

Our business concept is in close proximity to our customers, produce electronics from design to after-sales.

NOTE's objective is to be one of Europe's leading EMS producers within five years.



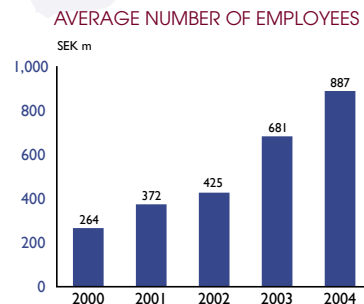
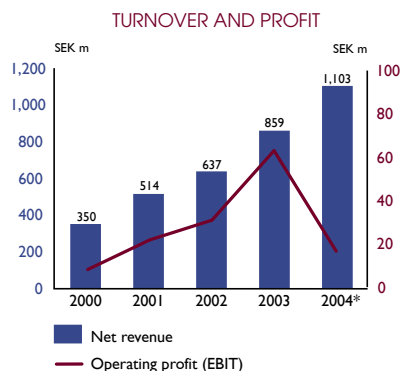
## BUSINESS MODEL



# The past year

- Net revenue grew by 28% to SEK 1,103.1 (859.2) million.
- Profit after financial items reduced by 74% to SEK 16.6 (63.0) million.\*
- Earnings per share after tax were SEK 1.17 (5.41).
- A new full-scale prototyping laboratory, NOTE Lab, was opened in Borås, western Sweden, in May. Later in the year, NOTE reached a collaboration agreement with Chalmers University of Technology, Gothenburg to locate a NOTE Lab at Chalmers.
- NOTE was floated on the Stockholm Stock Exchange O-list on 23 June, and six months later, the NOTE share qualified for quotation on the Attract 40 section of the O-list.
- An all-new production facility was opened in Torsby, central Sweden, in August. This unit, with floor-space of roughly 50,000 sq.ft., is one of the most modern in Europe and is specifically focused on electronics for harsh environments.
- NOTE reached an agreement regarding the production of all Åkerströms' products in September, including forklift truck computers for extreme environments, a contract guaranteeing minimum volumes of SEK 150 million. NOTE also took over Åkerströms' proprietary electronics production in Björbo, central Sweden, coinciding with the agreement.
- NOTE started operations in the UK in October.
- In December, NOTE acquired Ericsson Anslutningssystem (connection systems) in Skellefteå, northern Sweden, a subsidiary of the Ericsson group. Ericsson Anslutningssystem develops and produces prototypes and products for the telecom and electronics industries.
- NOTE also reached an agreement to acquire the Finnish EMS enterprise Point Product Oy in December, whose customers are mainly in industrial electronics. A production facility in Pärnu, Estonia was acquired at the same time.
- In December, NOTE was selected by Neonode Sweden AB as a volume producer of its new Neonode N1 mobile phone, an order worth SEK 200 million, and one of NOTE's biggest yet.

KEY FIGURES %	2000	2001	2002	2003	2004*
Operating margin	2.9	5.3	6.2	8.7	2.4
Profit margin	2.3	4.2	4.8	7.3	1.5
Return on operating capital	15.7	22.5	20.3	21.5	6.0
Return on equity	30.5	53.6	36.4	36.9	4.2
Equity to assets ratio	10.7	14.8	20.8	22.0	35.7



\* The profit for 2004 was reduced by restructuring and other non-recurring costs of approximately SEK 47 million.

# NOTE in 2004 – the finishing line and the starting-gun

*The year 2004 was our most momentous yet – we reached one finishing line by keeping the promise we made to our shareholders in 2000 – to float NOTE as one of Sweden’s leading EMS producers by 2005. But simultaneously, the starting-gun was fired for our next race: to be one of Europe’s leading EMS corporations by 2009. This new journey will be even more exciting than our first.*

NOTE has entered a new and exciting phase, and a short review follows to highlight the changes that have occurred.

NOTE was incorporated in 1999, and in March 2000, at the height of the IT bubble, we sought capital for our first corporate acquisition. But our timing was unfortunate – interest in manufacturing business concepts was fairly cool. Nevertheless, we did access a sufficiently large investor community for NOTE to be able to start its journey.



Our pledge back then – in 2000 – was to develop our business into one of Sweden’s leading EMS producers, and to bring the group to the stock market. We set an unequivocal deadline, 2005, and accordingly, it is with some pride that we can now report that we have kept our promise. Progressing from turnover of approximately SEK 1 million in 1999 to over SEK 1 billion in 2004, NOTE has become one of Sweden’s leading EMS corporations, now traded on the Attract 40 section of the Stockholm Stock Exchange O-list.

In this context it is also worth noting that rather

than being our ultimate objective, our stock market launch was not an ‘exit’, but rather an ‘entrance’ because our initial public offering (IPO) was the starting-gun for the second phase of our efforts. This time, our objective is to be one of Europe’s leading contract manufacturers by 2009.

## NOTE IN 2004 – SETTING OUR COURSE AND OBJECTIVES

We can summarise 2004 in two parts, the first mainly relating to our stock market listing and the second the company’s continued progress.

We began in January 2004 by preparing the group for what, nowadays, are very extensive and challenging standards for filing a listing application. The demanding activities through spring 2004 resulted in the successful flotation of NOTE on the Stockholm Stock Exchange O-list on 23 June 2004.

The capital injection the company received through the simultaneous spread of ownership and new issue enabled us to develop the group in two lines with clear objectives in the second half-year 2004.

Firstly, we began activities to create a platform for further growth. But our ambition of remaining a high-growth company necessitates accessing new customer groups, and therefore, we re-defined our target market consistent with our pan-European strategy. We selected three new geographical regions: Finland, the UK and France. We started up in Finland through acquisitions, and through NOTE offices in the UK and France. We also extended our presence in Sweden by acquiring Ericsson Anslutningssystem AB (NOTE Skellefteå), which means that NOTE now also covers northern Sweden.

Our second direction is a matter of re-organisation. The significant extension of the EU in spring 2004 drew an entirely new industrial map, which will affect most European companies. As always, the challenge is to see the opportunities that change presents. For



NOTE's part, we have decided to relocate the centre of our procurement and component management to Poland, which creates the opportunity to run the majority of our volume production in countries where it is more cost-efficient, which was previously hindered by logistics and customs issues. Our organisational transformation is necessary for us to be able to offer effective contract manufacturing on new markets outside Sweden. We also acquired another production unit in the Baltic region to assure capacity for continued growth.

Although the growth platform and our restructuring did generate high non-recurring costs for the group in 2004, they can be considered as start-up costs for the group's next phase, and thereby, actually, an investment in our future.

#### MARKET TRENDS

The EMS sector is still young and offers great potential. We currently see two clear trends, one relating to growth, and the second for the evolution of EMS corporations.

Increased globalisation and intensifying competition make using an enterprise's resources for core business – inventing and developing new products – even more important.

Accordingly, the outsourcing wave continues to wash over country after country in Europe, implying that in the future, EMS corporations will still be able to outgrow the average product corporation. Moreover, if we compare European countries, it is apparent that Sweden has made quite a lot of progress on the outsourcing issue, even if many product owners still manufacture in-house. Therefore, it is likely that EMS growth will be faster in some other European countries, such as the UK.

The second trend can be considered as a second wave of outsourcing. Firstly, production was outsourced, and now, selected parts of development are

following suit. But the drivers are the same – a sharper focus on, and more resources for, core business. Eventually, the former nomenclature of 'contract manufacturer' may become obsolete as R&D elements feature more strongly in EMS corporations' business.

This progress is positive for NOTE – our business model is based on delivering high-tech services close to our customers through our Excellence Units.

#### THE FUTURE

Transforming a Swedish company to a European corporation warrants some respect. NOTE enjoys an advantage through an extensive collaboration in our international network, the EMS-ALLIANCE, and obviously, we will be exploiting this experience.

We forecast turnover of some SEK 1,600 million in 2005, excluding potential additional acquisitions. We expect our operating profit for 2005 to be significantly higher than for 2004.

The first half-year 2005 will necessitate a continued focus on start-ups on new markets and reorganisation consistent with the pan-European strategy we have embarked upon. We are likely to see a concrete pay-off from our businesses outside Sweden as early as the second half-year.

Undoubtedly, new obstacles will appear on our way, expected and unexpected. But I'm firmly convinced that with our unequivocal strategy, functional business model, and particularly, our highly skilled staff – we will reach our next objective: to become a leading European EMS corporation by 2009.

Erik Stenfors  
President and CEO

# Business concept, objectives and strategies

## BUSINESS CONCEPT

Our business concept is in close proximity to our customers, produce electronics from design to after-sales.

## OBJECTIVE

NOTE will be one of Europe's leading EMS producers within five years.

## STRATEGY

NOTE's overall strategy is to create and develop production concepts for customers. These can be seamlessly transferred to the group's various companies, integrating quickly into its business model and creating value for customers and the group. New concepts must always be founded on the following five fundamental principles:

### Growth

NOTE will grow organically and through acquisitions to achieve its pre-determined growth objectives.

NOTE's excellence concept will be applied to acquisitions to provide a secure integration into the group's total solutions. This will enable NOTE to grow on existing markets or start up on new ones.

### Profitability

NOTE will only be involved in profitable business; growth will be subject to unchanged profitability standards.

### Closeness to the customer

NOTE will be close to its customers, thereby minimising the obstacles often implicit in long distances and foreign cultures. Sales and prototyping functions will be in the immediate vicinity of customers, although plants may be further away, but within the same market region. This creates the right prospects for a dialogue with, and continuous feedback from, the customer.

### Cost optimisation

All costs will be open to question within NOTE, with production units specialised, purchasing centralised and special sales offices utilised. The comparative benefits of each country will be exploited by the most specialised businesses being located in Sweden and the Nordic region, with production located in central and eastern European countries with cost-efficient volume production.

### Global skills

NOTE will accumulate high know-how and experience to support customers in the various links of the value chain from development to after-sales.

NOTE strives to accumulate know-how in a global organisation to serve customers with global markets.



# EMS – a market in growth and transformation

NOTE is active in the EMS (electronics manufacturing services) market, the market for contract electronics manufacture. Apart from production, this concept includes a growing share of development and after-sales services.

## NOTE'S MARKET

When it started, NOTE was focused on the Swedish market for electronics production, but extended its target market in 2004 from Sweden to encompass Finland, the UK and France.

## SIZE AND GROWTH

The current estimated annual value of the global EMS market is about USD 100 billion. The market grew robustly in the late 1990s but levelled off subsequently in the wake of the IT and telecom crises. It stabilised in 2003 and 2004, with some growth now becoming apparent again. Sector commentators (ETP Inc., iSuppli) estimate the global market growing by some 10% annually up to and including 2007. The US is the largest market, and China is expected to post the highest growth with annual rates of some 20%.

Estimates indicate the Nordic EMS market growing by an average of 7.5% annually up to and including 2007, with Sweden and Finland the dominant markets in the Nordic region, with about 9% and 6% of the European EMS market respectively. In Europe as a whole, the UK and Ireland constitutes the single biggest EMS market with some 25% of the total market. At present, France represents some 8% of the European market. The UK is expected to be Europe's highest-growth EMS market through the coming years.

(source: ETP Inc.)

## DRIVING FORCES AND TRENDS

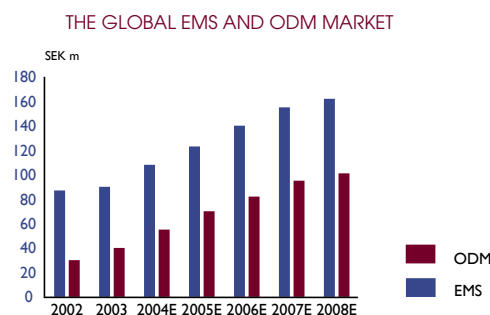
Product owners' continued focus on core business is a key underlying driver of the EMS market's brisk growth. Product owners can concentrate on development and marketing by outsourcing, which are the underlying drivers of all forms of outsourcing. The customer does not need to tie up capital in production facilities.

Some key market trends:

- EMS producers transforming into ODM (original design manufacturing) companies. ODM companies do not only produce, but increasingly, also offer the entire chain from development to product management, i.e. product development, procurement, distribution and after-sales.
- Increasingly, players outsourcing production to cost-efficient countries, mainly large-scale electronics production with significant manual labour content.
- The capacity to reduce lead-times when introducing new products (NPI) is becoming more significant, as is flexibility, customer-tailored solutions and high delivery precision.
- Mature markets, notably Sweden, where many multinational corporations are now reducing their business, are continuing to restructure and consolidate.

## COMPETITION

NOTE encounters competition on the market from major multinational EMS corporations like Flextronics, Sanmina-SCI and Solectron, as well as national and regional players like Elcoteq, PartnerTech and Kitron. NOTE considers that a setback for one of the large global players – particularly in the Nordic market region – would create increasing business opportunities for Nordic and local players.



Source: ETP Inc. 2004

# Business model / the NOTE concept

NOTE has developed a business model that combines its own concept with the best ideas from international contract manufacturers. This model is based on NOTE servicing the customer effectively through a product's complete value chain from idea and development to after-sales services.

NOTE's primary responsibilities lie in production, but increasingly, the company is entering the development phases, as well as after-sales and servicing.

## THE NOTE CONCEPT - NOTE EXCELLENCE

NOTE Excellence is a proprietary four-part product and services concept: NOTE Development, NOTE Lab, NOTE Manufacturing and NOTE After-sales Services. The common denominator is that NOTE does not only produce on order, but also, and particularly, provides know-how and skills with a significant service content.

NOTE quality-assures customer feedback through a proprietary system, NOTE QS.

The supply of components is centralised on NOTE Components, which negotiates procurement contracts on behalf of the various group companies.

## 1. NOTE DEVELOPMENT

NOTE's development functions assist the customer all the way from the idea stage to production series. These functions are used both by NOTE's production series customers, and by those customers that exclusively appoint NOTE for development services. NOTE Development harbours extensive know-how throughout the production process.

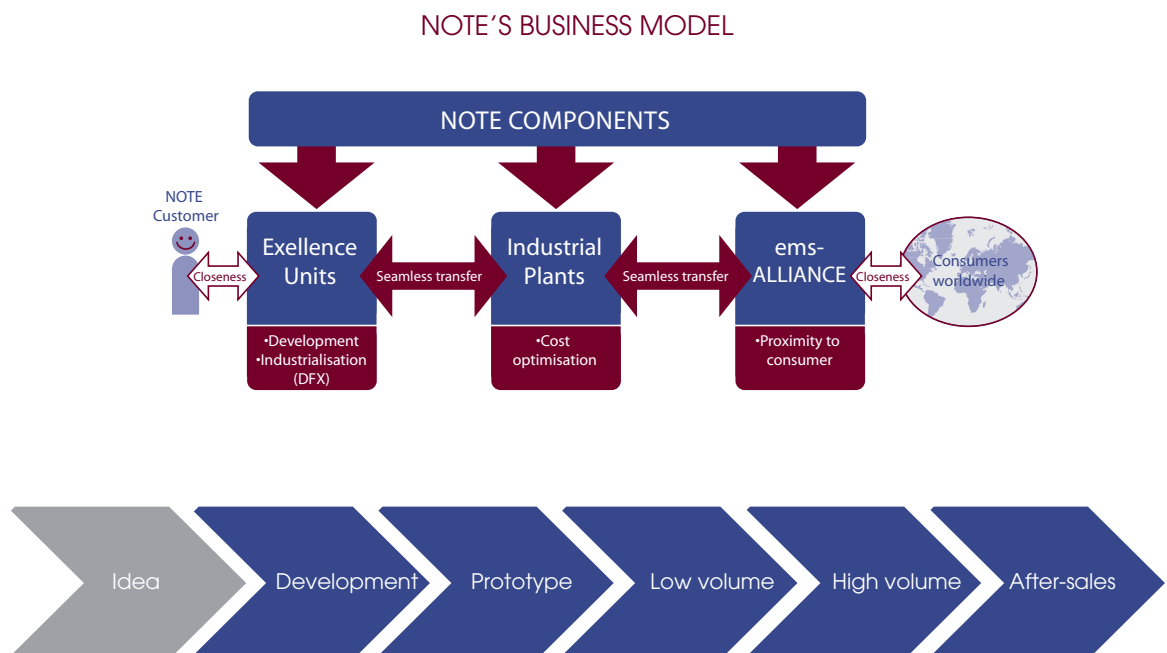
## 2. NOTE LAB (INDUSTRIALISATION)

NOTE's prototyping functions prepare prototypes for subsequent production series in close collaboration with the customer. Using NOTE's expertise and experience, essential information from the prototyping phase is fed back into the process, i.e. during the period the customer's product takes on its final form.

The combination of NOTE Development and NOTE Lab ensures the practicability to run production series, and makes NOTE one of the few EMS companies with in-house development capacity.

## 3. NOTE MANUFACTURING

NOTE Manufacturing is responsible for ongoing electronics production and has a very close





collaboration with NOTE Lab and NOTE's Centres of Excellence.

NOTE Manufacturing has several production locations with specialisation across electronics production: opto/telecom, automotive/manufacturing, microwave, medtech and others.

#### 4. NOTE AFTER-SALES SERVICES

NOTE's repair and logistics centres possess the know-how and equipment to provide after-sales offerings like servicing, repair and maintenance. The ability to offer servicing throughout product life-cycles is a self-evident part of NOTE's efforts to be a full-range, world-class EMS provider.

#### NOTE QS

NOTE's proprietary quality assurance system, NOTE QS, specifies the rules, routines and standards governing feedback between the customer and NOTE. This feedback is decisive because it is a prerequisite of high quality, low production costs and short time to market. NOTE offers quality-assured production, according to ISO 9001, ISO 14001, ISO 13485, SS-EN 46001 and other standards.

#### ORGANISATIONAL RESOURCES

NOTE's organisational resources, which are tailored to the group's business model and excellence concept, were partly reorganised in 2004, when several new entities joined the group.

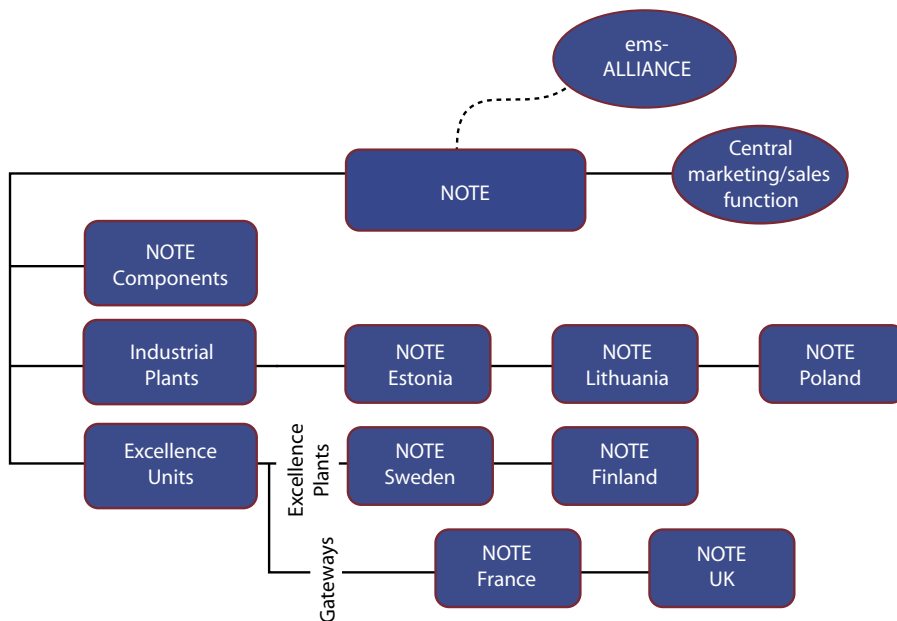
The group is organised into a group head office with central functions, which control and coordinate Industrial Plants (pure production facilities), Excellence Units (Excellence Plants and Gateways) and a component procurement enterprise, which sources components for all units. The group is also part of an international network, the ems-ALLIANCE, whose Chairman is employed and located at Norrtälje.

