Restructuring has entailed significant costs

- Net turnover increased by 14% to MSEK 325.0 (286.1)
- The operating profit decreased to MSEK –61.4 (23.9). The result after tax decreased to MSEK –46.0 (14.9), which is equivalent to a result per share of SEK –4.78 (1.80).
- The operating profit was adversely influenced by the restructuring costs and other one-off costs of around MSEK 62.
- A further 75 people were given notice in Sweden.
- Continued investment in technology. Operational collaboration with Chalmers University of Technology.
- It is estimated that the 2005 turnover will be MSEK 1,500-1,600 (1,103). It is assessed that the result for the twelve-month period including restructuring costs will be slightly negative.

Interim report
January – March 2005

NOTE

THE EMS PARTNER

About the business

The NOTE group is one of Scandinavia's leading suppliers of EMS (Electronics Manufacturing Services), and in addition the only Swedish-owned global electronics manufacturer.

NOTE's business model combines local EMS services ('near sourcing') with what is for the customer simple transfer of ongoing production to global units.

NOTE 2005

The NOTE group's target is to be one of Europe's leading EMS suppliers by 2009 at the latest. During the period work has been concentrated on the group's restructuring in order to achieve this growth target.

Canvassing of new markets

In 2004 NOTE established sales offices on new markets in England and France, and subsidiaries in Finland. At the end of the year NOTE's cover of northern Sweden was further increased through NOTE Skellefteå. During the first quarter the sales work has concentrated on presenting the group's business model on the new markets.

The sale on the Norwegian market which commenced in conjunction with the expansion of NOTE Torsby in autumn 2004 has resulted in a first major order

Restructuring

The period saw the conclusion of the switch to a group-wide function localised to Poland regarding purchases, stocks and logistics. In the new organisation these functions are handled centrally in relation to production.

The restructuring has also included relocalisation of most of the group's volume production to Central Europe.

As a consequence of the restructuring and the new organisation, about a third of the Swedish workforce have been given notice to quit. This involves a total of 270 people, of whom 75 will be affected during 2005. The new organisation has a higher delivery capacity and lower costs.

The new units in Skellefteå, Hyvinkää (Finland) and Pärnu (Estonia) were also integrated into the group during the first quarter. The integration together with the extensive restructuring has affected delivery capacity and entailed one-off costs for the first quarter (see further below).

Continued emphasis on technology

The specialisation in delivery of services with a large technical content close to product owners is continuing and is being clarified through the reorganisation. During the quarter NOTE signed a collaborative agreement with Chalmers University of Technology. The agreement entails operational collaboration of great value to NOTE.

Market

The year started with generally high demand, particularly in the telecom sector. There is also an increased demand for manufacture combined with development.

The demand for a manufacturing process in accordance with the so-called RoHS directives has markedly increased during the first quarter of 2005. The RoHS directives that are coming into force on 1 July 2006 mean that lead must not be used in the soldering process. NOTE is the industry leader in this technology and is reckoning on accelerated demand until the switch over date.

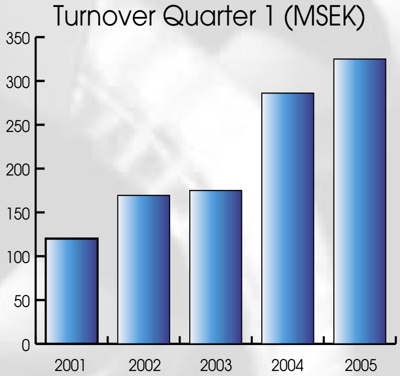
Development

In addition to EMS services NOTE also offers development assignments for product owners in Sweden (so-called Contract Design {CD}). The trend of the companies who buy contract production also wanting contract development (so-called 'black box' ordering) is increasing, thus NOTE is continuing to grow in this field.

Turnover and result

The group's net turnover for the first quarter increased by 14% to MSEK 325.0 (286.1). The increase in turnover can primarily be explained by volumes included in the acquisition of the group's units in Hyvinkää (Finland) and Skellefteå. But as announced previously, delivery capacity and thus turnover have been adversely affected by the group's restructuring.

