



Stable growth – European strategy initiated

- **Net sales increased 42 % to SEK 826.3 million (581.8)**
- **Operating profit increased 28 % to SEK 61.6 million (48.0)**
- **Profit after tax increased 30 % to SEK 37.7 million (28.8), earnings per share of SEK 4.3 (3.5)**
- **Establishment of NOTE in UK**
- **Material- and purchasing functions introduced i central Europe, enable relocation of volume production. Decision on staff cuts in Sweden taken in October.**

Interim Report

January - September 2004

About the Company

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

NOTE's business model combines local EMS services (near-sourcing) with frictionless transfer of current production activities to global units.

Market

The Swedish economy has slowed slightly after a marked improvement in spring. Demand in the telecom segment remains strong, however,

For NOTE the potential customer base is expected to increase substantially following the company's expansion to geographical markets outside Sweden in accordance with the Group's five-year objective.

Sales and earnings

The Group's net sales grew by 42 % over the period, to SEK 826.3 million (581.8). Out of the sales increase SEK 53.4 million refers to comparable units, corresponding to an increase of about 9 %.

The Group's operating profit grew by 28 % to SEK 61.6 million (48.0). The operating profit for comparable units was SEK 48.4 million (48.0).

Net sales in the third quarter of the year were SEK 251.2 million (208.2), an increase by 21 % year-on-year. The operating profit for the third quarter grew by 12 % to SEK 16.8 million (15.0). The completion of the Group's new production facility in Torsby reduced the operating profit by approximately SEK 1.5 million in the third quarter. After adjustments the third-quarter operating profit was SEK 18.3 million (15.0), an increase of 22 %.

Including the one-off charges of SEK 5.3 million relating to the IPO, transfer of the production facility in Torsby and stock option programme that were reported in the second quarter, the one-off charges for the period January – September total SEK 6.8 million.

The process of relocating volume production activities to central Europe has been stepped up. The work involves higher initial costs for the Group in the fourth quarter. The staff cuts in Sweden that were decided in October will begin to reduce costs from the first quarter of 2005.

The Group's production unit in Lund has returned to normal levels of activity after the fire in February 2003.

Financial position and liquidity

The Group reports a positive cash flow of SEK 8.9 million (-61.6) after investments for the nine-month period. Net interest-bearing liabilities fell by SEK 113.9 million to SEK 171.4 million since the beginning of the year, primarily as a result of the share issue in connection with the IPO. Increasing activity towards the end of the period resulted in a slightly higher amount of capital tied up in inventory and accounts receivable.

The equity/assets ratio was 38.5 %, against 22.0 % at the beginning of the year. Equity per share was SEK 30.0, against 17.9 at the beginning of the year.

The Group's liquid assets, not including unutilised overdraft facilities, were SEK 139.2 million, against SEK 31.0 million at the beginning of the year. This means that NOTE has access to capital that is not tied up in the business and can be used for the continued expansion of the company.

Investments

The Group's investments in tangible fixed assets were SEK 21.5 million (30.7) and the depreciation for the period SEK 19.9 (11.6).

Staff

The average number of full-time employees during the period was 860 (632).

Events during the third quarter

August NOTE is appointed strategic partner of the security company Gunnebo. A framework agreement is signed under which NOTE will coordinate the majority of Gunnebo's electronics manufacturing needs.

The Group's new production facility in Torsby is opened by England football manager Sven-Göran Eriksson. The 4,000 square metre facility, one of the most modern in Europe, will serve as an "Excellence Park".

September Rikard Nilsson is appointed director of NOTE Lund AB, succeeding Kjell-Åke Andersson, who will now work with Group-related issues.

NOTE takes over Malmö-based FuTechs AB, reinforcing its skills pool in Chip-On-Board (COB) assembly technology.

A partnership agreement is signed with Synective Labs AB through which NOTE can offer expertise in software and hardware development.

NOTE enters into a three-year supplier agreement worth more than SEK 150 million with Åkerströms AB, a company developing truck computers and industrial radio control equipment. In connection with this NOTE opens a "gateway" in Dalarna, Sweden.

Important events after the end of the reporting period

October NOTE establishes a presence in the United Kingdom. Elaine Barnes is appointed manager of the business.

NOTE introduces materials and purchasing functions in central Europe, paving the way for the transfer of most of the company's volume production to the Group's Industrial Plants. Staff with corresponding functions in Sweden, 195 people in total, are given notice.



*Opening
NOTE Torsby*



*Elaine Barnes
NOTE UK Ltd*



*President NOTE Lund, Kjell-Åke Andersson (right)
and successor Rikard Nilsson (left)*

Outlook

The NOTE Group's objective of becoming one of Europe's leading EMS suppliers by 2009 remains. The recent expansion to the United Kingdom, Europe's largest EMS market, is considered an important platform for growth going ahead. The Group is currently making analyses and preparing for further expansions.

Nomination Committee

Following a decision taken at the Annual General Meeting on 27 April 2004, the Chairman of the Board has set up a Nomination Committee consisting of three representatives of NOTE's principal shareholders. The Committee has been asked to prepare and present a proposal for the composition of the Board of Directors, election of auditors and Directors' and auditors' fees for the 2005 Annual General Meeting.