#### Group head office

Group functions and group-wide functions are located in Norrtälje, near Stockholm, with management, procurement, human resources, accounting, sales, production, corporate communication and administration.

#### Excellence Units

Excellence Units are located close to key customer regions, and comprise Excellence Plants and



Gateways. Excellence Plants focus on the key first links in the value chain (development, prototyping, industrialisation). A Gateway is a portal to the NOTE group. NOTE has Excellence Units in Sweden, Finland, the UK and France.

Several of NOTE's Swedish Excellence Plants contain specialised NOTE Centres of Excellence.



**Automotive/industrial electronics**

NOTE Centre of Excellence at Torsby.

**Industrial electronics**

NOTE Centre of Excellence at Nyköping-Skänninge.

**Medical technology**

NOTE Centre of Excellence at Lund.

**Microwave technology**

NOTE Centre of Excellence at Borås.

**Opto/telecom/mechatronics**

NOTE Centre of Excellence at Norrtälje.

**Telecom/power electronics**

NOTE Centre of Excellence at Skellefteå.

**Industrial Plants**

Industrial Plants are high-capacity units in low-cost countries, focusing on the mid-segment of the value chain, offering cost-efficient volume production. NOTE has industrial plants in Estonia, Lithuania and Poland.

The group's volume production was progressively relocated from Sweden to these units during 2004.

**ems-ALLIANCE**

NOTE is part of a global network of enterprises active in electronics production, with a presence on four continents, implying global market coverage.

**Components**

NOTE Components is the group's central sourcing unit, which negotiates all the group's purchasing, conferring the group with substantial economies of scale. NOTE Components is located in Norrtälje.

NOTE Components chairs the ems-ALLIANCE's team supply, implying that Components has power of attorney to negotiate on its behalf.

# NOTE Sweden

NOTE Sweden offers a comprehensive full-range production concept adapted for each customer, supplying products and services to Swedish and foreign clients. To be close to current and potential customers in all regions, NOTE Sweden has production facilities nationwide.

All units offer know-how right across industrial electronics. Some units are also specialised Centres of Excellence: opto/telecom/mechatronics (Norrteå), telecom, power technology (Skellefteå), automotive electronics (Torsby), industrial electronics (Nyköping-Skänninge), medical technology (Lund) and microwave technology (Borås). The NOTE Lab development and prototyping functions are also present in several locations in the country, co-located with production units.

## SIGNIFICANT EVENTS IN THE YEAR

Ericsson Anslutningssystem AB in Skellefteå, northern Sweden, was acquired in the year, and has been incorporated in the group as NOTE Skellefteå AB from January 2005. This acquisition has extended NOTE's secure foundation to northern Sweden, and implies a long-term supplier relation with Ericsson Network Technologies.

Activities were also extended in the year through a production facility in Dalarna, central Sweden, coincident with NOTE taking over Åkerströms' production facility at Björbo and with the production of all Åkerströms' products over a three-year period.

NOTE Borås and NOTE Nyköping-Skänninge have been co-ordinated into a single entity, NOTE Mid, headed by a single manager. Coincident with this merger, the operations in Borås were restructured and extended to encompass general electronics in addition to microwave technology.



## Focused on enhancing skills

NOTE Lund is the group's Excellence Unit for medical technology products; medtech represents about 20% of its customer base. Other customers are present in a broad spectrum of technology corporations, mainly located in southern Sweden. NOTE Lund covers the full value chain, also

particularly within development and prototyping.

The usage of electronics is in constant increase once more, primarily driven by the telecom sector. NOTE Lund is well positioned to exploit the opportunities this implies, partly through its closeness to customers and partly through its flexibility and high skills levels.



*"We've worked on a goal-oriented basis to enhance our skills and raise the technology standard of our processes."*

*Kjell-Åke Andersson, President of  
NOTE Lund AB*

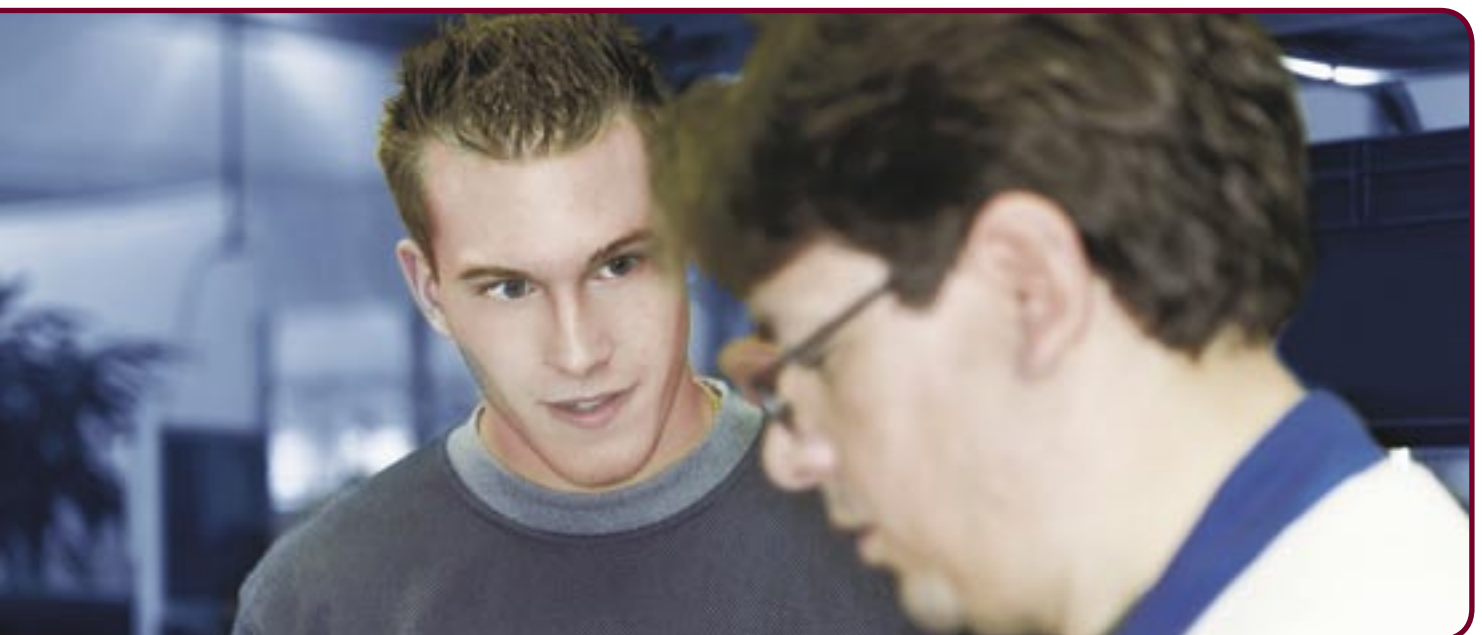
### SIGNIFICANT EVENTS IN THE YEAR

Activities to certify the facility according to the US QSR standard continued in the year, a standard that sets very challenging demands on production traceability and documentation. NOTE Lund must pass a QSR audit during the course of 2005. Microelectronics, a new technology segment, was introduced to business in 2004, and accordingly, NOTE Lund invested in an entirely new stock of machinery and a clean room in the year. NOTE Lund acquired FuTechs of Malmö, southern Sweden, the country's leader in chip on board, the assembly of naked, un-encapsulated chips, a technology necessary to further reduce the dimensions of PCBs.

extending to development, which is a very important part of our business.

Its strategy is to continue activities to enhance skills and further increase the technology content of products. The introduction of microelectronics into the company's offering is one step in this direction. Another ambition is to raise staff skills levels,

The year also featured the further fine-tuning of production after the fire damage that affected the facility and NOTE Lab activities in 2003. The NOTE Lab now has new state-of-the-art equipment to produce prototypes.



## A new organisational unit for central Sweden

NOTE Mid is a newly formed entity comprising the companies NOTE Borås and NOTE Nyköping-Skänninge. As its name implies, NOTE Mid covers much of central Sweden, from coast to coast, with production facilities in Nyköping, Skänninge and Borås and development activities in Jönköping.

NOTE Nyköping-Skänninge has strong local ties in the eastern and central regions of Sweden, and business is oriented on industrial electronics generally. Its potential customer base comprises specialist manufacturing companies in locations such as Södertälje, Nyköping, Norrköping, Linköping, Mjölby and the dense industrial region in the central Swedish province of Småland. It has customers in a broad array of sectors including engineering, pharmaceuticals, power electronics and multimedia.

The in-house development activities at Jönköping are a strength that Nyköping-Skänninge and Borås share. The development activities attract their own customers and enable products to be modified for production as early as the development stage.

NOTE Borås is the group's Excellence Plant for microwave technology – very high-frequency electronics that require specific know-how, dedicated and costly production and measurement processes. Microwaves transmit radio, telephony and datacom signals.

Borås possesses world-leading skills in this segment, and supplies a series of successful corporations in the aerospace, defence and telecom sectors. The Borås operation was extensively restructured in the year with the intention of directing its focus towards a higher content of general electronics. The aim is to extend the customer base and become NOTE's outer face in the whole Gothenburg region. Thus microwave electronics became one of this operation's many parts.

### SIGNIFICANT EVENTS IN THE YEAR

NOTE Mid signed a collaboration agreement with Libego AB in the year, implying NOTE becoming accountable for the complete production of the VoiSec™ talking notice button.

Medtech company BREAS of Gothenburg also became a customer in the year.

A NOTE Lab at Borås was opened in May, equipped with complete production equipment,

testing instruments and highly skilled staff to offer prototype development in combination with experience of production.

NOTE Mid also reached a collaboration agreement with Chalmers University of Technology in

*"Our challenge for 2005 will be to extend our customer base in the Gothenburg region."*

*Anders Andersson, Manager of NOTE Mid*



Gothenburg, meaning that a NOTE Lab will be started at the University. This collaboration will enable NOTE and Chalmers to offer the market everything from research to full-scale production.

Anders Andersson, President of NOTE Nyköping-Skänninge AB and NOTE Borås AB, was appointed manager of NOTE Mid coincident with the merger.



## Restructuring and relocation

NOTE Norrtelje is the biggest EMS unit in the NOTE group and is a Centre of Excellence for telecom, optotechnology and mechatronics – all three technology segments have high-tech Swedish and multinational corporations in their customer bases. Specialist production is located in Norrtälje,



*"We are now increasingly focusing our business on the early links of the value chain like development and producing prototypes."*

*Patrik Kvarnlöf, President of NOTE Norrtelje AB*



but also increasingly, in central Europe and the Baltic region.

Operations were thoroughly restructured in 2004, with implications including operational procurement and materials handling functions for production in Poland and the Baltic region being relocated to Gdansk in Poland. Previously, these functions were managed from Norrtälje, but these countries joining the EU has made relocating procurement and materials processing there a natural move. The outward relocation of series production with high manual content also continued in the year.

The operations at Norrtälje are continuing to progress even further towards enhancing skills in the early links of the value chain, i.e. development and preparing prototypes, industrialisation processes and logistics solutions for new products.

NOTE Norrtelje offers the complete EMS range from development, producing prototypes, pilot series and low volume to global volume production close to markets. Development engineers and process technicians were also hired within NOTE Development, the NOTE Lab and NOTE Centre of Excellence in the year.

The strategy also implies retaining a critical mass of profitable series production at Norrtälje – it is important to maintain the company's know-how and support for customers in the important industrialisation phase as they progress from low to high-volume production.

### SIGNIFICANT EVENTS IN THE YEAR

Neonode, which selected NOTE for the volume production of its Neonode N1 mobile phone, was one of the major new customers NOTE secured in the year. NOTE will be responsible for all aspects from procurement and production to distribution. Micronic Laser Systems is a new customer in the advanced optoelectronics segment. A new collaboration agreement was signed with Powerwave in the year, with NOTE being a selected strategic supplier for the European market.

Mats Hultin resigned as President late in the year, and from 1 December 2004, Patrik Kvarnlöf, previously Corporate Manager of Sales & Marketing at NOTE AB, became President.

# New positioning in northern Sweden

An acquisition consolidating NOTE's regional presence in northern Sweden was consummated in 2004. The take-over of Ericsson Anslutningssystem AB of Skellefteå came into effective on 1 January 2005. Apart from its positive profit impact, this deal means the NOTE group now has new regional positioning.

The business, now called NOTE Skellefteå, was previously an autonomous part of the Ericsson group. NOTE Skellefteå has considerable know-how in production technology, and its operations, which are closely consistent with NOTE's concept, comprise product development, preparing prototypes and the production of small to medium-length series for the telecom and electronics industries. The company remains a supplier of Ericsson Network Technology, and a long-term supplier agreement with Ericsson Network Technologies is part of the acquisition. NOTE Skellefteå is one of the group's Centres of Excellence.

This company already has a number of regional customers outside the Ericsson group, and now, its focus is to increase marketing initiatives and extend its regional customer base in northern Sweden, consistent with NOTE's concept of being close to customers. The focus will be on a more general sale of production and production know-how.

The new business is expected to post turnover gains in the coming years.

*"We're looking forward to being part of a group with contract manufacturing as its core business."*

*Berndt Eriksson,  
President of NOTE Skellefteå AB*



## A new state-of-the-art plant comes on stream

NOTE Torsby is the group's Centre of Excellence for electronics for vehicles in harsh environments, such as trains, forklift trucks, loaders and submarines. Its products embed electronics designed to work in environments exposed to vibration, humidity and extreme temperatures. Some 25% of the less sophisticated high-volume products, with a high manual labour content, are produced in Poland.

NOTE Torsby's strategy builds on a continued focus on the vehicle industry.

Åkerströms to take over the production of all Åkerströms' products. This agreement has an initial term of three years, with a guaranteed minimum volume of SEK 150 million. Åkerströms produces forklift truck computers for harsh environment and wireless radio controls, while also securing a second milestone order from the US in 2004. Ford previously selected Åkerströms, and now, Mercedes has also ordered Åkerströms computers for its production facility in Alabama. The agreement means Åkerströms' in-house production at Björbo, central Sweden, becoming a production plant for the NOTE group in Dalarna, central Sweden.

Two more production agreements were also reached: one with MYDATA, which produces surface-mounting machines and one with Gothenburg company Atlet, which develops and produces forklift trucks.

A new electronics education project began in collaboration with Torsby Senior High School. This course, with 24 students, is a pilot project, and the hope is that it will become a permanent offering to students nationwide in Sweden.



*"We're encountering tougher international competition, but expect turnover to rise nevertheless."*

*Gerd Levin-Nygren,  
President of NOTE Torsby AB*

### SIGNIFICANT EVENTS IN THE YEAR

An all-new facility was opened in 2004 by Sven-Göran "Svennis" Eriksson. With floor-space of roughly 50,000 sq. ft., it is twice the size of its predecessor, and one of Europe's most modern plants, specialised in high-tech solutions for the vehicle industry. The plant's internal layout has been designed according to need. One special feature is that everyone linked to production is located in the facility, to ensure a sharper production focus interweaves the whole business. The plant also has a NOTE Lab.

During the year, an agreement was reached with





## An acquisition opens the door to the Finnish market

NOTE acquired Finnish EMS corporation Point Product Oy, now NOTE Hyvinkää, in December 2004. This acquisition means NOTE accessing another key market – Finland is the second largest EMS market in the Nordic region, about two-thirds the size of its Swedish counterpart. The current focus is on transforming NOTE Hyvinkää into an Excellence Unit for the Finnish market.

The company is focused on contract production for manufacturing and telecom corporations, and has customers including Kone Elevators, Konecranes and Securitas.

The Point Product acquisition was a consequence of NOTE's thorough evaluation process in 2004, where it screened several Finnish EMS companies and one of its prime selection criterion was a company with a similar concept to NOTE's.

NOTE's direct presence in Finland is expected to offer it the prospect of securing new, larger contracts in 2005.

*"With the value-added NOTE brings through channels including the ems-ALLIANCE and NOTE Components, I expect us to be able to lift sales sharply in Finland."*

*Mikko Sajaniemi,  
President of NOTE Hyvinkää Oy*



## A foothold on Europe's biggest EMS market



NOTE started a new Gateway in the UK called NOTE UK, with offices close to London, in October 2004. This start-up is the introductory phase in an expansion announced ahead of the IPO in 2004 when NOTE declared its objective of becoming one of Europe's leading

EMS players by 2009.

Companies like NOTE enjoy major potential on the UK market: the UK and Ireland together make the largest single market for EMS services in Europe with an estimated value of over SEK 110 billion in 2005. The UK also has the world's fifth largest electronics industry, with sales of SEK 425 billion in 2004 and expected sales gains to converge on SEK 500 billion in 2008.

NOTE's concept of cost-efficient production in Eastern Europe is well suited to the UK market, where volume production is still being outwardly relocated. Meanwhile, many potential customers still need to retain development and more complex manufacture in the UK and Western Europe. This creates opportunities for EMS providers able to maintain closeness to customers, while still offering production flexibility. NOTE has the ideal solution by being able to offer closeness to the customer and

cost-efficient production in Eastern Europe and Asia via the EMS-ALLIANCE.

Communications technology, medical technology and office electronics are the most important EMS markets in the UK, and are also very consistent with NOTE's customer offering.

Although competition in the UK is from the global players, they are retrenching on this market. There is also an array of smaller players, of which about 130 have turnover of less than SEK 35 million. There are about 35 EMS providers in the intervening layer, with sales of over SEK 200 million. NOTE's competitive edge lies in, amongst other things, being able to offer production in Eastern Europe and via the EMS-ALLIANCE. Otherwise, the usual case is UK EMS providers offering manufacture in China, often associated with disadvantages and hidden costs.

The objective for 2005 is to gain recognition of NOTE as a leading provider of EMS services from development and design to full volume production. The market strategy is to establish relationships with potential customers specifically suited to NOTE's experience and business philosophy. Existing collaboration partners can also be offered support in activities on the UK market.

Elaine Barnes, with 20 years' experience of the electronics sector in the UK and globally, is President of NOTE UK.

### NOTE FRANCE

## An increased presence on the continent



NOTE began activities to increase its continental European presence in the year. A Gateway in Strasbourg, France, is intended to lie close at hand for existing customers and to sell electronics production to potential customers in the region.

In sales terms, this office covers the whole of France and western Germany, and is close to key regions like Stuttgart, Frankfurt and Munich. Sales are supported from NOTE in Sweden, with servic-

ing, customer visits and marketing activities.

The opportunities NOTE perceives on the French/German market are similar to those in the UK: a large and growing market for EMS services, where NOTE has a competitive offering in being able to supply everything from sophisticated development and producing prototypes to volume production in Eastern Europe and Asia.

In operational terms, the Strasbourg office will function as the bridgehead for a sales team located in the city, with the whole region as its territory. The office also plays a signposting role for NOTE.

# Increased cost-efficient production capacity

Industrial Plants are the group's production facilities in countries with cost-efficient volume production. These facilities have high capacity and skills for production with a high manual content. They assemble more or less sophisticated products, some highly sophisticated with a high technology content.

NOTE's first in-house production plant is located in Tauragė, Lithuania. A plant in Pärnu, Estonia, was added in 2004, and is now being integrated into the group with the corporate name NOTE Pärnu OÜ.

There is also a network of subcontractors in Poland, where production can be located through a co-ordination office in Gdansk. NOTE Gdansk's main task is to control and place orders from the group's Swedish units with subcontractors in this country. There are now five production units in Poland associated to the network, some with exclusive agreements. This flexible network enables NOTE to respond to changing order volumes quickly.

The acquisition in Estonia brings significantly higher capacity, but also shifts the profile somewhat, which complements the Lithuanian plant positively. Operations in Pärnu are more oriented on shorter series of 50–100 products, smaller than in Lithuania, which is more suited to volume production. The location in Lithuania implies more complex logistics, meaning that production is located best for NOTE Lund. However, Pärnu has a daily direct ferry to Norrtälje.

More growth is expected for the future of Industrial Plants in the context of NOTE's ambition to become a leading European EMS corporation by 2009.



