

# Financial Report

January - March 2004

## Continued growth with positive cash flow

- Net sales increased 63.5% to MSEK 286.1 (175.0) <sup>1)</sup>
- Operating income increased 63.8% to MSEK 23.1 (14.1) <sup>2)</sup>
- Earnings after tax totaled SEK 14.1 (8.2), yielding earnings per share of SEK 1.82 (1.07)
- Positive cash flow after investments, MSEK 30.4 (0.2)
- Extraordinary General Shareholders' Meeting on March 15 strengthened the Board of Directors and adopted a resolution to execute a 20:1 stock split

1) Excluding units acquired during 2003, sales totaled MSEK 211.7 (175.0), which corresponds to roughly 21% growth for comparable units.

2) Excluding units acquired during 2003, operating income totaled MSEK 16.1 (14.1), which corresponds to an improvement of roughly 14% for comparable units.

### **About the Company**

The NOTE Group is one of Sweden's leading suppliers of EMS (Electronics Manufacturing Services), and also the only Swedish-owned global electronics manufacturer.

### **Market**

Total demand within the EMS industry has weakened somewhat following a notable increase over the final quarter of last year. This is a normal seasonal variation, making it difficult to assess the economic trend.

NOTE however has enjoyed continued growth during the first quarter, with both increasing volumes and new contracts. We believe this to be attributable to a successful business model and a balanced customer structure.

### **Turnover and earnings**

The Group's net sales increased 63.5% to MSEK 286.1 (175.0). Roughly MSEK 74 of the sales increase derive from units that were not part of the Group during the corresponding period the previous year. The sales increase for comparable units thus totaled roughly 21%.

Operating income increased 63.8% to MSEK 23.1 (14.1). The improvement in income for comparable units was approximately 14%. This improvement is attributable to improved productivity, continued relocation of production for optimal cost-effectiveness, and increased sales of add-on services that are relatively non-materials-intensive.

### **Financial status and liquidity**

The Company achieved positive cash flow after investments of MSEK 30.4 (0.2), despite the fact that working capital was encumbered by roughly MSEK 16 in temporarily extended customer credit. However, this credit was settled after the end of the period.

The equity-to-assets ratio continued to rise, reaching 23.6% (21.%) in March. Net

interest-bearing debt was reduced MSEK 30.2 during the period to MSEK 255.1. Operating capital decreased MSEK 15.2 to MSEK 416.1.

Available liquid assets together with unused credit totaled MSEK 63.2 at the end of the period.

### **Investments**

Group investments in tangible fixed assets totaled MSEK 6.1 (2.8).

Depreciation for the period totaled MSEK 6.1 (3.2).

### **Staff**

The average number of fulltime employees during the period was 883 (583).

### **Key events during the quarter**

Börje Andersson and Katarina Mellström were elected to the NOTE AB Board of Directors at an Extraordinary General Shareholders' Meeting on March 15. In response to stock exchange requirements, Kjell-Åke Andersson and Mats Hultin simultaneously stepped down from the Board, as they intend to carry on in their operational positions with the Group. The General Meeting also adopted a proposal to lower the par value of the share from SEK 10 to 50 öre (i.e. a 20:1 split), yielding a total of 7,980,000 shares.

In March, Chef magazine named NOTE Torsby CEO Gerd Levin-Nygren as its *CEO of the YEAR*. The award was announced in numerous media.

### **Future outlook**

During the economic downturn, NOTE invested in organizational development and production facilities. Acquisitions were made with the result that the Group is now strategically arrayed around important customer centers in Sweden. During an anticipated economic upturn, the Group is thus well positioned for continued organic growth. Additional acquisitions, including acquisitions outside of Sweden, may also become relevant.

### Accounting and valuation principles

This report has been prepared in accordance with the recommendation of the Swedish Financial Accounting Standards Board regarding interim reports (RR20). No new accounting recommendations affecting the reported income/status have taken effect. The Company's primary segment is electronics production.

Net sales and operating income that must be reported as segments are presented in the Income Statements below.

### Next report date

The Interim Report for the period January – June will be issued on August 18.