The operating profit was MSEK –61.4 (23.9), and during the period it has been adversely affected by costs of about MSEK 56 attributable to the restructuring. Of these costs, MSEK 31 is direct restructuring costs. Furthermore, in conjunction with the restructuring the board has decided on write-downs of tangible fixed assets and devaluation of stock by MSEK 22. Costs for integration of new units total about MSEK 3. In addition to the restructuring, provision has been made for feared MSEK 6 write-downs of customer receivables.



NB: A fire in the group's production plant in Lund in Quarter 1 2003 had an adverse effect on the group's billing in this quarter

Financial position and liquidity

At the end of March operating capital was MSEK 473.1. Excluding the acquisitions of the units in Skellefteå, Finland and Estonia the operating capital during the period has been reduced by MSEK 40.0.
For the period, the group is showing a positive cash flow from operations, totalling MSEK 22.9 (36.5), and after investments in existing business totalling MSEK 9.6 (30.4). The interest-bearing net liability was MSEK 254.6, representing an increase of MSEK 59.8 since the end of 2004 chiefly as a result of acquisitions.
At the end of the period the liquid assets available, including unused credit, were MSEK 122.1 (63.2). Liquidity continues to be good. Write-downs and depreciation of assets have not had an adverse effect on the cash flow.

NB: Comparison-distorting one-off costs debited to the first quarter of 2005

Investments

The group's investments in tangible fixed assets were MSEK 12.1 (6.1). Of total investments of MSEK 58.9, MSEK 45.1 corresponds to investments in acquired units. Depreciation for the period totalled MSEK 8.1 (5.4).

Employees

The average number of permanent employees during the period was 1,099 (887). As of 1 January 2005 there have been an additional 254 employees as a result of acquisition of new production units.

Assessment of the future

Long-term

The European product owners are acting on an increasingly globalised market, and are demanding efficient product development, industrialisation and manufacture. NOTE's business model meets these requirements with development resources, a marked emphasis on technology and – in later stages of the product cycle – rational relocalisation of production to a suitable production unit. Since it is estimated there will be an increase in the demand for global access and the demand for technology-intensive services, the possibility of growing market shares in Europe is deemed to be good. The long-term margin target (EBT) of 6% remains.

The current year

NOTE is reckoning on 2005 turnover totalling MSEK 1,500-1,600 (1,103). The result for the twelve-month period including restructuring costs is assessed as being slightly negative.

Accounting and valuation principles

The report has been drawn up in accordance with the Swedish Financial Accounting Standards Council's recommendation regarding interim reports for groups (RR 31) and IAS 34. The company's primary segment is electronics production. The net turnover and operating profit that will be recorded as a segment can be found in the profit/loss statements below.

NOTE's transition to IFRS

As from 2005 NOTE will be publishing financial reports for the group in accordance with the International Financial Reporting Standards (IFRS) accepted by the EU.

IFRS 1 The first time IFRS is being applied

IFRS 1 deals with the transitional regulations upon introduction of IFRS. Some exceptions from a complete retroactive application are permitted. NOTE intends to use the exceptions below – the other exceptions are not applicable to NOTE.

• No translation of acquisitions made before 2004 (IFRS 3)
• NOTE will apply the exception that means that the accumulated translation differences will be recorded as zero on 1 January 2004 (IAS 21).
• NOTE will apply IAS 32 and 39 as from 1 January 2005, and is thus utilising the opportunity not to account for financial instruments retroactively. The hedging occurring is futures contracts regarding currency flows. The effect of the introduction of IAS 39 is being recorded in supplements to the specification of equity.

IFRS 3 Operating acquisitions

For acquisitions after 31 December 2003 other intangible assets in the acquisitions are disclosed separately from goodwill and written off during the period of utilisation.
Goodwill will not be written off, but annually, or if there is an indication of a drop in value, it will be checked regarding any need for write-down. Consideration of write-down will be in accordance with IAS 36 Write downs.

NOTE's acquisitions prior to 2004 will be handled in accordance with the transitional regulations in IFRS 1 (see above). There were no acquisitions in 2004.