## SIGNIFICANT EVENTS IN THE YEAR

Poland and Lithuania's entry into the EU in 2004 created opportunities to start a central warehousing and logistics centre in Poland, which was not expedient previously because of bureaucracy and costs. A component warehouse was established on site in 2004, as well as procurement resources, which looking ahead, will procure directly in Poland, instead of going via Sweden as before. The intention is that the Polish procurement resources will also do some purchasing for Lithuania.

Decisions on an extensive investment in a new surface-mounting line, to be installed in all plants, were taken in 2004.

Preparations for the extensive realignment of production towards lean production based on the Toyota Model are underway. Full implementation of these activities is expected to take up to five years.

*"The realignment to lean production based on the Toyota Model will be a major activity in the coming years."*

*Peter Jansson, Head of Industrial Plants*



## A new procurement system for the ems-ALLIANCE

NOTE Components is the group's strategic sourcing entity, which negotiates procurement contracts. Co-ordinated purchasing is a prerequisite for cost-efficient production, and particularly important considering the constantly increasing cost of materials. In turn, these cost increases depend on new products embedding progressively more sophisticated technology. Material costs can now represent up to 70% of the invoiced value of products. Components negotiates agreements on basically a worldwide basis, and primarily, from Asia and the US. Its responsibility means negotiating procurement agreements with suppliers, although purchasing is actually effected by individual production plants. Procurement volumes are growing

A few years ago, seven of every ten items were delivered late. Currently, an average of 95% of all purchased items are delivered on time, and the aim is to bring this share up to 98%. Suppliers that do not satisfy these standards are phased out.

The NOTE group's objective is to be one of Europe's leading EMS corporations by 2009, which will mean new challenges for the procurement function. Accordingly, the function is being realigned to increasingly source directly from producers, instead of going via distributors and third-party agreements. To remain competitive, it will be necessary to procure high-value components in-house. The gradual reduction in supplier numbers to 15–20, or 80% of procurement, is another objective. Sourcing high volumes from each supplier makes it easier to secure status as a prioritised customer. The aim is to secure a genuine partnership and common objectives with key suppliers.



*"We're now aiming at increasingly sourcing directly from producers, instead of going the long way round via distributors."*

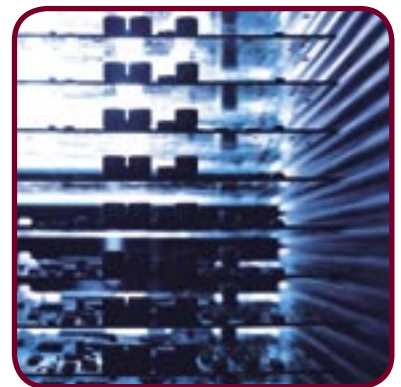
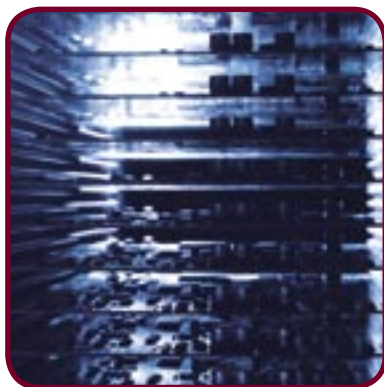
*Bengt Ernesten,  
President of NOTE Components AB*

constantly, and surged ahead in 2004. NOTE Components prioritises monitoring and quality assuring its procurement. All suppliers should possess quality accreditation, with the delivery reliability, finances, quality and performance of major and strategic suppliers monitored monthly.

### SIGNIFICANT EVENTS IN THE YEAR

A group-wide system was brought into production in 2003, to process procurement for the various parts of the group. The implementation of the system throughout the ems-ALLIANCE began in 2004, making the procurement function global, and giving other Alliance members access to contracts and pricing.

Members worldwide can now see where components can be sourced most cheaply, while the system can also serve as a benchmark for price negotiations with suppliers. Eventually, the system may become a tool to create joint procurement for the whole ems-ALLIANCE.



# A global alliance for local production

The global network of the ems-ALLIANCE is an important element of NOTE's strategy. This collaboration, which NOTE instigated in 2001, involves independent electronics producers from four continents.

The background to the formation of the Alliance lies in major customers wanting to have global suppliers capable of handling small and large production volumes. For medium-sized players like NOTE, the Alliance is a way to be able to satisfy these needs and to compete with the largest electronics manufacturers.

NOTE is aiming to satisfy customer wishes for local electronics production in various global regions through the production collaboration.

Thus, NOTE is helping its customers to expand cost-efficiently. If the customer wants production in a country where the ems-ALLIANCE has a presence, NOTE takes care of the seamless transfer of production to the local collaboration partner.

The Alliance also collaborates on procurement and co-ordinates tendering for standard components such as cabling, PCBs and smaller components from a cluster of suppliers on the global market.

The network currently has members in Sweden, Brazil, China, India and the US. The network's members have a total of 13,000 employees and an hourly assembly capacity of 4 million components.

In total, member corporations had turnover of USD 475 million in 2004; the total purchasing volume of the ems-ALLIANCE is USD 330 million.

There is only a small number of genuinely global producers on the world electronics market at present, and this is where the Alliance offers a competitive edge because its shared objective is to offer more responsive customer relations, more flexible production tailored to the customer's wishes, than the global players.

The Alliance members also have a shared view and stringent quality standards. The strength of the Alliance is that each member company serves its own market and business, backed up by the other members. The ems-ALLIANCE enables individual companies to offer worldwide coverage through local production, global capacity and cost efficiency.

The ems-ALLIANCE's customer offering can be summarised as follows:

- Production close to market
- Short lead-times
- Help in avoiding trading obstacles
- Management of local currencies
- Co-ordinated procurement
- Local access to materials
- Local after-sales
- Personal service

*"Alliance members offer more responsive customer relations and more flexible production than the global players."*

*Marina Filipsson,  
Chairman of the ems-ALLIANCE*



## A team in close collaboration with the customer

NOTE is far more than a supplier of electronics – our professionals are also partners to our customers. This means that NOTE professionals take the initiative to make their projects as effective as possible, and to maximise customer benefit. NOTE's employees also take an innovative view to approaching problems and finding new solutions.

NOTE's organisational structure offers every individual the opportunity to utilise his/her resources in their work and in the corporation's progress. Ideas to enhance projects or improve the company as whole are encouraged and rewarded.

### EMPLOYEE ACCOUNTABILITY

Employee accountability at NOTE has implications including:

- Working according to our business concept and policy documents;
- Being committed to, and accountable for, commitments from start to finish;
- Reaching necessary decisions within stated frameworks;
- To pursue an open, straightforward dialogue with customers and colleagues;
- To search actively for information and share knowledge;



- To assure personal skills enhancement alongside first-line managers;
- To collaborate with colleagues with respect and consideration;
- Honourable and honest conduct.

### ETHICS AND MORALS

NOTE's operations should feature honesty, honour and loyalty to the company. NOTE observes the legislation and agreements in each country where the group is active. NOTE employees have the right to form and join unions and staff associations. NOTE also observes the UN conventions on human rights and against child labour.

### SKILLS ENHANCEMENT

NOTE prioritises training to meet the needs of the future and give its staff the opportunity to grow alongside the company and its surroundings. Staff should be sufficiently skilled to perform their tasks to satisfy our customers' quality and environmental standards. Accordingly, the group has created an in-house training unit, the NOTE Academy, with lecturers from various parts of the group. The Academy offers electronics training in ESD solder standards and IPC accreditation, mainly to staff in the NOTE group but also to other interested parties, customers or suppliers.

### EQUALITY AND DIVERSITY

NOTE works on integrating quality and diversity into all parts of its business, in collaboration with its employees. NOTE treats all staff equally regardless of sex, age, ethnic background, disability, social background, religion or sexual orientation. NOTE will also make use of every individual's specific skills and developmental prospects.

### NOTE'S EMPLOYEES

At year-end 2004, NOTE had 887 (681) employees, 364 (272) were women and 523 (409) were men.

Staff turnover was 5.3 (4.8)%, and sickness absence was 4.1 (3.1)% of regular working-hours.

A total of 19% of employees had higher education qualifications; 10% were university graduates.

## Realignment of production to RoHS and WEEE directives

Environmental consideration should feature across all parts of operations; the objective is to create the greatest possible customer benefit while exerting the minimum environmental impact.

NOTE's overall group environmental policy means the company strives towards long-term sustainable progress by offering environmental production throughout the process. NOTE will satisfy, or exceed, prevailing environmental legislation, pursue constant improvement and communicate its environmental policy. NOTE's environmental policy should ensure that environmental consideration interweaves the entire production process. But environmental considerations should also be a natural element of other parts of business like procurement, waste management and transportation.

NOTE Norrtelje was the first EMS provider in Sweden with ISO 14001 environmental management accreditation of its environmental management system. The operations in Borås, Lund and Torsby, and the newly acquired plants in Skellefteå and Estonia, are also ISO 14001 accredited. Efforts to accredit facilities in Nyköping-Skänninge, Finland and Lithuania are under way.

NOTE Gdansk's network of plants have varying environmental policies, and accordingly, a product can be assigned to the plant that corresponds most closely to customers' environmental standards. NOTE Norrtelje also has EMAS (the Eco-Management and Audit Scheme) registration, a voluntary environmental management and audit system across the EU. Registration has implications including NOTE Norrtelje publicly disclosing its environmental activities in audits available to the general public since 1999.

NOTE also applies environmental standards to its suppliers, who must continuously pursue improvement on environmental issues. NOTE prefers suppliers adapted to ISO 14001 or EMAS environmental standards. Suppliers must have an environmental policy and documented plans for their environmental activities.

### A LEAD-FREE OFFERING

Production of electronics containing lead will be banned in the EU on 1 July 2006. The RoHS directive will also limit the usage of other hazardous substances in electronics. NOTE has worked on, and completed,

this realignment over a three-year period, securing an important competitive edge in becoming one of the world leaders in lead-free electronics production.

This enabled NOTE to launch a total concept solution for Swedish and other product owners in 2004, encompassing three levels of collaboration: total accountability for conversions to lead-free production, reviews of affected components and conversion planning including testing and redesign.

SMT, China's representative in the EMS-ALLIANCE, is now able to deliver lead-free volume production.

NOTE is also well prepared to satisfy the WEEE directive, which comes into force in August 2005, together with product owners. This directive implies product owners becoming accountable for scrap and processing all the residual products of activities including electronics production.



# Five-year summary

## SUMMARY CONSOLIDATED INCOME STATEMENT

SEK million	2004	2003	2002	2001	2000
Net revenue	1,103.1	859.2	636.8	514.0	350.5
Cost of sold goods and services	-980.0	-765.1	-544.5	-443.0	-311.8
Other revenues	18.3	51.1	-	-	-
Gross profit/loss	141.5	145.2	92.3	71.1	38.6
Selling expenses	-50.3	-30.3	-23.5	-18.1	-12.9
Administrative expenses	-63.5	-42.5	-28.6	-25.3	-15.4
Costs affecting comparability	-	-	-4.0	0.4	-
Other operating revenue/expenses	-1.3	2.0	3.2	-0.6	-
Operating profit/loss	26.4	74.4	39.4	27.5	10.3
Net financial items	-9.8	-11.4	-8.5	-5.7	-2.2
Profit/loss after financial items	16.6*	63.0	30.9	21.8	8.1
Tax	-5.9	-18.7	-9.5	-6.2	-2.3
Minority share of profit/loss for the period	-0.2	-0.1	0.0	-	-
Net profit	10.5	44.2	21.4	15.6	5.8

## SUMMARY CONSOLIDATED BALANCE SHEET

SEK million	2004 31 Dec	2003 31 Dec	2002 31 Dec	2001 31 Dec	2000 31 Dec
<b>ASSETS</b>					
Intangible fixed assets	25.0	40.8	37.9	11.8	12.8
Tangible fixed assets	104.5	102.6	49.7	16.5	12.4
Financial fixed assets	12.2	3.8	0.3	0.3	0.3
Fixed assets	141.7	147.2	87.9	28.6	25.5
Inventories	244.5	219.2	179.8	91.1	77.2
Accounts receivable – trade	263.9	232.9	154.1	113.7	76.9
Other current assets	63.8	55.9	17.1	5.0	6.4
Cash and bank balances	20.1	8.0	3.3	1.6	0.4
Current assets	592.3	516.0	354.3	211.4	160.9
TOTAL ASSETS	734.0	663.2	442.2	240.0	186.4
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>					
Shareholders' equity	261.8	145.9	91.8	35.5	19.9
Minority interest	1.0	0.8	0.7	-	-
Provisions	26.9	39.8	30.2	3.6	1.9
Long-term interest-bearing liabilities	126.2	176.1	91.0	37.8	44.4
Accounts payable – trade	154.5	118.1	89.5	65.6	59.5
Other current liabilities					
Inc. bank overdraft facility	163.7	182.5	139.0	97.5	60.7
Current liabilities	318.2	300.6	228.5	163.1	120.2
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	734.0	663.2	442.2	240.0	186.4

\* Profit for 2004 was reduced by approximately SEK 47 million of restructuring and other non-recurring costs.



## SUMMARY CONSOLIDATED CASH FLOW STATEMENT

SEK million	2004	2003	2002	2001	2000
Profit/loss after financial items	16.6*	63.0	30.9	21.7	8.1
Items not included in cash flow	30.3	20.4	8.3	6.0	3.0
Taxes paid	-16.8	-10.8	-5.2	-1.2	-0.6
Cash flow from continuing operations before changes in working capital	30.0	72.6	34.0	26.5	10.5
Cash flow from changes in working capital	-10.5	-84.7	-29.7	-47.6	-36.7
Cash flow from continuing operations	19.5	-12.1	4.3	-21.1	-26.2
Cash flow from investing activities	-33.9	-51.5	-12.7	-9.0	-20.7
Cash flow from financing activities	26.5	68.3	10.2	31.3	47.3
Liquid funds at the beginning of the period	8.0	3.3	1.6	0.4	0.0
Change to liquid funds in the period	12.1	4.7	1.7	1.2	0.4
LIQUID FUNDS AT THE END OF THE PERIOD	20.1	8.0	3.3	1.6	0.4

## GROUP KEY FIGURES

	2004	2003	2002	2001	2000
<b>Margins</b>					
Operating margin, %	2.4	8.7	6.2	5.3	2.9
Profit margin, %	1.5	7.3	4.8	4.2	2.3
<b>Returns</b>					
Return on operating capital, %	6.0	21.5	20.3	22.5	15.7
Return on equity, %	4.2	36.9	36.4	53.6	30.5
<b>Capital structure</b>					
Operating capital	456.4	431.3	278.8	138.0	92.2
Interest-bearing net debt	194.8	285.3	187.0	102.5	72.4
Equity to assets ratio, %	35.7	22.0	20.8	14.8	10.7
Net debt/equity ratio, multiple	0.7	2.0	2.0	2.9	3.6
Interest coverage ratio, multiple	2.4	6.0	4.4	4.4	3.7
Capital turnover rate (operating capital), multiple	2.5	2.5	3.3	4.2	5.3
<b>Employees</b>					
Sales per employee	1,244	1,262	1,498	1,382	1,327

### Operating capital

Total assets less liquid funds and non interest-bearing liabilities.

### Interest-bearing net debt

Interest-bearing liabilities less liquid funds.

### Average interest on borrowings

Interest expenses divided by average interest-bearing liabilities.

### Profit margin

Profit after net financial items divided by net revenue.

### Operating margin

Operating profit/loss divided by net revenue.

### Equity to assets ratio

Shareholders' equity divided by total assets.

### Net debt/equity ratio

Interest-bearing net debt divided by shareholders' equity.

### Interest coverage ratio

Profit after net financial items plus interest expenses, divided by interest expenses.

### Capital turnover rate

(operating capital)

Net revenue divided by average operating capital.

### Return on operating capital

Operating profit/loss divided by average operating capital.

### Return on shareholders' equity

Net profit after tax divided by average shareholders' equity.

# The NOTE share

Roslagens Sparbank started to administrate trading in NOTE's shares in August 2000. The NOTE share was floated on the Stockholm Stock Exchange O-list on 23 June 2004 at a price of SEK 75 per share.

Coincident with the IPO, investors were offered the opportunity to subscribe for a total of 2,051,160 shares, of which 1,334,000 were newly issued. The offering was three times over-subscribed and NOTE gained approximately 3,600 new shareholders. Thereby, about half of the shares were sold to Swedish and foreign institutions.

At year-end 2004, NOTE's share capital was SEK 4,812,100 divided between 9,624,200 shares. Market capitalisation at the end of the year was over SEK 724 million.

## SHARE PRICE PERFORMANCE

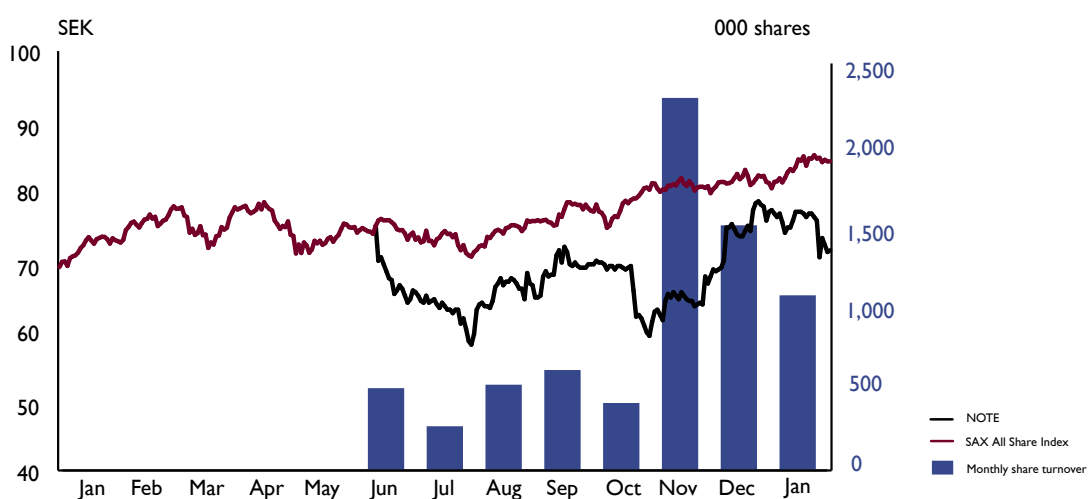
At year-end 2004, the closing price of NOTE's shares was SEK 75.25, which was consistent with the initial offering price of SEK 75.00 on 23 June. In the

same period, the stock market as a whole, expressed as the SAX All-share Index, made gains of 10%. In the part of 2004 NOTE was quoted on the stock market, over 6.1 million shares were turned over, equivalent to an annualised rate of turnover of 119% of the number of outstanding shares. The average turnover on the O-list in 2004 was 82%.

## DIVIDEND POLICY

The Board of Directors' objective is for NOTE to pay dividends of one-third of profit after tax. Decisions on proposed dividends should also consider the company's financial position, cash flow, need for, and forecast, investment, and future profitability. In the IPO prospectus, the Board forecast dividends for the financial year 2004 of between 10 and 15% of profit after tax for the year. The Board's proposal to the AGM in 2005 is for dividends of SEK 0.50 per share, equivalent to approximately 46% of profit after tax.

NOTE'S SHARE PRICE PERFORMANCE AND TURNOVER IN 2004\*



\* The NOTE share was floated on 23 June 2004.