Norrtälje, April 27, 2004

On behalf of the Board of Directors

Erik Stenfors

CEO and Group President

### Review Report

I have performed a summary review of this Interim Report in accordance with the recommendation issued by FAR [Swedish Federation of Accountants].

A summary review is substantially limited in scope in comparison with an audit.

I have found no indications that this Interim Report fails to meeting the requirements set forth in the Swedish Annual Accounts Act.

Norrtälje, April 26, 2004

Lennart Jakobsson

Certified Public Accountant



Gerd Levin-Nygren, CEO NOTE Torsby AB,  
receives her award as CEO of the Year

## CONSOLIDATED INCOME STATEMENT IN SUMMARY

Amounts in MSEK	2004 Jan-Mar	2003 Jan-Mar	Apr 2003- Mar 2004	2003 Jan-Dec
Net sales	286.1	175.0	970.2	859.2
Costs of goods and services sold	-236.4	-174.2	-827.3	-765.1
Other income	0.9	28.6	23.4	51.1
<b>Gross income</b>	<b>50.6</b>	<b>29.4</b>	<b>166.3</b>	<b>145.2</b>
Sales costs	-11.1	-6.2	-35.2	-30.3
Administrative costs	-16.6	-9.4	-49.7	-42.5
Other operating revenue/expenses	0.2	0.3	1.9	2.0
<b>Operating income</b>	<b>23.1</b>	<b>14.1</b>	<b>83.3</b>	<b>74.4</b>
Net financial items	-3.3	-2.5	-12.2	-11.4
<b>Income after financial items</b>	<b>19.8</b>	<b>11.6</b>	<b>71.1</b>	<b>63.0</b>
Tax	-5.7	-3.4	-21.0	-18.7
Minority interest in earnings for the year	0.0	0.0	-0.1	-0.1
<b>Result of the period</b>	<b>14.1</b>	<b>8.2</b>	<b>50.1</b>	<b>44.1</b>
Depreciations have debit the net profit for the period with:	6.1	3.2	21.7	18.8

*The following depreciations have been used: Machinery and equipment 4-5 years, accrued expenses in annans real estate 5 or 20 years, buildings 25 or 50 years, land improvements 20 years, goodwill 10 years, trademark 5 years and capitalized expenditures for computer software 4 years..*

## GROUP DATA PER SHARE

	2004 Jan-Mar	2003 Jan-Mar	Apr 2003- Mar 2004	2003 Jan-Dec
No. of shares at period end (thousands)	7 980	7 680	7 980	7 680
Average no. of shares before dilution (thousands)	7 780	7 680	7 705	7 680
Average no. of shares after dilution (thousands)	8 260	8 160	8 185	8 160
Earnings per share before dilution, SEK	1,82	1,07	6,50	5,75
Earnings per share after dilution, SEK	1,71	1,00	6,12	5,41
Equity per share before dilution, SEK	20,08	13,02	20,08	19,00
Equity per share after dilution, SEK	18,94	12,25	18,94	17,88

*The Company's options program will increase the number of shares by a maximum of 480 000, corresponding to 6.0%, which has also been taken into account in the above calculations.*

## CONSOLIDATED BALANCE SHEET IN SUMMARY

Amounts i MSEK	2004 31 March	2003 31 March	2004 31 March	2003 31 Dec
<b>ASSETS</b>				
Intangible fixed assets	39.5	36.9	39.5	40.8
Tangible fixed assets	104.2	50.4	104.2	102.6
Financial fixed assets	3.4	0.2	3.4	3.8
<b>Fixed assets</b>	<b>147.1</b>	<b>87.5</b>	<b>147.1</b>	<b>147.2</b>
Inventory	224.9	173.1	224.9	219.2
Customer receivables	248.8	150.5	248.8	232.9
Other current assets	38.4	49.5	38.4	55.9
Cash and bank accounts	19.5	4.5	19.5	8.0
<b>Current assets</b>	<b>531.6</b>	<b>377.6</b>	<b>531.6</b>	<b>516.0</b>
<b>TOTAL ASSETS</b>	<b>678.7</b>	<b>465.1</b>	<b>678.7</b>	<b>663.2</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>	<b>160.2</b>	<b>100.0</b>	<b>160.2</b>	<b>145.9</b>
<b>Minority interest</b>	<b>0.8</b>	<b>0.7</b>	<b>0.8</b>	<b>0.8</b>
<b>Appropriations</b>	<b>39.8</b>	<b>29.9</b>	<b>39.8</b>	<b>40.4</b>
<b>Long-term interest-bearing debt</b>	<b>177.1</b>	<b>137.3</b>	<b>177.1</b>	<b>176.1</b>
Owed to suppliers	131.3	101.7	131.3	118.1
Current interest-bearing liabilities	97.5	47.7	97.5	117.3
Other current liabilities	72.0	47.8	72.0	64.6
<b>Current liabilities</b>	<b>300.7</b>	<b>197.2</b>	<b>300.7</b>	<b>300.0</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>678.7</b>	<b>465.1</b>	<b>678.7</b>	<b>663.2</b>