IAS 19 Remuneration for employees

NOTE's pension solutions are largely classified as contribution-determined pension plans. Through acquisitions during the first quarter of 2005 the group now also has benefit determined pension plans. Actuarial profits or losses for benefit-determined pension plans have been taken into consideration in the acquisition calculation. This means that accounting records of remuneration for employees in the comparative year have not been affected by the introduction of IFRS.

IIAS 38 Intangible assets

As previously, NOTE is applying RR 15 Intangible Assets, the Swedish equivalent of IAS 38 Intangible Assets. No further activation of costs is deemed necessary in accordance with IFRS.

Significant effects on result and position

The transition to IFRS has the following effect on the 2004 result, which is recorded in tables following the profit/loss statement and the specification of equity.

• Depreciation on goodwill is ceasing (IFRS 3 and IAS 38)
• Profits and losses arising as a result of futures contracts that qualify for a cash-flow hedge are recorded in a hedge reserve within equity (from 1 January 2005)

Next report date
The interim report for the period January to June will be presented on 9 August.

Norrtälje 3 May 2005

NOTE AB (publ)

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This report has not been subjected to auditing by the company's auditors

SUMMARY OF THE GROUP'S PROFIT/LOSS STATEMENT

Amounts in MSEK	2005 Jan-Mar	2004 Jan-Mar	Apr 2004 - Mar 2005	2004 Jan-Dec
Net turnover	325,0	286,1	1 142,0	1 103,1
Cost of goods and services sold	-354,0	-235,7	-1 095,4	-977,0
Other income	4,0	0,9	21,4	18,3
Gross result	-25,0	51,4	68,0	144,5
Sales costs	-16,6	-11,1	-55,8	-50,3
Administrative costs	-20,2	-16,6	-67,0	-63,5
Other operating income/costs	0,4	0,2	-1,1	-1,3
Operating profit	-61,4	23,9	-55,9	29,4
Net interest income/expense	-2,2	-3,3	-8,7	-9,8
Result after financial items	-63,6	20,6	-64,6	19,6
Tax	17,6	-5,7	17,5	-5,9
Result for the period	-46,0	14,9	-47,1	13,7
Result for the period attributable to parent company's shareholders	-46,0	14,9	-47,4	13,5
Result for the period attributable to minority owners	0,0	0,0	0,2	0,2
Depreciation has been debited to the result for the period as follows:	8,1	5,4	27,2	24,4

Reconciliation of the result for the period between Swedish accounting principles and IFRS

	2004 Jan-Mar	Apr 2004 - Mar 2005	2004 Jan-Dec
Result for the period, Swedish accounting principles	14,1	-49,6	10,5
Goodwill	0,8	2,3	3,0
Minority	0,0	0,2	0,2
Result for the period, IFRS	14,9	-47,1	13,7

The following depreciation rates have been applied:
Machinery and equipment 4-5 years, costs put into someone else's property 5 or 20 years, buildings 25 or 50 years, land improvements 20 years, brand 5 years, expenses brought forward for computer programs 4 years and expenses brought forward for process development 5 years.

GROUP'S DATA PER SHARE

	2005 Jan-Mar	2004 Jan-Mar	Apr 2004 - Mar 2005	2004 Jan-Dec
Number of shares at end of period (thousands)	9 624	7 980	9 624	9 624
Average number of shares before dilution (thousands)	9 624	7 780	9 239	8 778
Average number of shares after dilution (thousands)	9 624	8 260	9 319	8 978
Result per share before dilution, SEK	-4,78	1,91	-5,13	1,54
Result per share after dilution, SEK	-4,78	1,80	-5,08	1,51
Equity per share before dilution, SEK	22,70	20,17	22,70	27,51
Equity per share after dilution, SEK	22,70	19,21	22,70	27,51