Source: SIX/Hallvarsson & Halvarsson

## NOTE share data

	2004	2003
Dividend, SEK	0.50*	-
Dividend as a percentage of net profit	46*	-
Outstanding no. of shares at year-end	9,624,200	7,680,000
No. of outstanding shares before dilution	8,778,000	7,680,000
No. of outstanding shares after dilution	8,978,000	8,160,000
Year-end closing price, SEK	75.25	n/a
High/low price paid, SEK	77.75 / 57.50	n/a
Dividend yield, %	0.7*	-
Earnings per share before dilution, SEK	1.20	5.74
Earnings per share after dilution, SEK	1.17	5.41
P/E ratio before dilution	62.7	n/a
P/E ratio after dilution	64.3	n/a
Rate of turnover, %	119	n/a
No. of shareholders	4,642	n/a

\*Board's proposed dividends for 2004

## Ownership by size of shareholding, 30 December 2004

Size of holding	No. of shareholders	No. of shares	Holding, %
1-500	3,478	687,845	7.1
501-1,000	619	542,571	5.6
1,001-5,000	424	1,019,052	10.6
5,001-10,000	55	409,490	4.3
10,001-15,000	15	195,900	2.0
15,001-20,000	5	87,000	0.9
20,001-	46	6,682,342	69.4
<b>Total</b>	<b>4,642</b>	<b>9 624 200</b>	<b>100.0</b>

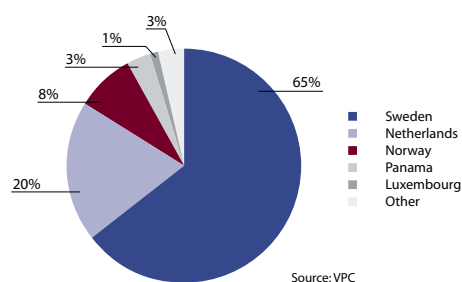
Source: VPC

## NOTE's ten largest shareholders as of 31 December 2004

Name	No. of shares	Holding, %
Dybeck, Sten with family and companies	2,129,500	22.1
Andersson, Kjell-Åke with family	761,680	7.9
Nordea Bank Norge ASA Odin Sverige 1	456,823	4.7
Nordea Bank Norge Odin Sverige II	314,319	3.3
Shousen Corporation	303,000	3.1
ITAB Industri AB	300,000	3.1
Looström JB	200,200	2.1
Söderberg, Per Olof	200,000	2.1
Stenfors, Erik	200,000	2.1
Museion Förvaltning AB	192,700	2.0
<b>Total, 10 largest shareholders</b>	<b>5,058,222</b>	<b>52.6</b>
Total, other shareholders	4,565,978	47.4
<b>Total</b>	<b>9,624,200</b>	<b>100.0</b>

Source: VPC

## Shareholders by location, 31 December 2004



# Report of the Directors

## OPERATIONS

NOTE develops and produces electronics products on contract, mainly for Nordic product owners, a business termed electronics manufacturing services (EMS). NOTE is the only Swedish-owned global EMS provider, offering production through a worldwide network of electronics manufacturers, the EMS-ALLIANCE, with production facilities in North America, South America, Asia and Europe.

The NOTE group comprises parent company NOTE AB and subsidiaries in Sweden, Finland, Estonia, Lithuania, Poland and the UK. All subsidiaries are wholly owned apart from the Lithuanian enterprise, which was an 82.5% holding in 2004, with the remainder held by the Lithuanian management. NOTE AB acquired the remaining 17.5% of this enterprise in early 2005. NOTE AB took possession of its Finnish and Estonian subsidiaries in January 2005.

## SIGNIFICANT EVENTS IN 2004

### Initial public offering

Preparatory activities ahead of NOTE's initial public offering (IPO) occurred early in the year, with a split of the NOTE share resolved at an Extraordinary General Meeting (EGM) on 15 March, when the nominal value of the share was reduced from SEK 10 to SEK 0.50 through a 20:1 split, and the number of NOTE AB shares increased from 399,000 to 7,980,000. The NOTE group was floated on the Stockholm Stock Exchange O-list on 23 June. The offering encompassed a total of over 2 million shares, partly comprising a new issue of approximately 1.3 million shares and partly 700,000 shares from existing shareholders. The offering was three times oversubscribed. After the new issue, there were 9,624,200 outstanding shares (more information in Note 25).

### Restructuring and growth

Preparations for European expansion began in the autumn through avenues including an extensive restructuring package, relocating NOTE's volume production to central Europe, with redundancy notices issued to 187 staff in Sweden. A new production facility was also built at Torsby, Sweden. NOTE acquired the operations of Åkerströms of Björbo,

Sweden, now known as NOTE Björbo AB. NOTE also started up businesses in the UK and France through what are known as Gateways. Note has paved the way for further expansion through acquisitions of production facilities in Finland, Estonia and Skellefteå, Northern Sweden, taking possession on 1 January 2005.

### Other

The market took a positive view of the group's business model, and NOTE secured several new Swedish customers in the year such as Gunnebo (security systems), Micronic Lasersystem (laser pattern generators), Neonode (mobile phones), Åkerströms (forklift truck computers), Avitec (3G systems) and Libego (consumer electronics).

Additionally, NOTE focused on the supply of high-technology services in the year through channels including starting RoHS-accreditation production (the Restriction of Hazardous Substances in Electrical and Electronic Equipment, such as lead-free production).

A property damage claim, part of the previously announced insurance claim relating to a fire at Lund, southern Sweden, was definitively settled in the year. The final settlement of consequential loss insurance will be reached in 2005, with more information provided in Note 1.

The NOTE share has been quoted in the Attract40 section of the Stockholm Stock Exchange O-list since 1 January 2005.

## TURNOVER AND PROFIT

### Group

Consolidated net revenue grew by 28% to SEK 1,103.1 (859.2) million, with approximately SEK 27 million of these turnover gains being like-for-like, an increase of approximately 3%. Operating profit reduced by 65% to SEK 26.3 (74.4) million. The like-for-like operating profit was SEK 11.6 (74.4) million. Operating profit was subject to approximately SEK 47 million of restructuring and other non-recurring costs. The revaluation of business agreements reduced profits by about SEK 13 million in addition to restructuring costs. The discrepancies primarily related to the group's activities at Norrtälje, near Stockholm, Sweden and Borås, central Sweden. NOTE has taken measures to ensure positive

progress in these locations. Earnings per share after dilution were SEK 1.17 (5.41).

#### Parent company

The parent company focuses primarily on the management, co-ordination and development of the group, plus consolidated reporting and investor relations. Because subsidiaries are not debited fully for these costs, some deficit does arise.

Parent company revenues were SEK 13.3 (9.8) million and comprise the sale of intra-group services. The operating loss was SEK -9.9 (0.2) million, with the loss before tax being SEK -10.0 (2.8) million.

#### INVESTMENTS

Consolidated investments in fixed assets were SEK 28.8 (51.5) million for the period; depreciation in the period was SEK 27.4 (18.8) million.

#### FINANCIAL POSITION AND LIQUIDITY

The group posted negative cash flow of SEK 14.4 million for 2004. Interest-bearing net debt was SEK 194.8 million, a SEK 90.5 million decrease since year-end 2003.

Available liquid funds including unutilised overdraft facilities were SEK 119.1 (31.0) million at the end of the period.

#### HUMAN RESOURCES

The average number of full-time employees in the year was 887 (681) and the group had 938 staff at year-end. The acquisition of new production facilities resulted in 254 new staff in January, 2005, and 84 of these employees remained at the end of the period within the auspices of the restructuring scheme. As of 31 March 2005, the group had around 1,100 employees.

#### DEVELOPMENT

The activities of NOTE's Excellence Plants brings the company close to customer development processes through means including our electronics manufacturing know-how contributing to the industrialisation phase, guiding and developing the customer's production process. This is a continuous, broad-based process, not disclosed separately in the accounts.

SEK 3 million of development activities attributable to environmental standards, or otherwise identifiable or quantifiable, were capitalised in the Balance Sheet, largely comprising the development

of lead-free production processes, the Gateway concept, the NOTE Lab concept and materials handling process.

#### BOARD ACTIVITIES

The Board of Directors comprises seven regular members, with the Chief Executive Officer (CEO) being a member.

The Board resolves on overall strategy, matters of principle and on major investments or acquisitions. Otherwise, the Board is accountable for the group's organisational resources and management, pursuant to the Swedish Companies Act.

The Board has adopted procedural rules, instructions for dividing duties between the Board and CEO and instructions for financial reporting. Apart from two Board meetings following election, the Board held six scheduled meetings in the year and one telephone conference. At these meetings, the Board considered items on its permanent agenda such as strategy, marketing, budgets, and annual and interim reporting.

#### CURRENCY EXPOSURE, CURRENCY POLICY AND OTHER FINANCIAL RISKS

The group is subject to relatively limited currency risks because the majority of its invoicing is denominated in Swedish krona (SEK). NOTE's costs of input goods are transparent. The group's currency policy is reviewed in more detail in Note 24. Financial risks other than currency risks are modest, and accordingly, pursuant to Chap. 6 §1 of the Swedish Annual Accounts Act, NOTE does not disclose any such information in the Report of the Directors.

#### ENVIRONMENTAL IMPACT

Through two Swedish subsidiaries, the group pursues operations subject to permits pursuant to the Swedish ordinance on environmentally hazardous activities and health (reference SFS 1998:899). All Swedish facilities (Björbo, Borås, Lund, Norrtälje, Torsby, Skellefteå and Nyköping/Skänninge) report to their respective municipal environmental and health authorities annually, because of these facilities' air conditioning installations. Six of these facilities have ISO 14001 environmental accreditation, and the other two are currently undergoing the accreditation process.

#### FORECAST

Estimated turnover for 2005 is approximately

SEK 1,600 million, excluding additional potential acquisitions. Operating profit for 2005 is expected to be significantly higher than the corresponding figure for 2004.

#### SENSITIVITY ANALYSIS

Assuming all other factors remain unchanged, and proceeding from the accounts at year-end, the following changes to overheads would have the following impact on profit/loss after financial items:

- A one (1) percentage point interest change would alter profit before tax by some SEK 2 million;
- A one (1)% change in payroll costs including payroll overheads would alter profit before tax by approximately SEK 3 million.

#### ADOPTION OF IFRS

##### General

NOTE is preparing its Consolidated Financial Statements pursuant to International Financial Reporting Standards (IFRS) from the financial year 2005 onwards. Because, in most segments, Swedish accounting standards are relatively consistent with existing IFRS, in most respects, the effect of IFRS is not considered significant. Those changes resolved within IFRS that do effect NOTE are the replacement of goodwill amortisation with annual impairment tests. Moreover, IFRS sets stringent requirements on the component depreciation of tangible fixed assets, which does exert a marginal impact on NOTE.

##### Consolidated Financial Statements

IFRS 3 implies changes in segments including accounting coincident with corporate acquisitions. IFRS has more detailed stipulations on the accounting of intangible assets separately from goodwill coincident with acquired assets and liabilities identified in corporate acquisitions. For example, customer relations, trademarks, brands and patents, are accounted separately from the goodwill item, assuming that certain IFRS criteria are satisfied. Moreover, IFRS stipulates that rather than being amortised, goodwill should be subject to annual impairment tests, i.e. tests for the potential need for write-downs.

The effect that arises from the adoption of IFRS is that goodwill amortisation of SEK 3 million reported in the Consolidated Income Statement for 2004 would be reversed in the Consolidated Income Statement published in the Annual Report for 2005, and in the forthcoming Interim Reports for 2005.

Goodwill	SEK m
1 Jan. 2004 pursuant to Swedish GAAP	40
1 Jan. 2004 pursuant to IFRS	40
Adj. vs. negative goodwill	-16
Goodwill amortisation in 2004	-3
IFRS adjustment	
Reversal of goodwill amortisation in 2004	3
31 Dec. 2004 pursuant to IFRS	24
<b>Profit effect 2004</b>	<b>SEK m</b>
Profit for the period pursuant to Swedish GAAP	11
Reversed goodwill amortisation	3
Profit for the period pursuant to IFRS	14

When NOTE AB (publ) prepared its opening balance for 1 January 2004 pursuant to IFRS, the following exceptions for first-time adopters were applied:

- The acquisition analysis of acquisitions before 2004 was not repeated;
- In the opening balance, the accumulated translation differences were reset to zero.

#### IAS 39 AND IAS 32

These two standards were introduced as of 1 January 2005. Pursuant to the standards, the comparative period will not be converted pursuant to IAS 32 and IAS 39.

#### PROPOSED APPROPRIATION OF PROFITS

The Board of Directors and Chief Executive Officer propose that unappropriated profits of SEK 13,729,925, are appropriated as follows:

Dividends of SEK 0.50 per share, totalling	4,812,100
Carried forward (SEK 000)	8,917,825
Total	13,729,925

No transfer of consolidated non-restricted equity, of (SEK 000) 51,893 is proposed to restricted reserves.

The Board of Directors proposes that the Annual General Meeting approves the dividend of SEK 0.50 per share (0.00).

Regarding the company's profits and position otherwise, the reader is referred to the following Income Statement and Balance Sheet with the associated Notes to the accounts.

# Income Statement

Amounts in SEK 000	Note	Group		Parent company	
		1 Jan. 2004 - 31 Dec. 2004	1 Jan. 2003 - 31 Dec. 2003	1 Jan. 2004 - 31 Dec. 2004	1 Jan. 2003 - 31 Dec. 2003
Net revenue		1,103,146	859,214	13,318	9,815
Cost of sold goods and services		-980,008	-765,129	-868 <sup>1</sup>	-
Other revenues	1	18,339	51,140	-	-
<b>Gross profit/loss</b>		<b>141,477</b>	<b>145,225</b>	<b>12,450</b>	<b>9,815</b>
Selling expenses		-50,340	-30,299	-7,349	-2,390
Administrative expenses		-63,494	-42,456	-14,944	-7,240
Other operating revenue	3	2,220	2,753	-	-
Other operating expenses	4	-3,505	-792	-41	-10
<b>Operating profit/loss</b>	2.,5-6	<b>26,359</b>	<b>74,430</b>	<b>-9,884</b>	<b>175</b>
Profit/loss from participations in group companies	7	-	-	-	<b>3,052</b>
Profit/loss from securities and receivables classified as fixed assets		-	118	-	-
Other interest income and similar profit/loss items	8	1,788	1,177	328	48
Interest expenses and similar profit/loss items	9	-11,552	-12,775	-490	-633
<b>Profit/loss after financial items</b>	10	<b>16,595</b>	<b>62,951</b>	<b>-10,046</b>	<b>2,642</b>
<b>Appropriations</b>					
Appropriations, other	11	-	-	-487	149
<b>Profit/loss before tax</b>		<b>16,595</b>	<b>62,951</b>	<b>-10,533</b>	<b>2,791</b>
Tax on profit for the year	12	-5,851	-18,720	2,345	1
Minority share of net profit		-211	-121	-	-
<b>Profit/loss for the period</b>	26	<b>10,533</b>	<b>44,110</b>	<b>-8,188</b>	<b>2,792</b>
<b>Earnings per share (SEK)</b>					
Earnings per share before dilution (after split)	26	1.20	5.74	-	-
Earnings per share after dilution (after split)	26	1.17	5.41	-	-
Proposed dividend per share		0.50	-	-	-

<sup>1</sup> The overall production function is classified as cost of materials in the parent company because in the group perspective, it is classified as production.

# Balance Sheet

Amounts in SEK 000	Note	Group		Parent company	
		31 Dec. 2004	31 Dec. 2003	31 Dec. 2004	31 Dec. 2003
<b>ASSETS</b>					
<b>Fixed assets</b>					
<b>Intangible fixed assets</b>					
Trademarks and brands	13	64	128	–	–
Capitalised expenditure for software	14	499	381	–	–
Goodwill	15	21,322	40,231	–	–
Capitalised expenditure for process development	16	3,089	15	2,268	–
		<b>24,974</b>	<b>40,754</b>	<b>2,268</b>	<b>–</b>
<b>Tangible fixed assets</b>					
Buildings and land	17	32,622	32,241	–	–
Accrued costs on other party's property	18	2,721	2,177	–	–
Plant and machinery	19	52,930	51,880	179	–
Equipment, tools, fixtures and fittings	20	16,242	16,290	259	261
		<b>104,515</b>	<b>102,588</b>	<b>438</b>	<b>261</b>
<b>Financial fixed assets</b>					
Participations in group companies	21	–	–	120,757	120,757
Receivables from group companies		–	–	–	100
Other securities held as fixed assets		2	2	–	–
Deferred tax asset	28	804	177	–	–
Other long-term receivables	22	11,359	3,660	10,197	–
		<b>12,165</b>	<b>3,839</b>	<b>130,954</b>	<b>120,857</b>
<b>Total fixed assets</b>		<b>141,654</b>	<b>147,182</b>	<b>133,660</b>	<b>121,118</b>
<b>Current assets</b>					
<b>Inventories, etc.</b>					
Raw materials and consumables		151,519	111,281	–	–
Products in process		86,823	85,399	–	–
Finished goods and goods for resale		6,165	22,566	–	–
		<b>244,507</b>	<b>219,246</b>	<b>–</b>	<b>–</b>
<b>Current receivables</b>					
Accounts receivable – trade		263,884	232,931	160	90
Receivables from group companies		–	–	133,188	1,591
Other receivables		21,409	3,482	5,461	3
Prepaid costs and accrued income	23	42,395	52,392	299	1,803
		<b>327,688</b>	<b>288,806</b>	<b>139,108</b>	<b>3,487</b>
<b>Cash and bank balances</b>		<b>20,143</b>	<b>7,968</b>	<b>875</b>	<b>300</b>
<b>Total current assets</b>		<b>592,338</b>	<b>516,019</b>	<b>139,983</b>	<b>3,787</b>
<b>TOTAL ASSETS</b>		<b>733,992</b>	<b>663,200</b>	<b>273,643</b>	<b>124,905</b>



Amounts in SEK 000	Note	Group		Parent company	
		31 Dec. 2004	31 Dec. 2003	31 Dec. 2004	31 Dec. 2003
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>					
<b>Shareholders' equity</b>	25				
<i>Restricted equity</i>					
Share capital (9,624,200 shares)		4,812	3,840	4,812	3,840
New issue in registration		–	150	–	150
Share premium reserve		–	–	148,100	44,010
Revaluation reserve		–	–	43,995	43,995
Statutory reserve		–	–	61	61
Restricted reserves		205,045	100,781	–	–
		<b>209,858</b>	<b>104,770</b>	<b>196,968</b>	<b>92,056</b>
<i>Non-restricted equities</i>					
Non-restricted reserves		41,360	-2,932	21,918	2,083
Profit/loss for the period		10,533	44,110	-8,188	2,792
		<b>51,893</b>	<b>41,178</b>	<b>13,730</b>	<b>4,875</b>
<b>Shareholders' equity</b>		<b>261,751</b>	<b>145,948</b>	<b>210,698</b>	<b>96,931</b>
<b>Minority interest</b>		<b>997</b>	<b>785</b>	<b>–</b>	<b>–</b>
<b>Untaxed reserves</b>	27				
Accumulated depreciation in addition to plan		–	–	708	61
Tax allocation reserve		–	–	–	160
		–	–	708	221
<b>Provisions</b>					
Provisions for deferred tax	28	18,125	18,445	–	–
Negative goodwill	29	–	16,822	–	–
Other provisions	30	8,768	4,500	4,500	4,500
		<b>26,893</b>	<b>39,767</b>	<b>4,500</b>	<b>4,500</b>
<b>Long-term interest-bearing liabilities</b>					
Other liabilities to credit institutions	31, 32, 33	126,200	176,070	–	4,500
Liabilities to group companies		–	–	2,414	11,064
		<b>126,200</b>	<b>176,070</b>	<b>2,414</b>	<b>15,564</b>
<b>Current liabilities</b>					
Liabilities to credit institutions	33	62,769	16,224	–	–
Bank overdraft facility	33, 34	25,972	101,039	11,369	–
Advance payments from customers		–	1,313	–	–
Accounts payable – trade		154,504	118,100	1,414	3,025
Liabilities to group companies		–	–	33,274	2,729
Current tax liabilities		6,465	7,418	6,449	61
Other liabilities		18,855	16,389	196	247
Accrued costs and deferred income	35	49,585	40,147	2,621	1,627
		<b>318,150</b>	<b>300,629</b>	<b>55,323</b>	<b>7,689</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>733,992</b>	<b>663,200</b>	<b>273,643</b>	<b>124,905</b>