## CHANGE IN GROUP EQUITY

	2004 Jan-Mar	2003 Jan-Mar	Apr 2003- Mar 2004	2003 Jan-Dec
Incoming capital	145.9	91.8	100.0	91.8
Earnings for the period	14.1	82	50.0	44.1
Issues of new shares			10.0	10.0
Translation difference	0.2		0.2	
<b>Outgoing capital</b>	<b>160.2</b>	<b>100.0</b>	<b>160.2</b>	<b>145.9</b>

## CONSOLIDATED CASH FLOW STATEMENT IN SUMMARY

Amounts in MSEK	2004 Jan-Mar	2003 Jan-Mar	Apr 2003- Mar 2004	2003 Jan-Dec
Earnings after financial items	19.8	11.6	71.2	63.0
Items not included in cash flow	5.4	3.0	23.5	21.1
Tax paid	-6.9	-4.4	-13.3	-10.8
<b>Cash flow from current operations before change in working capital</b>	<b>18.2</b>	<b>10.2</b>	<b>81.3</b>	<b>73.3</b>
Cash flow from changes in working capital	18.3	-7.3	-59.8	-85.4
<b>Cash flow from current operations</b>	<b>36.5</b>	<b>2.9</b>	<b>21.5</b>	<b>-12.1</b>
<b>Cash flow from investment activities</b>	<b>-6.1</b>	<b>-2.7</b>	<b>-54.9</b>	<b>-51.5</b>
<b>Cash flow from financing activities</b>	<b>-18.8</b>	<b>1.0</b>	<b>48.5</b>	<b>68.3</b>
Liquid assets at start of period	8.0	3.3	4.5	3.3
Change in liquid assets for the period	11.7	1.2	15.2	4.7
<b>LIQUID ASSETS AT END OF PERIOD</b>	<b>19.7</b>	<b>4.5</b>	<b>19.7</b>	<b>8.0</b>
Unused credit	43.5	20.3	43.5	23.0
Disposable liquid assets	63.2	24.8	63.2	31.0

## GROUP KEY FIGURES

	2004 Jan-Mar	2003 Jan-Mar	Apr 2003- Mar 2004	2003 Jan-Dec
<b>Margins</b>				
Operating margin %	8.1	8.1	8.6	8.7
Profit margin %	6.9	6.6	7.3	7.3
<b>Yield</b>				
Return on operating margin %	22.1	21.5	22.1	21.5
Return on equity %	37.2	36.0	37.2	36.9
<b>Capital structure</b>				
Operating capital	416.1	287.8	416.1	431.3
Net interest-bearing debt	255.1	187.1	255.1	285.3
Equity-to-assets ration %	23.6	21.5	23.6	22.0
Net deb-equity ratio	1.6	1.9	1.6	2.0
Interest coverage ratio	6.3	5.0	6.2	6.0
Capital turnover rate (operating capital)	2.6	2.8	2.6	2.5
<b>Employees</b>				
Sales per employee, TSEK	324.0	300.8	1 300.6	1 262.0

### For additional information, please contact:

Erik Stenfors, CEO och Group President  
 Phone: +46 176-799 01, 709-50 80 70  
 E-mail: erik.stenfors@note.se

Gunilla Olsson, CFO  
 Phone: +46 176-799 05, 709-50 80 71  
 E-mail: gunilla.olsson@note.se