SUMMARY OF GROUP'S BALANCE SHEET

Amounts in MSEK	2005 Mar	2004 Mar	2004 Dec
ASSETS			
Intangible fixed assets	50,1	40,3	28,1
Tangible fixed assets	128,0	104,2	104,5
Financial fixed assets	1,8	3,4	12,1
Fixed assets	179,9	147,9	144,7
Stock	287,9	224,9	244,5
Customer receivables	270,9	248,8	263,9
Other current assets	67,1	38,4	63,8
Cash and bank accounts	13,0	19,5	20,1
Current assets	638,9	531,6	592,3
TOTAL ASSETS	818,8	679,5	737,0
EQUITY AND LIABILITIES			
Equity parent company's shareholders	218,4	161,0	264,8
Equity minority owners	0,0	0,8	1,0
Equity	218,4	161,8	265,8
Allocations	59,8	39,8	26,9
Long-term interest-bearing liabilities	143,4	177,1	126,2
Trade liabilities	188,9	131,3	154,5
Current interest-bearing liabilities	124,2	97,5	88,7
Other current liabilities	84,1	72,0	74,9
Current liabilities	397,2	300,7	318,1
TOTAL EQUITY AND LIABILITIES	818,8	679,5	737,0

COLLATERAL PLEDGED AND CONTINGENT LIABILITIES

Amounts in MSEK	2005 Mar	2004 Mar	2004 Dec
Collateral pledged	282,2	363,4	264,9
Contingent liabilities	4,3	1,4	14,7

CHANGE IN THE GROUP'S EQUITY

Amounts in MSEK	2005 Jan-Mar	2004 Jan-Mar	Apr 2004 - Mar 2005	2004 Jan-Dec
Opening capital	265,8	145,9	161,8	145,9
Effect of change in accounting principles*		0,8		0,8
Opening balance in accordance with IFRS	265,8	146,7	161,8	146,7
Result for the period	-46,0	14,9	-47,1	13,7
New share issue			105,1	105,1
Change in group structure	-1,0		-1,0	
Translation difference	-0,4	0,2	-0,4	0,3
Closing capital	218,4	161,8	218,4	265,8

Reconciliation of equity between Swedish accounting principles and IFRS

Closing balance in accordance with Swedish accounting principles		160,2		261,8
Goodwill		0,8		3,0
Minority share in equity		0,8		1,0
Closing balance in accordance with IFRS		161,8		265,8

*The effect of the change in accounting principles is attributable to the minority share. IAS 39 has no effect as of 01.01.2005.

SUMMARY OF GROUP'S CASH-FLOW ANALYSIS

Amounts in MSEK	2005 Jan-Mar	2004 Jan-Mar	Apr 2004 - Mar 2005	2004 Jan-Dec
Result after financial items	-63,6	20,5	-64,5	19,6
Items not included in the cash flow	35,4	4,6	58,0	27,2
Tax paid	7,1	-6,9	-2,8	-16,8
Cash flow from ongoing business before changes in operating capital	-21,1	18,2	-9,3	30,0
Cash flow from changes in operating capital	44,0	18,3	15,2	-10,5
Cash flow from ongoing business	22,9	36,5	6,0	19,5
Cash flow from investment business	-58,9	-6,1	-86,7	-33,9
Cash flow from financing business	28,9	-18,8	74,2	26,5
Liquid assets at start of period	20,1	8,0	19,7	8,0
Change in liquid assets for the period	-7,1	11,7	-6,5	12,1
LIQUID ASSETS AT END OF PERIOD	13,0	19,7	13,0	20,1
Unused credits	109,1	43,5	109,1	99,0
Disposable liquid assets	122,1	63,2	122,1	119,1

GROUP'S KEY RATIOS

	2005 Jan-Mar	2004 Jan-Mar	Apr 2004 - Mar 2005	2004 Jan-Dec
Margins				
Operating margin %	-18,9	8,3	-4,9	2,7
Profit margin %	-19,6	7,2	-5,7	1,8
Return				
Profitability of operating capital	-12,2	22,2	-12,2	6,6
Profitability of equity	-18,0	37,1	-18,0	5,5
Capital structure				
Operating capital	473,1	416,9	473,1	460,6
Interest-bearing net liability	254,6	255,1	254,6	194,8
Equity/assets ratio %	26,7	23,8	26,7	36,1
Net debt/equity ratio (times)	1,2	1,6	1,2	0,7
Interest cover (times)	-23,1	6,5	-5,2	2,7
Speed of capital turnover (operating capital) (times)	2,5	2,6	2,5	2,5
Employees				
Turnover per employee	296	324	1 210	1 244