# Cash Flow Statement

Amounts in SEK 000	Group		Parent company	
	1 Jan. 2004 - 31 Dec. 2004	1 Jan. 2003 - 31 Dec. 2003	1 Jan. 2004 - 31 Dec. 2004	1 Jan. 2003 - 31 Dec. 2003
<b>Continuing operations</b>				
Profit/loss after financial items	16,595	62,951	-10,046	2,642
Adjustment for items not included in cash flow, etc.	30,256	20,424	242	-3,167
	<b>46,851</b>	<b>83,375</b>	<b>-9,804</b>	<b>-525</b>
Taxes paid	-16,827	-10,735	-6,445	-1
<b>Cash flow from continuing operations before changes in working capital</b>	<b>30,024</b>	<b>72,640</b>	<b>-16,249</b>	<b>-526</b>
<i>Cash flow from changes in working capital</i>				
Increase(-)/Decrease(+) to inventories	-20,184	-14,563	–	–
Increase(-)/Decrease(+) to trade receivables	-46,333	-108,728	-74,321	465
Increase(+)/Decrease(-) to trade liabilities	56,004	38,514	-7,752	-5,335
<b>Cash flow from continuing operations</b>	<b>19,511</b>	<b>-12,137</b>	<b>-98,322</b>	<b>-5,396</b>
<b>Investing activities</b>				
Acquisition of subsidiaries	–	-303	–	–
Acquisition of business segments	-8,081	–	–	11
Acquisition of intangible fixed assets	–	-2,534	-2,268	–
Acquisition of tangible fixed assets	-25,822	-51,874	-419	-116
Divestment of tangible fixed assets	–	3,207	–	–
Acquisition of financial assets	–	-39	-10,197	–
Divestment/decrease of financial assets	–	2	–	7,000
<b>Cash flow from investing activities</b>	<b>-33,903</b>	<b>-51,541</b>	<b>-12,884</b>	<b>6,895</b>
<b>Financing activities</b>				
New issue	104,912	–	104,912	–
Borrowings	201,856	76,093	6,869	4,500
Amortisation of borrowings	-280,243	-7,761	–	-6,186
<b>Cash flow from financing activities</b>	<b>26,525</b>	<b>68,332</b>	<b>111,781</b>	<b>-1,686</b>
<b>Cash flow for the year</b>	<b>12,133</b>	<b>4,654</b>	<b>575</b>	<b>-187</b>
Liquid funds at the beginning of the period	7,968	3,314	300	487
Exchange rate differences, liquid funds	42	–	–	–
<b>Liquid funds at the end of the period</b>	<b>20,143</b>	<b>7,968</b>	<b>875</b>	<b>300</b>

# Cash Flow Statement, Supplementary Disclosure

Amounts in SEK 000	Group		Parent company	
	1 Jan. 2004 - 31 Dec. 2004	1 Jan. 2003 - 31 Dec. 2003	1 Jan. 2004 - 31 Dec. 2004	1 Jan. 2003 - 31 Dec. 2003
<b>Interest paid and dividend received</b>				
Interest received	1,746	1,114	347	18
Interest paid	-10,107	-10,821	-472	-538
<b>Adjustment for items not included in cash flow, etc.</b>				
Anticipated dividend from subsidiaries	-	-	-	-3,052
Depreciation and write-down of assets	27,444	18,460	185	67
Capital gain, divestment of fixed assets	57	-1,327	57	10
Other provisions	2,646	3,291	-	-
Other profit/loss items not influencing liquidity	113	-	-	-192
Unrealised exchange rate differences	-4	-	-	-
	<b>30,256</b>	<b>20,424</b>	<b>242</b>	<b>-3,167</b>
<b>Transactions not entailing payment</b>				
Acquisition of assets by a liability directly related to the asset being taken over, or a promissory note being issued	-	4,500	-	-
Acquisition of a business through a non-cash issue	-	10,000	-	-
<b>Acquisition of subsidiaries and other business entities</b>				
Acquired assets and liabilities:				
Intangible fixed assets	-	6,694	-	-
Tangible fixed assets	3,052	12,614	-	-
Inventories	5,029	24,910	-	-
Trade receivables	-	13,688	-	-
Liquid funds	-	14	-	-
<b>Total assets</b>	<b>8,081</b>	<b>57,920</b>	<b>-</b>	<b>-</b>
Provisions	-	919	-	-
Loans	-	29,860	-	-
Trade liabilities	-	12,324	-	-
<b>Total provisions and liabilities</b>	<b>-</b>	<b>43,103</b>	<b>-</b>	<b>-</b>
Purchase price	-	14,817	-	-
Less: Non-cash issue	-	-10,000	-	-
Promissory notes	-	-4,500	-	-
<b>Purchase price paid</b>	<b>-</b>	<b>317</b>	<b>-</b>	<b>-</b>
Less: liquid funds in acquired business	-	-14	-	-
Effect on liquid funds (minus = increase)	-	303	-	-
<b>Acquisition of assets, liabilities and businesses</b>				
Financial assets	-	-	-	42,490
Trade receivables	-	-	-	192
Liquid funds	-	-	-	11
<b>Total assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>42,693</b>
Trade liabilities	-	-	-	79
<b>Total provisions and liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>79</b>
Less: Liquid funds of acquired business	-	-	-	-11
<b>Effect on liquid funds (minus=increase)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-11</b>
<i>Liquid funds comprise the following components:</i>				
Cash and bank balances	20,143	7,968	875	300

# Collateral Pledged and Contingent Liabilities

Amounts in SEK 000		Group		Parent company	
		1 Jan. 2004 - 31 Dec. 2004	1 Jan. 2003 - 31 Dec. 2003	1 Jan. 2004 - 31 Dec. 2004	1 Jan. 2003 - 31 Dec. 2003
<b>Collateral pledged</b>	33			none	
<i>For own liabilities and provisions</i>					
Property mortgages		12,400	17,400		–
Chattel mortgages		252,500	282,650		–
Shares in subsidiaries (issued to credit institutions)		–	63,335		53,100
<b>Total collateral pledged</b>		<b>264,900</b>	<b>363,385</b>	<b>–</b>	<b>53,100</b>
<b>Contingent liabilities</b>	36				
Guarantees, other		360	360	–	–
Contingent liabilities		10,795	30	–	–
County Administrative Board, conditional loan		3,585	975	–	–
Guarantees favouring subsidiaries		–	–	185,841	30,800
<b>Total contingent liabilities</b>		<b>14,740</b>	<b>1,365</b>	<b>185,841</b>	<b>30,800</b>

# Statement of Changes to Shareholders' Equity

	Group				Parent company			
	Share capital	Share issue in registration	Restricted reserves	Non-restricted equity	Share capital	Share issue in registration	Restricted reserves	Non-restricted equity
<b>Shareholders' equity, 31 December 2002</b>	<b>3,840</b>	–	<b>83,315</b>	<b>4,629</b>	<b>3,840</b>	–	<b>78,216</b>	<b>517</b>
New issue	–	150	9,850	–	–	150	–	–
Exchange rate differences	–	–	55	–	–	–	–	–
Transfer between non-restricted and restricted equity	–	–	7,561	-7,561	–	–	–	–
Profit/loss for the period	–	–	–	44,110	–	–	–	2,792
Share premium reserve	–	–	–	–	–	–	9,850	–
Consolidation profit	–	–	–	–	–	–	–	1,425
Group contribution received	–	–	–	–	–	–	–	195
Tax effect on group contribution received	–	–	–	–	–	–	–	-54
<b>Shareholders' equity 31 December 2003</b>	<b>3,840</b>	<b>150</b>	<b>100,781</b>	<b>41,178</b>	<b>3,840</b>	<b>150</b>	<b>88,066</b>	<b>4,875</b>
<b>Shareholders' equity 31 December 2003</b>	<b>3,840</b>	<b>150</b>	<b>100,781</b>	<b>41,178</b>	<b>3,840</b>	<b>150</b>	<b>88,066</b>	<b>4,875</b>
New issue*	972	-150	104,090	–	972	-150	104,090	–
Exchange rate differences	–	–	1	356	–	–	–	–
Transfer between non-restricted and restricted equity	–	–	174	-174	–	–	–	–
Profit/loss for the period	–	–	–	10,533	–	–	–	-8,188
Group contribution received	–	–	–	–	–	–	–	60,300
Tax effect on group contribution received	–	–	–	–	–	–	–	-16,884
Group contribution paid	–	–	–	–	–	–	–	-36,629
Tax effect on group contribution paid	–	–	–	–	–	–	–	10,256
<b>Shareholders' equity 31 December 2004</b>	<b>4,812</b>	–	<b>205,046</b>	<b>51,893</b>	<b>4,812</b>	–	<b>192,156</b>	<b>13,730</b>

\* Net of issue costs of SEK 6,150,000. More information on shareholders' equity in Note 25.

# Notes and accounting principles

Amounts are in thousands of Swedish kronor (SEK 000) unless stated otherwise.

## General accounting principles

The Annual Report has been prepared pursuant to the Swedish Annual Accounts Act and RR's (Redovisningsrådet, the Swedish Financial Accounting Standards Council) recommendations and Emerging Issues Task Force statements.

## Registered office

NOTE AB (publ) pursues operations incorporated as a limited company, with registered offices in Norrtälje, Sweden.

The address of the head office is NOTE AB (publ), Box 910, 761 29 Norrtälje, Sweden.

## Segment reporting

The group pursues contract electronics production, its primary segment. Operations are a single business segment because the company's products and services are exposed to risks and opportunities that do not differ notably. Moreover, its product/services are similar. This has implications including the characteristics of products, production process and distribution channels being similar. Information on the group's primary segment is provided in the Consolidated Income Statement, Consolidated Balance Sheet and the Consolidated Cash Flow Statement.

Because the risks and opportunities in the various regions of Sweden do not differ notably, Sweden as a whole is considered as a single geographical region. Information on the group's secondary segment, Sweden, is provided in the Consolidated Income Statement, Consolidated Balance Sheet and Consolidated Cash Flow Statement.

## Classification

Essentially, fixed assets, long-term liabilities and provisions comprise amounts expected to be recovered or paid after more than twelve months from the balance sheet date. Assets, provisions and liabilities are valued at acquisition value unless stated otherwise below.

Essentially, current assets and current liabilities exclusively comprise amounts expected to be recovered or paid within twelve months of the balance sheet date.

## Valuation principles

Assets, provisions and liabilities have been valued at acquisition value unless stated otherwise below.

## Intangible assets

Costs for the development of software and processes Development expenditure is accounted pursuant to RR 15 on intangible assets, which has implications including accounting intangible assets only when such asset is identifiable, the company exerts control over it, and it is expected to generate future financial benefits.

The group accounts development expenditure as an intangible asset, and in addition to the general criteria stated above, exclusively on the condition that completing the asset is technically and financially possible, that there is the intention, and prerequisites, for the asset to be used in operations or sold, and the value can be calculated reliably. Development expenditure means expenditure where the results of research or other knowledge is applied to achieve new or improved products or processes. The Consolidated and parent company Balance Sheet accounts development expenditure at cost less accumulated depreciation and write-downs.

## Other intangible assets

Intangible assets that the company has acquired are accounted at acquisition value less accumulated depreciation and write-downs.

## Additional expenditure

Additional expenditure for intangible assets is added to acquisition values only if it increases future financial benefits, which exceed the original estimate, and such expenditure can be calculated reliably. All other expenditure is written off as it arises.

## Depreciation

Depreciation according to plan is based on original acquisition values less potential residual values. Depreciation is linear over the useful life of assets, and is accounted as a cost in the Income Statement.

The following depreciation terms are applied:	Useful lives	
	Group	Parent company
Intangible assets		
Trademarks, brands, etc.	5 years	N/A
Goodwill	10 years	N/A
Capitalised expenditure on software	4 years	N/A
Mixed expenditure for process development	5 years	5 years

Goodwill attributable to acquired subsidiaries and businesses is accounted as an asset and depreciated according to plan over its economic life, which is justified by the financial value brought to the group through geographic location and unique know-how. Economic life is reviewed annually.

## Tangible assets

Tangible fixed assets are accounted as assets in the Balance Sheet when according to the available information, it is likely that the group/company will benefit from the future financial benefits associated with the holding, and the acquisition value of the asset can be calculated reliably.

## Additional expenditure

Additional expenditure is added to acquisition values to the extent that the performance of the asset is improved in relation to the level prevailing when it was originally acquired. All other additional expenditure is accounted as a cost in the period it arises.

## Depreciation principles for tangible fixed assets

Depreciation according to plan is based on original acquisition values less estimated residual values, where applicable. Depreciation is linear over the asset's estimated useful life.

The following depreciation terms are applied:	Useful lives	
	Group	Parent company
Land improvements	20 years	N/A
Buildings	25 or 50 years	N/A
Accrued costs on other party's property	5 or 20 years	N/A
Permanent equipment, service facilities etc. in buildings	5 or 10 years	N/A
Plant and machinery	5 years	4 or 5 years
Equipment, tools, fixtures and fittings	4 or 5 years	4 or 5 years

## Borrowing costs

Borrowing costs reduce profits in the period to which they apply, regardless of how the borrowed funds are utilised.

## Write-downs

The book value of consolidated assets is reviewed every balance sheet date to determine whether there is any indication of a need for write-downs. If there is such an indication, the recoverable amount of assets is calculated as the greater of the value in use and net realisable value.

Write-downs are effected if the recoverable amount is less than book value. Calculations of value in use discount future cash flows at an interest rate before tax considered to reflect market assessments of risk-free interest and the risk associated with the specific asset. An asset dependent on other assets is not considered to generate any independent cash flows, but instead, is attributable to the smallest cash-generating entity, when the independent cash flows can be determined. A write-down is reversed if there is a change to the calculations used to determine the recoverable amount. Reversals are only affected to the extent that the asset's book value does not exceed the book value that would have been accounted, less depreciation, if no write-down had occurred. A write-down of goodwill is reversed only if the write-down was caused by a specific exceptional exogenous event not expected to recur and the increase in the recoverable value is directly attributable to the reversal of the effect of the specific event.

### *Receivables*

Receivables are accounted at acquisition value less potential write-downs.

### *Accounts receivable – trade*

Accounts receivable – trade are accounted at the amount expected to arise less doubtful debt, which is considered on a case-by-case basis. The expected term of accounts receivable – trade is short, and accordingly, this value is accounted at nominal amount without discounting.

### *Foreign currency receivables and liabilities*

Foreign currency receivables and liabilities are converted at exchange rates on the balance sheet date pursuant to RR 8, with the exception of long-term monetary balances with foreign entities, where historical exchange rates are applied. Exchange rate differences on trade receivables and trade liabilities are included in operating profit/loss, while differences in financial receivables and liabilities are accounted under financial items.

### *Inventories*

Inventories, valued pursuant to RR 2:02, are accounted at the lower of acquisition and net realisable value, which considers the risk of obsolescence. Acquisition values are accounted according to the FIFO principle, or weighted average prices. The acquisition value of semi-finished and finished goods produced in-house comprises direct production costs and a reasonable portion of indirect production costs. Valuations consider normal capacity utilisation.

### *Liquid funds*

Liquid funds encompass cash, immediately accessible bank balances and other money market instruments with original maturities of less than three months. Items subject to fixed interest are valued at accrued value.

### *Accounts payable – trade*

Accounts payable – trade have short expected terms and are valued at nominal amount without discounting.

### *Financial investments*

A financial asset or financial liability is accounted in the Balance Sheet when the company becomes party to the contracted terms of such instrument. Accounts receivable – trade are accounted in the Balance Sheet when the invoice has been sent. Accounts payable – trade are accounted in the Balance Sheet when invoices are received.

A financial asset is removed from the Balance Sheet when the rights to the agreement are realised, mature or the company loses control over them. The same applies to parts of a financial asset. A financial liability is removed from the Balance Sheet when the commitments pursuant to the agreement are satisfied, or are otherwise extinguished. The same applies for parts of a financial liability. Financial instruments accounted in the Balance Sheet include liquid funds and accounts receivable – trade on the assets side, and accounts payable – trade and borrowings on the liabilities side.

### *Financial instruments and securities holdings*

Information on accounting principles and financial risk management is provided in Note 24, financial instruments and financial risk management.

### *Employee benefits*

Employee benefits are accounted in the Consolidated Financial Statements pursuant to RR 29 Employee Benefits, which was applied from 1 January 2004 onwards.

Pension commitments have been calculated pursuant to RR 29 as of 1 January 2004. No discrepancies compared to the pension provisions accounted as of 31 December 2003 affected the opening balance of shareholders' equity in 2004.

All employees are encompassed by defined-contribution pension schemes.

Defined-contribution schemes involve the company paying predetermined fees to a separate legal entity, or entering the commitment as a liability and having no commitment to pay additional fees. Costs are deducted from consolidated profits as the benefits accrue.

The introduction of RR 29 did not imply any change to accounting principles.

### *Defined-contribution pensions*

Commitments for old-age and survivors' pensions for salaried employees in Sweden are underwritten through insurance with Alecta. Statement URA 42

from RR's Emerging Issues Task Force classifies this as a defined-benefit scheme with multiple employers. The company did not have access to sufficient information for this scheme to be accounted as a defined-benefit scheme for the financial year 2004. Accordingly, the ITP (supplementary pensions for salaried employees) scheme underwritten through insurance with Alecta is accounted as a defined-contribution scheme. Expenditure for pension policies with Alecta in the year amounted to SEK 6.8 (5.4) million. Alecta's surplus can be divided between policyholders and/or insured parties. At year-end 2004, Alecta's surplus, expressed as its collective consolidation ratio was 128.0 (119.9)%. The collective consolidation ratio comprises the market value of Alecta's assets as a percentage of insurance commitments calculated pursuant to Alecta's actuarial calculated commitments, which are not consistent with RR 29.

### *Defined-benefit pensions*

There are no defined-benefit pension schemes.

### *Tax*

The company and group observe RR 9 on income tax. Total tax comprises current tax and deferred tax. Tax is accounted in the Income Statement apart from when underlying transactions are accounted directly against shareholders' equity, whereupon the associated tax effect is accounted in shareholders' equity. Current tax is tax paid or received for the current year and also includes adjustments of current tax attributable to previous periods. Deferred tax is calculated according to balance sheet method, proceeding from temporary differences between accounted and taxable values of assets and liabilities. The amount is calculated on how temporary differences are expected to even out and by applying those tax rates and tax regulations resolved or announced as of the balance sheet date. Consolidated goodwill does not consider temporary differences, and normally, nor are differences attributable to participations in subsidiaries and associated companies that are not expected to be taxed within the foreseeable future.

Untaxed reserves including deferred tax liabilities are accounted in legal entities. However, the Consolidated Financial Statements divide untaxed reserves between deferred tax liabilities and shareholders' equity. Deferred tax assets for deductible temporary differences and loss carry-forwards are only accounted to the extent that it is likely that they will result in lower future tax payments.

### *Provisions (apart from negative goodwill and deferred tax)*

A provision is accounted in the Balance Sheet pursuant to RR 16 on provisions, contingent liabilities and contingent assets when the company has a formal or informal commitment resulting from an event that has occurred, and it is likely that an outflow of resources will be necessary to satisfy the commitment, and the amount can be calculated reliably.

### *Restructuring reserve*

Provisions are accounted when a detailed restructuring plan has been determined and restructuring has either begun or has been publicly announced.

### *Contingent liabilities*

Contingent liabilities are accounted as memorandum items when there is:  
-A potential commitment relating to actual events, and whose occurrence is only corroborated by one or more uncertain future events, which are not entirely under the company's control, occurring or not occurring, or  
-A commitment attributable to events that have occurred but that is not accounted as a liability or provision because it is unlikely that an outflow of resources will be necessary to satisfy the commitment or the scale of the commitment cannot be calculated with sufficient reliability.

### *Revenues*

Revenues are accounted pursuant to RR 11 on revenues.

Revenues are recognised in the Income Statement when it is likely that the company will receive the future financial benefits and these benefits can be calculated reliably. Revenues exclusively comprise the gross inflow of financial benefits the company receives, or may receive, on its own behalf. Revenue from goods sales is recognised when the company has transferred the essential risks and benefits associated with ownership of such goods to the buyer.

Revenues are recognised at the actual value of what has been received, or will be received, less deductions for discounting. Remuneration is received in liquid funds, and revenues comprise this remuneration.

#### *Leasing – lessee*

RR 6:99 is applied. In the Consolidated Financial Statements, leases are classified as finance or operating leases. Finance leasing occurs when the essential risks and benefits associated with ownership are transferred to the lessee, and if this is not the case, contracts are accounted as operating leases. Assets leased through finance leasing are accounted as assets in the Consolidated Balance Sheet. The commitment to pay future leasing charges has been accounted as long-term and current liabilities. The leased assets are depreciated according to plan while leasing payments are accounted as interest and amortisation of their liabilities. Operating leasing implies leasing charges being expensed over the lease term, proceeding from utilisation, which may differ from the de facto payments for leasing charges in the year. The parent company accounts all leasing contracts pursuant to operating lease regulations.

#### *Items affecting comparability*

RR 4 is applied, implying that the profit effect of significant specific events and transactions are specified in the relevant income concept.

#### *Central government support and grants*

Central government support and grants are accounted in the Balance Sheet and Income Statement when it is reasonably certain that the terms associated with such support will be satisfied, and the support will be received. Such support is subject to timing effects systematically, similarly and over the same period as the costs the subsidy is expected to compensate. Central government support and grants received as remuneration for costs that have already reduced profits in previous periods are accounted in the Income Statement in the period the receivable from central government arises.

#### *Financial revenue and costs*

Interest income on receivables and interest expenses on liabilities are calculated by applying the effective interest method. Effective interest is that interest rate that makes the present value of all future payments received and made in the interest fixing period equal to the book value of the receivable or liability. Other interest expenses are accounted in the period to which they apply. The group does not capitalise interest on assets' acquisition values. Dividend income is accounted when the rights to receive payment are considered secure.

#### *Stock option plans*

The company has no outstanding stock option plans.

#### **Consolidated Financial Statements**

The Consolidated Financial Statements have been prepared pursuant to RR 1:00.

#### *Subsidiaries*

Subsidiaries are companies in which the parent company directly or indirectly holds over 50% of the vote, or otherwise exerts a controlling influence over operations and finances. Typically, subsidiaries are accounted pursuant to acquisition accounting, which means that the acquisition of subsidiaries is considered as a transaction whereby the parent company indirectly acquires the subsidiary's assets and takes over its liabilities. In the Consolidated Financial Statements, the acquired company's revenues and costs, identifiable assets and liabilities, as well as potential goodwill or negative goodwill arising, are accounted from the time of acquisition onwards.

#### *Goodwill*

Consolidated goodwill arises when the value upon acquisition of participations in subsidiaries exceeds the actual value of the acquired company's identifiable net assets. Goodwill is accounted at acquisition value less accumulated depreciation and potential write-downs.

#### *Negative goodwill*

Negative goodwill arises when the acquisition value of participations in subsidiaries is less than the actual value of the acquired company's identifiable net assets at the time of acquisition. If negative goodwill arises for other reasons, negative goodwill is accounted as a provision in the Balance Sheet to the extent that it does not exceed the actual value of acquired, identifiable non-monetary assets. The portion that exceeds this value is recognised as revenue immediately. That portion of negative

goodwill that does not exceed the actual value of acquired identifiable non-monetary assets is recognised as revenue systematically over a period calculated as the residual weighted average useful life of the acquired identifiable and depreciable assets.

#### *Elimination of intra-group transactions*

Intra-group receivables and liabilities and transactions, and the associated unrealised profits, are eliminated in their entirety.

#### *Conversions of foreign subsidiaries or other foreign operations*

Currency conversions are pursuant to RR 8. The current method is applied for converting the income statements and balance sheets of independent autonomous foreign operations, a method implying that all assets, provisions and liabilities are converted at the exchange rate on the balance sheet date and that all income statement items are converted at average exchange rates. The exchange rate differences arising are accounted directly to shareholders' equity.

#### **Group contributions**

Group contributions are accounted pursuant to statements from RR's Emerging Issues Task Force, and pursuant to their financial implication. This means that group contributions provided with the aim of minimizing the group's total tax are accounted directly against retained profits less their current tax effect. Group contributions that are equivalent to dividends are accounted as dividends, which means that the group contribution received and its current tax effect is accounted in the Income Statement. Group contributions paid and their current tax effect are accounted directly against retained profits.

#### **Group information**

Of the parent company's total purchasing and sales measured in SEK, 26% of purchasing and 100% of sales relate to other companies within the entire corporate grouping of which the company is a part.

#### **Acquisitions in the period**

On 15 December 2004, an agreement was reached regarding the acquisition of shares of OÜ Paitec Electronika, Estonia from Point Product Oy. A portion of the purchase price of EUR 1 million was paid in 2004. Because in Estonia, the acquisition of shares in a company must be undersigned by a notary public and this did not occur before 20 January 2005, NOTE AB (publ) is not the registered owner of OÜ Paitec Electronika as of 31 December 2004, and accordingly, the new entity will not be consolidated into NOTE's accounts before January 2005.

#### **Closely related parties**

Close relations, which mean a controlling influence.

#### *Group*

The group is under the controlling influence of Sten Dybeck, family and companies, with 22.1% of the vote.

#### *Parent company*

The parent company has close relations encompassing a controlling influence over its subsidiaries, see Note 21.

#### *Transactions with closely related parties*

##### *Group*

Interest on short-term loans to group companies has been debited on market terms. Note 2 reviews the Board of Directors', CEO's and other senior executives' salary and other remuneration, costs and pension commitments and similar benefits, and severance pay agreements.

##### *Parent company*

Of services conducted by the parent company within the group, SEK 13,318,000 was invoiced on market terms.

**NOTE 1  
OTHER REVENUES**

	1 Jan. 2004 -31 Dec. 2004	1 Jan. 2003 -31 Dec. 2003
Group		
Insurance claim for damage to property	851	40,628
Insurance claim for consequential loss	17,488	10,512
	18,339	51,140

That portion of the insurance claim relating to property damage was definitively settled in 2004. The remaining claim for consequential losses of SEK 4 million will be received in 2005.

**NOTE 2  
EMPLOYEES, PERSONNEL EXPENSES AND  
DIRECTORS' AND AUDITORS' FEES**

Ave. no of employees	1 Jan. 2004 -31 Dec. 2004	of which men	1 Jan. 2003 -31 Dec. 2003	of which men
Parent company				
Sweden	10	45%	6	26%
Total, parent company	10	45%	6	26%
Subsidiaries				
Sweden	693	64%	527	65%
Poland	19	65%	14	71%
Lithuania	165	35%	134	39%
Total, subsidiaries	877	59%	675	60%
Group total	887	59%	681	60%
Division between the sexes in the corporate management	31 Dec. 2004	Prop. of women	31 Dec. 2003	Prop. of women
Parent company				
Board of Directors		14%		0%
Other senior executives		67%		50%
Group total				
Board of Directors		18%		7%
Other senior executives		33%		21%

Other senior executives of the parent company comprise three people, two of which are women: the CEO/President, the Vice President of Accounting & Finance and the Vice President of Corporate Communications. Other senior executives of the group comprise six people of which two were women for most of the year: the CEO/President and Vice Presidents of Accounting & Finance, Corporate Communications, Sales & Marketing, Production and the CEO of NOTE Components (strategic procurement). The Vice President of Human Resources has also been classified as a group senior executive since year-end.

**Salary, other benefits and payroll overheads**

	1 Jan. 2004 -31 Dec. 2004		1 Jan. 2003 -31 Dec. 2003	
	Salaries and remuneration	Payroll overheads	Salaries and remuneration	Payroll overheads
Parent company	6,053	4,435	2,918	1,274
(of which pension costs)	1)	(521)	1)	(272)
Subsidiaries	196,263	83,981	150,708	63,880
(of which pension costs)		(14,271)		(9,535)
Group total	202,316	88,416	153,626	65,154
(of which pension costs)	2)	(14,792)	2)	(9,807)

1) Of parent company pension costs, 19 (13) relate to the group comprising the Board of Directors and CEO.

2) Of consolidated pension costs, 2,086 (1,792) are for the group comprising the Board of Directors and CEO. Of the Board of Directors' pension costs, 1,265 are costs for pension commitments totalling SEK 2 million including social security contributions distributed in the accounts over time until disbursement. The group's outstanding pension commitments to the Board of Directors and CEO amount to 0 (228).

**Salary and other remuneration divided by country and between Board members, etc. and other employees**

	1 Jan. 2004 -31 Dec. 2004		1 Jan. 2003 -31 Dec. 2003	
	Board & CEO	Other employees	Board & CEO	Other employees
Parent company				
Sweden	1,597	4,456	1,243	1,675
(of which bonus, etc.)	(-)	(-)	(-)	(-)
Parent company total	1,597	4,456	1,243	1,675
(of which bonus, etc.)	(-)	(-)	(-)	(-)
Subsidiaries in Sweden	6,538	184,045	6,020	140,857
(of which bonus, etc.)	(143)	-	(468)	(-)
Subsidiaries in foreign countries				
Poland	408	1,169	302	813
(of which bonus, etc.)	-	-	(-)	(-)
Lithuania	262	3,841	154	2,561
(of which bonus, etc.)	-	-	(-)	(-)
Subsidiaries total	7,208	189,055	6,477	144,230
(of which bonus, etc.)	(143)	(-)	(468)	(-)
Group total	8,805	193,511	7,720	145,905
(of which bonus, etc.)	(143)	(-)	(468)	(-)

Of those salaries and remuneration paid to other employees of the group, 2,895 (1,326) relate to senior executives other than the Board of Directors and CEO. The group's other senior executives comprise five people, reviewed above.

The Chairman and Board members are due fees pursuant to AGM resolution. There is no special remuneration for committee activities. Employee representatives do not receive Directors' fees. Remuneration to the Chief Executive Officer and other senior executives comprises basic salary, other benefits and pensions. Senior executives mean those six people, which comprise the group management with the Chief Executive Officer. For the composition of the group management, see above.



## Remuneration and other benefits in the year

SEK 000	Basic salary/fees	Perf rel. pay	Other benefits	Pension cost	Financial instruments	Other remuneration	Total
Chairman of the Board							
Sten Dybeck	180	–	–	–	–	3	183
Board members							
Thord Johansson	60	–	–	–	–	–	60
Lennart Svensson	60	–	–	–	–	52	112
Katarina Mellberg	60	–	–	–	–	–	60
Börje Andersson	60	–	–	–	–	–	60
Ulf Mikaelsson	60	–	–	–	–	–	60
Chief Executive Officer	1,019	–	80	19	–	–	1,118
Other senior executives (five people)	2,477	–	58	220	381	–	3,136
Total	3,976	–	138	239	381	55	4,790

### Comments on the table:

- Other benefits comprise company cars.
- Financial instruments are the taxable benefit on options exercised in the incentive scheme that matured in the financial year.
- Pension costs are defined-contribution pension schemes.
- Pension costs are the costs affecting profit/loss for the period. For more information on pensions, please refer to 'accounting principles' above.
- Directors' fees were paid in January 2005.
- Other remuneration to Board members (including consulting practices) is remuneration for other assignments and travel expenses within the group.

### Preparatory and decision process

During the year, the Remuneration Committee submitted recommendations to the Board of Directors regarding the principles governing remuneration to senior executives. These recommendations encompassed the proportions of fixed and performance-related remuneration and the scale of potential salary increases. The Remuneration Committee also proposed criteria for assessing bonus levels, the apportionment and scale of remuneration in financial instruments etc., pension terms and severance pay. The Board discussed the Remuneration Committee's proposals, reaching its decision under the guidance of the Committee's recommendations. Remuneration to the Chief Executive Officer for the financial year 2004 was resolved by the Board on the basis of Remuneration Committee recommendations. Remuneration to other senior executives was determined by the Chief Executive Officer in consultation with the Chairman of the Board.

### Severance pay

In addition to salary during the notice period of six months, severance pay of six months' salary is due to the CEO of the parent company and subsidiaries coincident with termination initiated by the company.

### Sickness absence

Sickness absence is not disclosed because the parent company's average employee headcount over the last two years was less than ten people.

### Incentive schemes

#### Stock option plan

Changes to the number of warrants held by staff (1 option covers 1,000 shares after the split)

	31 Dec. 2004	31 Dec. 2003
Outstanding at the beginning of the period	437	329
Apportioned from existing plans	–	108
Redeemed	-310	–
Matured	-127	–
Outstanding at the end of the period	–	437
<b>Information on apportioned stock options</b>		
Maturity	9 Jun. 2004	31 Dec. 2004
Exercise price per share	35.93	40
Total payments if all shares are issued (SEK 000)	–	17,480

#### Terms of the options outstanding

at the end of the period	31 Dec. 2004	31 Dec. 2003
Maturing	No.	No.
At IPO	–	437,000
	–	437,000

The corporate management and other parties offered the right to acquire options, paid SEK 5 per stock option, encompassing 1,000 options. A total of 310,200 new shares were subscribed through the stock option plan, implying a nominal SEK 155,100 addition to share capital. The exercise price was SEK 35.93, implying a total shareholders' equity supplement of SEK 11.1 million. The shares acquired through stock options were equivalent to 3% of the share capital and votes.

### Audit fees and remuneration

	1 Jan. 2004	1 Jan. 2003
	-31 Dec. 2004	-31 Dec. 2003
Group		
KPMG Bohlins AB Lennart Jakobsson, Anders Malmeby		
Auditing	1,272	700
Other assignments *	1,021	598
Other auditors		
Auditing	90	112
Other assignments *	380	–
Parent Company		
KPMG Bohlins AB Lennart Jakobsson, Anders Malmeby		
Auditing	65	105
Other assignments *	776	216
Other auditors		
Other assignments *	380	–

\* of which 808 relates to auditing the prospectus ahead of NOTE's IPO. This amount is included in issue costs, which have been deducted from the issue proceeds accounted against shareholders' equity.

### NOTE 3

#### OTHER OPERATING REVENUE

	1 Jan. 2004	1 Jan. 2003
	-31 Dec. 2004	-31 Dec. 2003
Group		
Subsidies received	–	557
Exchange gains on receivables/liabilities of a trading nature	1,497	1,673
EU subsidies	–	102
Other	723	421
	2,220	2,753

**NOTE 4  
OTHER OPERATING EXPENSES**

	1 Jan. 2004 -31 Dec. 2004	1 Jan. 2003 -31 Dec. 2003
<b>Group</b>		
Exchange losses on receivables/liabilities of a trading nature	-1,898	-543
Insurance-related costs	-10	-27
Relocation costs	-877	-
Other	-720	-222
	-3,505	-792
<b>Parent company</b>		
Exchange losses on receivables/liabilities of a trading nature	-61	-
Other	20	-10
	-41	-10

**NOTE 5  
DEPRECIATION OF TANGIBLE AND INTANGIBLE FIXED ASSETS**

	1 Jan. 2004 -31 Dec. 2004	1 Jan. 2003 -31 Dec. 2003
<b>Group</b>		
<b>Depreciation according to plan by asset class</b>		
Capitalised expenditure for software	-161	-
Trademarks and brands	-64	-133
Capitalised expenditure for process development	-162	-
Goodwill	-2,927	-4,215
Buildings and land	-1,572	-1,174
Accrued costs on other party's property	-164	-140
Plant and machinery	-15,779	-8,074
Equipment, tools, fixtures and fittings	-6,514	-5,072
	-27,344	-18,809
<b>Depreciation according to plan by function</b>		
Cost of sold goods and services	-24,923	-15,991
Selling expenses	-802	-328
Administrative expenses	-1,619	-2,489
	-27,344	-18,809
<b>Parent company</b>		
<b>Depreciation according to plan by asset class</b>		
Capitalised expenditure for process development	-41	-
Plant and machinery	-57	-
Equipment, tools, fixtures and fittings	-87	-67
	-185	-67
<b>Depreciation according to plan by function</b>		
Selling expenses	-	-13
Administrative expenses	-185	-54
	-185	-67

**NOTE 6  
LEASING CHARGES, OPERATING LEASE CONTRACTS**

	1 Jan. 2004 -31 Dec. 2004	1 Jan. 2003 -31 Dec. 2003
<b>Group</b>		
Assets held via operating lease contracts		
Minimum leasing charges	7,029	3,842
Variable charges	-	121
Total leasing costs	7,029	3,963
Contracted future minimum leasing charges for non-terminable contracts due for payment:		
Within one year	4,517	1,837
Between one and five years	2,030	1,805
	6,547	3,642
<b>Parent company</b>		
Assets held via operating lease contracts		
Minimum leasing charges	96	97
Total leasing costs	96	97

	1 Jan. 2004 -31 Dec. 2004	1 Jan. 2003 -31 Dec. 2003
Contracted future minimum leasing charges for non-terminable contracts due for payment:		
Within one year	140	45
Between one and five years	242	-
	382	45

**NOTE 7  
PROFIT/LOSS FROM PARTICIPATIONS IN GROUP COMPANIES**

	1 Jan. 2004 -31 Dec. 2004	1 Jan. 2003 -31 Dec. 2003
Dividend	-	3,052
	-	3,052

**NOTE 8  
OTHER INTEREST INCOME AND SIMILAR PROFIT/LOSS ITEMS**

	1 Jan. 2004 -31 Dec. 2004	1 Jan. 2003 -31 Dec. 2003
<b>Group</b>		
Interest income, other	1,788	1,177
	1,788	1,177
<b>Parent company</b>		
Interest income, group companies	325	68
Interest income, other	3	-20
	328	48

**NOTE 9  
INTEREST EXPENSES AND SIMILAR PROFIT/LOSS ITEMS**

	1 Jan. 2004 -31 Dec. 2004	1 Jan. 2003 -31 Dec. 2003
<b>Group</b>		
Interest expenses, other	-11,552	-12,775
	-11,552	-12,775
<b>Parent company</b>		
Interest expenses, group companies	-90	-68
Interest expenses, merger	-	-191
Interest expenses, other	-400	-374
	-490	-633

**NOTE 10  
EXCHANGE RATE DIFFERENCES AFFECTING PROFITS**

	1 Jan. 2004 -31 Dec. 2004	1 Jan. 2003 -31 Dec. 2003
<b>Group</b>		
Exchange rate differences affecting operating profit/loss	-403	2,967
Exchange rate differences on financial items	-1	-87
	-404	2,881
<b>Parent company</b>		
Exchange rate differences on operating profit/loss	-61	-20
	-61	-20

**NOTE 11  
APPROPRIATIONS, OTHER**

	1 Jan. 2004 -31 Dec. 2004	1 Jan. 2003 -31 Dec. 2003
Difference between accounted depreciation and depreciation according to plan		
- Equipment, tools, fixtures and fittings	-647	-25
Tax allocation reserve, provision in the year		-20
Tax allocation reserve, reversal in the year	160	194
	-487	149

**NOTE 12  
TAX ON PROFIT FOR THE YEAR**

	1 Jan. 2004 -31 Dec. 2004	1 Jan. 2003 -31 Dec. 2003
<b>Group</b>		
Current tax expense (-)/tax revenue (+)	-6,519	-13,484
Tax expense/tax revenue for the period	4	-1
Adjustment of tax attributable to previous years	-6,515	-13,485

Deferred tax expense (-)/tax revenue (+)		
Deferred tax due to appropriations	398	-5,501
Deferred tax due to pension provisions	267	177
Deferred tax, other		89
	665	-5,235

Total accounted consolidated tax expense -5,851 -18,720

Parent company	1 Jan. 2004	1 Jan. 2003
Current tax expense (-)/tax revenue (+)	-31 Dec. 2004	-31 Dec. 2003
Tax expense/tax revenue for the period	2,345	1
	2,345	1

Total accounted tax expense in the parent company 2,345 1

	1 Jan. 2004	1 Jan. 2003
	-31 Dec. 2004	-31 Dec. 2003

#### Reconciliation of effective tax

Group	%	Amount	%	Amount
Profit/loss before tax		16,595		62,951
Tax at prevailing rate, parent company	28.0	-4,647	28.0	-17,626
Effect of changed tax rates on foreign subsidiaries	-1.2	194	-0.1	73
Goodwill amortisation, group	3.3	-540	1.4	-899
Other non-deductible costs	6.6	-1,094	0.9	-584
Non-taxable revenues	-0.9	150	0.0	4
Tax attributable to previous years	0.0	-3	0.0	-1
Tax effect, dissolution negative goodwill	0.0	-	-0.5	337
Tax effect, adjustment goodwill/negative goodwill	-1.4	233	-	-
Other	0.9	-146	0.0	-24
Accounted effective tax	35.3	-5,851	29.7	-18,720

Parent company		
Profit/loss before tax	-10,533	2,791
Tax at prevailing rate, parent company	28.0	2,949
Non-deductible costs	-5.7	-602
Non-taxable revenues	0.0	-
Tax attributable to previous years	0.0	-3
Other	0.0	1
Accounted effective tax	22.3	2,345

Tax items accounted directly against shareholders' equity	31 Dec. 2004	31 Dec. 2004
Parent company		
Current tax in group contributions received and paid	-6,628	54
	-6,628	54

#### NOTE 13 TRADEMARKS AND BRANDS (ACQUIRED)

	Group	Parent company
<b>Accumulated acquisition values</b>		
At the beginning of the period	320	-
At the end of the period	320	-
<b>Accumulated depreciation according to plan</b>		
At the beginning of the period	-192	-
Depreciation for the year according to plan <sup>1</sup>	-64	-
At the end of the period	-256	-
Book value at the beginning of the period	128	-
Book value at the end of the period	64	-

<sup>1</sup> Depreciation for the year is accounted in the following

Income Statement items:		
Cost of sold goods and services	-51	-
Selling expenses	-6	-
Administration	-6	-
	-64	-

#### NOTE 14 CAPITALISED EXPENDITURE FOR SOFTWARE (ACQUIRED)

	Group	Parent company
<b>Accumulated acquisition values</b>		
At the beginning of the period	426	-
Investments in the year	276	-
At the end of the period	702	-

<b>Accumulated depreciation according to plan</b>		
At the beginning of the period	-45	-
Depreciation for the year according to plan <sup>1</sup>	-158	-
At the end of the period	-203	-

Book value at the beginning of the period	381	-
Book value at the end of the period	499	-

<sup>1</sup> Depreciation for the year is accounted in the following

Income Statement items:		
Cost of sold goods and services	-158	-
	-158	-

#### NOTE 15 GOODWILL (ACQUIRED)

	Group	Parent company
<b>Accumulated acquisition values</b>		
At the beginning of the period	49,164	-
Other changes *	-18,318	-
At the end of the period	30,846	-

<b>Accumulated depreciation according to plan</b>		
At the beginning of the period	-8,933	-
Other changes *	2,336	-
Depreciation for the year according to plan <sup>1</sup>	-2,927	-
At the end of the period	-9,524	-

<b>Book value at the beginning of the period</b>	40,231	-
<b>Book value at the end of the period</b>	21,322	-

<sup>1</sup> Depreciation for the year is accounted in the following

Income Statement items:		
Cost of sold goods and services	-2,461	-
Administration	-466	-
	-2,927	-

\*Goodwill has been adjusted against negative goodwill for NOTE Lund. Corrections from the previous year exerted a SEK 2.3 million positive profit impact, more information in Note 29.

#### NOTE 16 CAPITALISED EXPENDITURE FOR PROCESS DEVELOPMENT (INTERNALLY ACCRUED)

	Group	Parent company
<b>Accumulated acquisition values</b>		
At the beginning of the period	65	-
Investments in the year (internally accrued)	3,212	2,309
Divestments and disposals	-24	-
Reclassification	26	-
At the end of the period	3,279	2,309

<b>Accumulated depreciation according to plan</b>		
At the beginning of the period	-50	-
Divestments	24	-
Depreciation for the year according to plan	-165	-41
At the end of the period	-191	-41

Book value at the beginning of the period	15	-
Book value at the end of the period	3,089	2,268

**NOTE 17  
BUILDINGS AND LAND**

	Group	Parent company
Accumulated acquisition values		
At the beginning of the period	32,019	–
Acquisitions	2,051	–
	34,070	–
Accumulated depreciation according to plan		
At the beginning of the period	-7,150	–
Depreciation for the year according to plan	-1,235	–
	-8,385	–
Accumulated write-ups		
At the beginning of the period	7,372	–
Depreciation for the year according to plan on write-ups	-337	–
	7,035	–
Book value at the end of the period	32,622	–
Group	31 Dec. 2004	31 Dec. 2003
Assessed values, buildings (in Sweden)	8,227	8,227
Assessed values, land (in Sweden)	4,370	4,370

**NOTE 18  
ACCRUED COSTS ON OTHER PARTY'S PROPERTY**

	Group	Parent company
Accumulated acquisition values		
At the beginning of the period	3,383	–
Acquisitions	708	–
	4,091	–
Accumulated depreciation according to plan		
At the beginning of the period	-1,206	–
Depreciation for the year according to plan on acquisition values	-164	–
	-1,370	–
Book value at the end of the period	2,721	–

**NOTE 19  
PLANT AND MACHINERY**

	Group	Parent company
Accumulated acquisition values		
At the beginning of the period	100,841	–
Acquisitions	16,580	179
Divestments and disposals	-1,555	-56
Reclassification	535	124
	116,401	247
Accumulated depreciation according to plan		
At the beginning of the period	-48,902	–
Divestments and disposals	1,352	45
Reclassification	-141	-56
Depreciation for the year according to plan on acquisition values	-15,779	-57
	-63,470	-68
Book value at the end of the period	52,930	179
Leasing		
Group	31 Dec. 2004	31 Dec. 2003
Machinery and equipment held through finance leasing contracts accounted with a book value of	13,090	16,536

**NOTE 20  
EQUIPMENT, TOOLS, FIXTURES AND FITTINGS**

	Group	Parent company
Accumulated acquisition values		
At the beginning of the period	45,231	498
Acquisitions	6,982	154
Divestments and disposals	-783	–
Reclassification	-550	-124
	50,880	528
Accumulated depreciation according to plan		
At the beginning of the period	-28,942	-238
Divestments and disposals	674	56
Reclassification	144	–
Depreciation for the year according to plan on acquisition values	-6,514	-87
	-34,638	-269
Book value at the end of the period	16,242	259

**NOTE 21  
PARTICIPATIONS IN GROUP COMPANIES**

	31 Dec. 2004	31 Dec. 2003
Accumulated acquisition values		
At the beginning of the period	74,062	50,642
New issue		4,952
Purchases		17,167
Merger effect		1,301
	74,062	74,062
Accumulated write-ups		
At the beginning of the period	46,695	46,695
	46,695	46,695
Book value at the end of the period	120,757	120,757

**Specification of parent company holdings of participations in group companies**

Subsidiaries / Corp. ID no. / Reg. office	No. of shares Holding	%	31 Dec. 2004	31 Dec. 2003
			Book value	Book value
NOTE Norrtälje AB, 556235-3853, Norrtälje	1,000	100.0	50,000	50,000
NOTE Torsby AB, 556597-6114, Torsby	30,000	100.0	3,000	3,000
NOTE Gdansk SP. Z o.o., Gdansk, Poland	40	100.0	99	99
NOTE Components AB, 556602-2116, Norrtälje	1,000	100.0	100	100
NOTE Lund AB (publ), 556317-0355, Lund	10,661	100.0	42,491	42,491
NOTE Borås AB, 556567-6193, Borås	1,000	100.0	7,900	7,900
NOTE Nyköping-Skänninge AB, 556161-4339, Skänninge	9,000	100.0	14,832	14,832
NOTE Tauragé	12,375	82.5 <sup>2</sup>	2,335	2,335
			120,757	120,757

Participations held in subsidiaries are the same as the previous year.

<sup>1</sup> Refers to the equity holding, which is consistent with the holding of votes for the total number of shares.

<sup>2</sup> The right for Valentinas Zinkevicius to redeem 2.5% of the shares at book value; this right has not been exercised. Mr. Zinkevicius' holdings were bought out as of 11 March 2005, whereupon NOTE AB owned 100% of the shares.

**NOTE 22  
OTHER LONG-TERM RECEIVABLES**

	31 Dec. 2004	31 Dec. 2003
Group		
Accumulated acquisition values		
At the beginning of the period	3,660	322
Additional receivables	10,284	3,372
Settled receivables	-2,585	-34
Book value at the end of the period	11,359	3,660
Parent company	31 Dec. 2004	31 Dec. 2003
Accumulated acquisition values		
At the beginning of the period	100	-
Additional receivables	10,197	100
Settled receivables	-100	-
Book value at the end of the period	10,197	100

**NOTE 23  
PREPAID COSTS AND ACCRUED INCOME**

	31 Dec. 2004	31 Dec. 2003
Group		
Accrued income	3,947	7,011
Accrued insurance income	10,500	22,500
Pre-paid rent	891	1,501
Pre-paid insurance	173	365
Pre-paid leasing charges	-	380
Pre-paid start-up costs	20,256	13,822
Other items	6,628	6,813
	42,395	52,392
Parent company		
Pre-paid rent	127	53
Costs of financial services	-	1,750
Accrued income	153	-
Other items	19	-
	299	1,803

**NOTE 24  
FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT**

**Financial policy**

Through its business, the group is exposed to various types of financial risk such as currency risk, funding and interest risk and liquidity and credit risk. The group's financial policy stipulates these risks being as low as possible.

The group's financial policy for managing financial risks has been formulated by the Board of Directors, with the overall objective of safeguarding the company's short and long-term access to funding, to modify its financial strategy according to operations to achieve and maintain a stable long-term capital structure, and to achieve the best possible net financial income/expenses within stated risk limits. The following guidelines apply to loan financing until further notice:

Mainly a single lender, even distribution of maturities over the years and the pursuit of agreements based on risk-free base rates with adjustable interest fixings.

Foreign currency costs and purchasing should be hedged through binding agreements, with the customer bearing the full currency risk. Wherever possible, invoicing should be in Swedish krona. If invoicing in foreign currency cannot be avoided, hedging should be through forwards contracts.

**Funding and liquidity risk**

The liquidity risk comprises potential future difficulties to fulfil liquidity commitments in a strained credit position. Operations are funded through means including shareholders' equity of SEK 262 million and interest-bearing liabilities of SEK 215 million, which includes unutilised credit facilities of SEK 26 million. As of year-end, unutilised credit facilities were SEK 99 million.

**Loan terms, effective interest and maturity structures/interest re-fixing**

	Nominal amount in original currency	Effective interest	1 yr. or less	1-5 yr.	> 5 yr.	Total
Bank loan						
-SEK variable	59,727	2.50%	59,727	-	-	59,727
-SEK variable	60,052	2.60%	-	60,052	-	60,052
-SEK variable	56,100	2.70%	-	56,100	-	56,100
Finance leasing liabilities	13,090	-	3,042	10,048	-	13,090
Bank overdraft facilities	25,972	2.50%	25,972	-	-	25,972
	214,941		88,741	126,200	-	214,941

**Interest risks**

The group's interest risk is dependent on its financial net debt. A one percentage point change in interest rates would alter profit after financial items by SEK 2.1 million. The majority of borrowings are subject to short fixing periods.

**Credit risks**

Credit risks mean a party to a transaction being unable to satisfy its financial commitments. The group's largest financial assets comprise advance payment for shares of Paitec. Although the share transaction was effected on 15 December 2004, local regulations in Estonia mean the transaction is not valid until the contract is signed by a notary public in Estonia.

**Currency risks**

Currency risks mean the risk of the value of financial instruments varying because of changes in exchange rates. Exchange rate risks are mainly related to accounts receivable – trade and accounts payable – trade, plus to a lesser extent, the revaluation of foreign subsidiaries' assets and liabilities. The currency risk for the group is relatively limited because the majority of the group's invoicing is in Swedish krona. The cost of input goods is largely transparent for NOTE.

A total of USD 1,600,000 of outstanding forwards contracts are divided at USD 200,000 per month until August 2005 inclusive, or some 30% of budgeted USD-nominated sales. The financial hedging of flows relates to customer payments.

**Conversion exposure**

The group's conversion exposure, i.e. the risk of changes in subsidiaries' consolidated net asset values ensuing from currency fluctuations were divided as follows at the balance sheet date: net exposure is, in thousands of Swedish kronor, 3,730 in PLN and 5,756 in LTL. The company's policy is not to hedge conversion exposure in foreign currency.

**NOTE 25  
SHAREHOLDERS' EQUITY**

For information on changes to NOTE's shareholders' equity, please refer to the Statement of Changes to Shareholders' Equity, published with the Consolidated and parent company Balance Sheet.

**Restricted reserves**

Restricted reserves may not be reduced through dividends.

**Revaluation reserve**

When tangible or financial fixed assets are written up, the amount written up is appropriated to a revaluation reserve.

**Statutory reserve**

The purpose of the statutory reserve is to save a portion of net profits that is not used to cover deficits brought forward.

**Share premium reserve**

When shares are issued at a premium, i.e. shares are paid for at amount greater than nominal amount, an amount corresponding to the amount received in addition to the nominal value of shares is apportioned to the share premium reserve.

**Non-restricted equity**

**Retained profit**

Comprises the previous year's non-restricted equity after potential transfers to statutory reserves and after the payment of potential dividends. Alongside profit/loss for the period, this comprises total non-restricted equity, i.e. the amount available for payment as dividends to shareholders.

**Proposed dividend**

The Board of Directors is proposing dividends of SEK 0.50 per share to shareholders, i.e. SEK 4,812,100.

### Share class A

No. of outstanding shares at the beginning of the period	384,000
Specification of change	
New issue	1,349,000
Share split	7,581,000
New issue, stock option plan	310,200
No. of outstanding shares at the end of the period	9,624,200

Accumulated exchange rate differences in foreign operations have been disclosed separately from 1 January 1999 onwards.

Specification of exchange rate differences in the year in shareholders' equity:	31 Dec. 2004	31 Dec. 2003
Exchange rate differences in the year in foreign subsidiaries	356	55
Total exchange rate differences in the period	356	55

Specification of accumulated exchange rate differences in shareholders' equity:	31 Dec. 2004	31 Dec. 2003
Accumulated exchange rate differences at the beginning of the period	59	4
Exchange rate differences in the year in foreign subsidiaries	356	55
Total exchange rate differences in the period	356	55
Accumulated exchange rate differences at year-end	415	59

### NOTE 26 EARNINGS PER SHARE

	1 Jan. 2004 -31 Dec. 2004	1 Jan. 2003 -31 Dec. 2003
<b>Earnings per share before dilution</b>		
Net profit	10,533	44,110
Weighted no. of outstanding shares (000 after split)	8,778	7,680
Earnings per share before dilution	1.20	5.74
<b>Earnings per share after dilution</b>		
Net profit	10,533	44,110
Adjusted profit	10,533	44,110
Weighted no. of outstanding shares (after split)	8,778	7,680
Adjustment for options (after split) <sup>1</sup>	200	480
No. of shares for calculating earnings per share	8,978	8,160
Earnings per share after dilution	1.17	5.41

<sup>1</sup> The stock option plan expired before the IPO in June 2004; when calculating the adjusted number of shares, outstanding stock options have been incorporated until the date the plan matured.

### NOTE 27 UNTAXED RESERVES

	31 Dec. 2004	31 Dec. 2003
<b>Accumulated depreciation in addition to plan:</b>		
• Machinery and equipment	708	61
Tax allocation reserve		
• Provision for taxation 1998	–	–
• Provision for taxation 2002	–	59
• Provision for taxation 2003	–	81
• Provision for taxation 2004	–	20
	708	221

Of untaxed reserves, 198 (62) comprise deferred tax. The deferred tax is not accounted in the parent company Balance Sheet, but is in the Consolidated Balance Sheet.

### NOTE 28 PROVISIONS FOR DEFERRED TAX

	Deferred tax asset	Deferred tax liability	Net
Group 31 Dec. 2004			
Buildings and land	–	1,903	-1,903
Machinery and equipment	450	–	450
Pension provisions	354	–	354
Untaxed reserves	–	16,222	-16,222
Net deferred tax liability	804	18,125	-17,321
Group 31 Dec. 2003	Deferred tax asset	Deferred tax liability	Net
Buildings and land	–	1,993	-1,993
Machinery and equipment	–	-353	353
Pension provisions	177	–	177
Untaxed reserves	–	16,805	-16,805
Net deferred tax liability	177	18,445	-18,268

### Change in deferred tax in temporary differences

Group	Opening balance	Accounted in Income Statement	Other changes/ against share- holders' equity	Closing balance
Buildings and land	-1,993	90	–	-1,903
Machinery and equipment	353	97	–	450
Pension provisions	177	177	–	354
Appropriations	-16,805	583	–	-16,222
	-18,268	947	–	17,321

### Non-accounted deferred tax assets

Deferred tax assets not accounted in the Income Statement and Balance Sheet are insignificant.

### NOTE 29 NEGATIVE GOODWILL

	Group	Parent company
<b>Accumulated negative goodwill from acquisitions</b>		
At the beginning of the period	18,326	–
Adjustment	-18,326	–
At the end of the period	–	–
<b>Accumulated dissolutions</b>		
At the beginning of the period	-1,503	–
Adjustment <sup>1</sup>	1,503	–
At the end of the period	–	–
<b>Book value at the beginning of the period</b>	16,822	–
<b>Book value at the end of the period</b>	–	–

<sup>1</sup> The adjustment for the year is accounted in the following Income Statement items:

Cost of sold goods and services	-752	–
Administrative expenses	-751	–
	-1,503	–

Negative goodwill has been adjusted against goodwill relating to NOTE Lund because the negative goodwill and positive goodwill were attributable to the same acquisition. Corrections from the previous year exerted a SEK 1.5 million negative profit impact. More information in Note 15.

### NOTE 30 OTHER PROVISIONS

	31 Dec. 2004	31 Dec. 2003
Group		
Promissory note, corporate acquisition	4,500	4,500
Guarantee commitments	1,000	–
Restructuring costs	3,268	–
	8,768	4,500
Parent company		
Promissory note, corporate acquisition	4,500	4,500
	4,500	4,500

The promissory note associated with the corporate acquisition relates to the supplementary purchase price of NOTE Nyköping-Skänninge AB, formerly ITAB Elektronik AB. Provisions for restructuring costs will be utilised in 2005 as staffing is downsized.

**NOTE 31  
LONG-TERM INTEREST-BEARING LIABILITIES**

	31 Dec. 2004	31 Dec. 2003
Group		
Liabilities to credit institutions	116,152	164,027
Finance leasing	10,048	12,043
Book value at the end of the period	126,200	176,070
Parent company		
Liabilities to credit institutions		4,500
Liabilities to group companies	2,414	11,064
Book value at the end of the period	2,414	15,564

**NOTE 32  
OTHER LIABILITIES TO CREDIT INSTITUTIONS, LONG TERM**

	31 Dec. 2004	31 Dec. 2003
Group		
Maturing 1-5 yr. from balance sheet date	126,200	58,888
Maturing later than 5 yr. from balance sheet date	–	117,182
	126,200	176,070
Parent company		
Maturing, 1-5 yr. from balance sheet date	–	2,500
Maturing later than 5 yr. from balance sheet date	–	2,000
	–	4,500

**NOTE 33  
COLLATERAL PLEDGED FOR LIABILITIES TO CREDIT INSTITUTIONS**

	31 Dec. 2004	31 Dec. 2003
Group		
Property mortgages	12,400	17,400
Chattel mortgages	252,500	282,650
Shares in subsidiaries	–	63,335
	264,900	363,385
Parent company		
Shares in subsidiaries	–	53,100
	–	53,100

**NOTE 34  
BANK OVERDRAFT FACILITY**

	31 Dec. 2004	31 Dec. 2003
Group		
Granted credit facilities	125,000	124,000
Unutilised portion	-99,028	-22,961
Utilised credit	25,972	101,039
Parent company		
Granted credit facilities	21,500	–
Unutilised portion	-10,131	–
Utilised credit	11,369	–

Collateral is reported in Note 33 'Collateral pledged for liabilities to credit institutions'.

**NOTE 35  
ACCRUED COSTS AND DEFERRED INCOME**

	31 Dec. 2004	31 Dec. 2003
Group		
Accrued salaries and remuneration	24,110	20,140
Accrued payroll overheads	13,371	10,675
Other items	12,104	9,332
	49,585	40,147
Parent company		
Accrued salaries and remuneration	896	431
Accrued payroll overheads	447	314
Other items	1,278	882
	2,621	1,627

**NOTE 36  
CONTINGENT LIABILITIES**

The company considers it extremely unlikely that outstanding contingent liabilities will be utilised, and accordingly, the risk of any liquidity impact is very low.

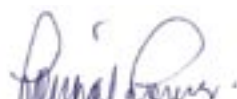
Norrtälje, Sweden, 15 April 2005

  
Sten Dybeck

Chairman

  
Börje Andersson

  
Katarina Mellström

  
Lennart Svensson

  
Thord Johansson

  
Ulf Mikaelsson

  
Erik Stenfors  
Chief Executive Officer

The Consolidated Income Statement and Balance Sheet and the parent company Income Statement and Balance Sheet will be subject to adoption at the Annual General Meeting on 3 May 2005.

  
Lennart Jakobsson  
Authorised Public Accountant

Our Audit Report was submitted  
on 18 April 2005

  
Anders Malmeby  
Authorised Public Accountant

# Audit Report

TO THE ANNUAL GENERAL MEETING OF NOTE AB (PUBL)  
CORPORATE IDENTITY NUMBER 556408-8770

We have audited the Annual Report, the Consolidated Financial Statements, the accounting records and the administration of the Board of Directors and the Chief Executive Officer of NOTE AB (publ) for 2004. Responsibility for the accounts, administration and for the Swedish Annual Accounts Act being observed when the Annual Report and Consolidated Financial Statements are being prepared are the responsibility of the Board of Directors and the Chief Executive Officer. Our responsibility is to express an opinion on the Annual Report, the Consolidated Financial Statements and administration based on our audit.

We conducted our audit in accordance with generally accepted accounting principles in Sweden. These standards require that we plan and perform the audit to obtain reasonable assurance that the Annual Report and the Consolidated Financial Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles and the application thereof by the Board of Directors and the Chief Executive Officer, an assessment of the significant estimates of the Board of Directors and Chief Executive Officer when preparing the Annual Report and Consolidated Financial Statements as well as evaluating the overall presentation of information in the Annual Report and the Consolidated Financial Statements. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any Board member or the Chief Executive Officer. We also examined whether any Board member or the Chief Executive Officer has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable foundation to make the following statements.

The Annual Report and the Consolidated Financial Statements have been prepared in accordance with the Annual Accounts Act and, thereby, give a true and fair view of the company's and the group's profit and financial position in accordance with generally accepted accounting principles in Sweden. The Report of the Directors is consistent with other parts of the Annual accounts and the Consolidated Financial Statements.

We recommend to the Annual General Meeting that the Income Statement and Balance Sheet of the parent company and group be adopted, that the profits of the parent company be dealt with in accordance with the proposal in the Report of the Directors and that the members of the Board of Directors and the Chief Executive Officer be discharged from liability for the financial year.

Norrköping, Sweden, 18 April 2005



Lennart Jakobsson  
Authorised Public Accountant



Anders Malmby  
Authorised Public Accountant



# Selected Corporate Governance Issues

Controlling, managing and monitoring NOTE is divided between the shareholders at the AGM, the Board of Directors and Chief Executive Officer pursuant to the Swedish Companies Act and the Articles of Association. The company will progressively adopt the Swedish Corporate Governance Code published in December 2004. Several of the Code's regulations were adopted in the financial year 2004.

A number of issues relating to the new Code are reviewed below, but what follows does not constitute a formal report. Readers should note in this context that this information has not been subject to review by the company's auditors.

## SHAREHOLDERS' MEETINGS IN 2004

The Annual General Meeting (AGM) is NOTE's supreme decision-making body. One AGM and one Extraordinary General Meeting (EGM) were held in the year, with the EGM held on 15 March and the AGM on 27 April, both in Norrtälje, Sweden.

For more information on both Meetings in 2004, please refer to the press releases uploaded at [www.note.se](http://www.note.se).

## NOMINATION COMMITTEE

The nomination of NOTE's Board members is through consideration in the Nomination Committee appointed by the AGM. The Committee also submits proposals for remuneration to the Board and auditors. Each October, the Chairman of the Board contacts the major shareholders to establish the Nomination Committee, which has three members. The Chairman is a member and is convener. At the AGM 2005, the Committee will consist of Sten Dybeck (representing Mr. Dybeck and family), Kjell-Åke Andersson (representing Mr. Andersson and family) and Sten Mörtstedt (representing Shousen Corporation). This group represents shareholders controlling over 33% of the capital and vote.

The election committee's proposals are included in the Notification to Attend the AGM and information on the website, [www.note.se](http://www.note.se).

No remuneration was payable to members of the Nomination Committee.

## BOARD AND ACTIVITIES

### General

NOTE's Board of Directors comprises seven members elected by the AGM. The Chief Executive Officer is one of the members elected by the AGM. The AGM has a comprehensive composition with know-how of Board activities and the management of quoted companies, finance and accounting, strategic development and contracting. The Board also includes the main shareholder. The Board secretary is appointed at each Board meeting; normally, the Vice President of Accounting serves as secretary. Other salaried employees of the company made presentations at Board meetings.

Board activities conform to annually adopted procedural rules, the most recent of which was adopted on 27 April 2004. Selected strategic issues, accounting and other operational reports are considered at each meeting. Other matters considered depend on the nature of each issue. The activities of the Board of Directors are also affected by the specific procedural rules the Board of Directors has adopted stipulating the division of responsibility between the Board and Chief Executive Officer.

Dedicated terms of reference apply to the CEO. The Board of Directors supervises the Chief Executive Officer's activities, and is responsible for the organisational resources, management and the guidelines for managing the company's funds being expediently structured. Moreover, the Board of Directors is responsible for developing and monitoring the company's strategies through plans and objectives, decisions on acquisitions and divestments of businesses, major investments, the appointment of senior executives and their remuneration, as well as monitoring operations in the year. The Board of Directors also establishes the business plan, budget and annual financial statement.

### Chairman

At NOTE AB's Board meeting following election on 27 April 2004, the Board appointed Sten Dybeck as Chairman and Ulf Mikaelsson as Deputy Chairman until next year's AGM. The Chairman leads the Board of Directors' activities, ensuring that it is exercised pursuant to the Swedish Companies Act and other relevant legislation.

The Chairman monitors activities in consultation with the CEO and is responsible for other Board members gaining the information necessary to maintain high quality in its discussions and decision-making. The Chairman is accountable for evaluating the Board's activities and for ensuring that the Nomination Committee receives its estimates. The Chairman also participates in the appraisal of, and developmental issues relating to, the group's senior executives. The Chairman represents the company on ownership issues.

#### Board activities

The Board of Directors held a total of nine meetings in the year at which minutes were taken. One telephone conference was held on the basis of material distributed, and two Board meetings following election were held.

#### Attendance

Attendance at Board and committee meetings was good in 2004, with all Board members present at meetings in the year apart from Börje Andersson on one occasion (due to illness) and Katarina Mellström on one occasion (business trip).

#### Directors' fees

Total fees to Board members elected by the AGM are resolved by the AGM. Fees in 2004 were SEK 480,000. The Board of Directors divides fees internally (see Note 2).

#### Committee activities

The Board of Directors has complete understanding of, and full accountability for, all issues the Board considers. In 2004, consideration of remuneration issues was delegated to the Remuneration Committee appointed by the Board. An internal controlling committee was appointed in early 2005, with Ulf Mikaelsson as its contact with the Board.

#### Remuneration Committee

The Committee was established in 2004, and comprises Chairman of the Board Sten Dybeck, Tord Johansson and the CEO, Erik Stenfors. This Committee prepares issues affecting the salary, bonus and employment terms of the Chief Executive Officer and the group's other senior executives, for decision by the Board.

The Remuneration Committee held two meetings in the year; no remuneration was paid.

## CORPORATE MANAGEMENT

The Chief Executive Officer leads activities within the framework stipulated by the Board, prepares the necessary information and decision-support data for Board meetings, presents the issues and reviews proposals for decision. The Chief Executive Officer leads the group management's activities, and apart from the CEO, this comprises five people: Bengt Emesten, the CEO of NOTE Components AB, Mette Franek, Vice President of Corporate Communications, Peter Jansson, Vice President of Production, Åsa Andersson, Vice President of Sales & Marketing and Gunilla Olsson, Vice President of Accounting & Finance. Annica Segerström, Vice President of Human Resources, has been part of the group management since 1 January 2005. The corporate management holds monthly business reviews led by the Chief Executive Officer.

#### Remuneration

A bonus scheme was introduced for some 15 senior executives in 2005, which permits performance-related pay if the group's operating profit exceeds a threshold level. The plan also stipulates a maximum aggregate bonus level of SEK 6 million (for more information on senior executives' remuneration, see Note 2).

## AUDITORS

Authorised Public Accountants Lennart Jakobsson and Anders Malmeby were appointed auditors of NOTE AB with a mandate period of four years, at the AGM 2004. Accordingly, the next scheduled election of auditors is in 2008.

Mr. Jakobsson has many years' auditing experience of small and medium-sized enterprises, and is also head of KPMG's offices at Uppsala. Mr. Malmeby has many years' experience of working for listed corporations, and has been Chairman of FAR (the Institute for the Accounting Profession in Sweden) and is located at KPMG's offices in Stockholm. The auditors are assigned to audit the Annual Report, Consolidated Financial Statements and accounting records, and the management by the Board of Directors and Chief Executive Officer.

The auditor's report on their observations coincident with their review to the full Board of Directors coincident with presentation of the financial statement. Remuneration to the auditors is reviewed in Note 2 of the Annual Report.

# Board of Directors



Left to right: Katarina Mellström, Ulf Mikaelsson, Lennart Svensson, Sten Dybeck, Erik Stenfors, Thord Johansson and Börje Andersson.

## **Sten Dybeck**

Djursholm, Sweden,  
born in 1933  
Chairman of the Board  
since 2000  
NOTE shareholdings:  
Sten Dybeck, with family  
and companies hold  
2,129,500

## **Börje Andersson**

Landskrona, Sweden,  
born in 1950  
B.Sc. (Econ.)  
Board member since 2004  
Other assignments:  
Chairman of Detego AB,  
Rostfria Svetsmekano AB,  
Netmilling AB, Latvia Forrest  
SIA, Svenska Stadsnät AB,  
Ohlssons AB, Wasberger AB  
and Palm & Partners AB  
NOTE shareholdings: 0

## **Thord Johansson**

Jönköping, Sweden,  
born in 1955  
B.Sc. (Eng.)  
Board member since 2003  
Other assignments:  
Board member of  
ITAB Industri AB (publ),  
Jönköping International  
Business School, Erventus  
AB and Smedjan  
Utvecklings AB  
NOTE shareholdings: 0

## **Katarina Mellström**

Sollentuna, Sweden,  
born in 1962  
B.Sc. (Econ.)  
Board member since 2004  
NOTE shareholdings: 0

## **Ulf Mikaelsson**

Stockholm, Sweden,  
born in 1939  
M.Pol.Sc.  
Board member since 2002  
Other assignments:  
Chairman of the Board  
of SFFPA, the Swedish Fire  
Protection Association and  
Brandskyddsföreningens  
Service AB. Board mem-  
ber of Resurskontoret i  
Stockholms AB, Eurostar i  
Solna and the Stockholm  
region of young entrepre-  
neurs' organisation Ung  
Företagsamhet.  
NOTE shareholdings: 50,000

## **Erik Stenfors**

Norrfälje, Sweden,  
born in 1966  
B.Sc. (Eng.)  
CEO/President,  
Board member since 2000  
NOTE shareholdings: 200,000

## **Lennart Svensson**

Stockholm, Born in 1945  
B.Sc. (Econ.)  
Board member since 2002  
Other assignments: Board  
memberships include  
Domsjö Fabriker AB  
NOTE shareholdings: 2,000

## AUDITORS

### **Lennart Jakobsson**

Born in 1947  
Authorised Public  
Accountant, KPMG Bohlins AB  
The company's auditor  
since 1990

### **Anders Malmeby**

Born in 1955  
Authorised Public  
Accountant, KPMG Bohlins AB  
The company's auditor  
since 2004

## Senior executives



**Erik Stenfors**  
 CEO and President  
 Born in 1966  
 Employed by NOTE since 2000  
 NOTE holdings: 200,000 shares

**Bengt Ernesten**  
 President of NOTE Components AB  
 Born in 1960  
 Employed by NOTE since 2000  
 NOTE holdings: 62,000 shares

**Annica Segerström**  
 Corporate Manager of Human Resources  
 Born in 1964  
 Employed by NOTE since: 2000  
 NOTE shareholdings: 2,000 shares

**Mette Franek**  
 Corporate Manager of Communications  
 Born in 1951  
 Employed by NOTE since 2002  
 NOTE holdings: 0 shares

**Gunilla Olsson**  
 Corporate Manager of Accounting & Finance  
 Born in 1961  
 Employed by NOTE since 1994  
 NOTE holdings: 6,000 shares

**Peter Jansson**  
 Corporate Manager of Production  
 Born in: 1965  
 Employed by NOTE since 1986  
 NOTE holdings: 181,000 shares

**Åsa Andersson**  
 Corporate Manager of Sales & Marketing  
 Born in 1968  
 Employed by NOTE since 1993  
 NOTE holdings: 3,000 shares

# Senior executives



## Anders Andersson

President of NOTE Nyköping-Skänninge AB, President of NOTE Borås AB, Manager of NOTE Mid  
Born in 1965  
Employed by NOTE since 1994\*  
NOTE holdings: 100 shares

## Berndt Eriksson

President of NOTE Skellefteå AB  
Born in 1946  
Employed by NOTE since 1967\*  
NOTE holdings: 200 shares

## Gerd Levin-Nygren

President NOTE Torsby AB  
Born in 1951  
Employed by NOTE since 1973\*  
NOTE holdings: 6,600 shares

## Ulf Karlsson

Site Manager, NOTE Lund AB  
Born in 1964  
Employed by NOTE since 2004\*  
NOTE holdings: 0 shares

## Patrik Kvarnlöf

President NOTE Norrtelje AB  
Born in 1968  
Employed by NOTE since 1993\*  
NOTE holdings: 10,000 shares

## Kjell-Åke Andersson

President of NOTE Lund AB  
Born in 1946  
Employed by NOTE since 1998\*  
NOTE holdings: 461,680 shares



## Elaine Barnes

NOTE UK Ltd  
Born in 1961  
Employed by NOTE since 2004\*  
NOTE holdings: 0 shares



## Ingvar Kuusk

NOTE Pärnu Ou  
Born in: 1966  
Employed by NOTE since 1992\*  
NOTE holdings: 0 shares



## Ilona Lukaszewicz

NOTE Gdansk Sp z o.o.  
Born in 1972  
Employed by NOTE since 1999\*  
NOTE holdings: 6,200 shares



## Mikko Sajaniemi

NOTE Hyvinkää Oy  
Born in 1953  
Employed by NOTE since 1995\*  
NOTE holdings: 0 shares



## Valentinas Zinkevicius

NOTE Taurage UAB  
Born in 1953  
Employed by NOTE since 1998\*  
NOTE holdings: 0 shares

\* Contiguous employment with NOTE and acquired subsidiaries.

# Invitation to Attend the Annual General Meeting

## ANNUAL GENERAL MEETING

The AGM (Annual General Meeting) will be held at 5 p.m. on Tuesday, 3 May 2005 at Roslagens Sparbank's premises, Danskes Gränd 2, Norrtälje, Sweden.

## PARTICIPATION

Shareholders intending to participate at the AGM should:

- First, be included in the share register maintained by VPC AB (the Swedish Central Securities Depository & Clearing Organisation) in their own names, by no later than Friday, 22 April 2005.
- Second, notify the company of their intention to participate in the AGM by no later than 4 p.m. on Thursday, 28 April 2005 by mail to NOTE AB, Box 910, 761 29 Norrtälje, Sweden, by tel: +46 (0)176 79915 (Nina Björk), by fax: +46 (0)176 17879, (FAO: Nina Björk) or by e-mail: info@note.se.

Notifications should state names, personal/corporate identity numbers, number of shares held, addresses and telephone numbers. Documentary authorisation, such as powers of attorney and certificates of incorporation should, where applicable, be submitted before the Meeting.

For entitlement to participate at the AGM, shareholders with nominee-registered holdings must temporarily re-register their shares in their own name through the agency of their nominee in good time before Friday, 22 April 2005.

Shareholders that wish to attend with one or two assistants should notify the company thereof, within the time, and in the manner, that applies for shareholders.

## RESOLUTION ON DIVIDENDS

The Board of Directors is proposing dividends of SEK 0.50 per share for the financial year 2004, and the record date of 9 May 2005. If the AGM approves this proposal, dividends are scheduled for payment via VPC from Thursday 12 May 2005.

# Technical definitions

BGA circuit boards	Ball-grind array circuit boards, a type of package that replaces traditional pins with conducting pads located under the circuit board. Accordingly, soldering can only be inspected with special equipment such as X-ray apparatus.
Close-to-market production	Running production close to the market to avoid problems in logistics, for example.
EMS	Electronics manufacturing services. International term for contract electronics manufacture; collective term for those services conducted by modern electronics manufacturers, which apart from electronics production could be tendering for components, product modification, guarantee management and after-sales.
ems-ALLIANCE™	A global network of electronics producers created to satisfy the market's needs for close-to-market production.
Hole-mounted components	The classic type of component, whose pins are inserted into holes on PCBs for soldering. Larger than surface-mounted components. The fact that pins have to line up on the PCB makes mounting on both sides more difficult (compared to surface-mounted components).
ISO 14001	The International Standards Organisation's environmental management system.
ISO 9001:2000	The International Standards Organisation's quality assurance system.
Just in time	A logistics process whereby components/products arrive at the next step of the value chain at exactly the right time.
MPS systems	Manufacturing process system: software to manage materials flows and production in manufacturing.
OEM	Original equipment manufacturer: company that develops and markets proprietary products.
Outsourcing	Appointing an external enterprise to perform the services not considered part of core business. OEMs appoint EMS companies for electronics production.
RoHS directive	The restriction of the use of certain hazardous substances in electrical and electronic equipment, prohibiting the use of hazardous substances such as lead in production in EU countries. The RoHS directive comes into force on 1 July 2006.
Screen printer	Technology to apply a solder paste on PCBs on a surface-mounting line. The solder paste is applied in the right locations through holes in the stencil. Normally the first unit on a surface-mounting line.
Soft soldering	Soldering at temperatures below about 400°C.
SS-EN 46001	European quality standard governing the development and production of med-tech and other products.
WEEE directive	(waste electrical and electronic equipment) implies total producer accountability for all electronics production. The WEEE directive comes into force as early as August 2005.
Surface-mounted components	Components intended for surface mounting, which typically require less real estate than hole-mounted components because they have no pins. Located directly on PCB surfaces using a surface-mounting machine, and therefore, make mounting on both sides of PCBs easier (than hole-mounted components).
Surface-mounting line	Assembly line for surface mounting, normally comprising a screen printer, one or more assembly machines and an oven to melt the solder paste to enable soldered joints.
Team Leader	Leader and ultimately accountable for all a production group's operations, human resources and profits.
Tin slag	Residual products of the soldering process comprising oxidised tin solder, particularly in wave soldering. Can be reduced by soldering in a nitrogen environment.
UL	Underwriters Laboratories, American standardisation organisation for safety certifications.

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