The Nomination Committee consists of Sten Dybeck (representing the Dybeck family), Kjell-Åke Andersson (representing the Andersson family) and Sten Mörtstedt (representing Shousen Corporation).

Accounting and valuation principles

This report has been drawn up in accordance with Recommendation no. RR20 of the Swedish Financial Accounting Standards Council on Interim Reports. No new accounting recommendations affecting the reported profit/financial position have entered into force. The company's primary segment is electronics manufacturing. Net sales and operating profits which must be reported as segments are found in the following profit and loss accounts.

Next report date

The year-end financial statement for 2004 will be presented on February 17, 2005.

Norrköping, November 8, 2004

NOTE AB (publ)

Erik Stenfors
CEO and Group President

CONSOLIDATED INCOME STATEMENT IN SUMMARY

Amounts in SEK million	2004 Jul-Sep	2003 Jul-Sep	2004 Jan-Sep	2003 Jan-Sep	Oct 2003- Sep 2004	2003 Jan-Dec
Net sales	251.2	208.2	826.3	581.8	1 103.7	859.2
Costs of goods and services sold	-215.4	-187.3	-693.1	-533.1	-925.1	-765.1
Other income	3.2	10.5	7.9	46.2	12.8	51.1
Gross income	39.0	31.4	141.1	94.9	191.4	145.2
Sales costs	-9.9	-7.3	-32.6	-20.2	-42.7	-30.3
Administrative costs	-12.1	-10.2	-46.3	-28.8	-60.0	-42.5
Other operating revenue/expenses	-0.2	1.1	-0.6	2.1	-0.7	2.0
Operating income	16.8	15.0	61.6	48.0	88.0	74.4
Net financial items	-2.3	-2.5	-8.5	-7.8	-12.1	-11.4
Income after financial items	14.5	12.5	53.1	40.2	75.9	63.0
Tax	-4.1	-3.5	-15.2	-11.2	-22.7	-18.7
Minority interest in earnings for the year	-0.1	-0.1	-0.2	-0.2	-0.1	-0.1
Result of the period	10.3	8.9	37.7	28.8	53.1	44.1
Depreciations have the net profit for the period with:	6.8	5.3	19.9	11.6	27.1	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 Jul-Sep	2003 Jul-Sep	2004 Jan-Sep	2003 Jan-Sep	Oct 2003- Sep 2004	2003 Jan-Dec
No. of shares at period end (thousands)	9,624	7,680	9,624	7,680	9,624	7,680
Average no. of shares before dilution (thousands)	9,624	7,680	8,496	7,680	8,367	7,680
Average no. of shares after dilution (thousands)	9,624	8,160	8,762	8,160	8,687	8,160
Earnings per share before dilution, SEK	1.07	1.16	4.43	3.75	6.34	5.75
Earnings per share after dilution, SEK	1.07	1.09	4.30	3.53	6.11	5.41
Equity per share before dilution, SEK	29.98	15.72	29.98	15.72	29.98	19.00
Equity per share after dilution, SEK	29.98	14.79	29.98	14.79	29.98	17.88

CONSOLIDATED BALANCE SHEET IN SUMMARY

Amounts in SEK million	2004 30 Sep	2003 30 Sep	2003 31 Dec
ASSETS			
Intangible fixed assets	24.0	35.0	40.8
Tangible fixed assets	105.0	71.8	102.6
Financial fixed assets	2.4	0.5	3.8
Fixed assets	131.4	107.3	147.2
Inventory	251.8	210.7	219.2
Customer receivables	268.4	196.2	232.9
Other current assets	51.7	37.6	55.9
Cash and bank accounts	46.4	2.4	8.0
Current assets	618.3	446.9	516.0
TOTAL ASSETS	749.7	554.2	663.2
EQUITY AND LIABILITIES			
Equity	288.6	120.7	145.9
Minority interest	1.0	0.9	0.8
Appropriations	23.2	29.2	40.4
Long-term interest-bearing debt	173.4	164.5	176.1
Owed to suppliers	144.7	91.4	118.1
Current interest-bearing liabilities	44.4	86.8	117.3
Other current liabilities	74.4	60.7	64.6
Current liabilities	263.5	238.9	300.0
TOTAL EQUITY AND LIABILITIES	749.7	554.2	663.2

COLLATERAL PLEDGED AND CONTINGENT LIABILITIES

Amounts in SEK million	2004 30 Sep	2003 30 Sep	2003 30 Dec
Collateral pledged			
Property mortgages	17.4	16.5	17.4
Chattel mortgages	282.7	257.3	282.7
Shares in subsidiaries (issued to credit institutions)	-	72.0	63.3
	300.1	345.8	363.4
Contingent liabilities			
Pension obligations in additional to those entered among liabilities of provisions	0.3	0.3	0.3
Guarentees	0.1	0.1	0.1
Other	0.9	1.0	1.0
	1.3	1.4	1.4

CHANGE IN GROUP EQUITY

	2004 Jul-Sep	2003 Jul-Sep	2004 Jan-Sep	2003 Jan-Sep	Oct 2003- Sep 2004	2003 Jan-Dec
Incoming capital	278.7	111.8	145.9	91.8	120.7	91.8
Earnings for the period	10.3	8.9	37.7	28.8	53.0	44.1
Issues of new shares			105.2		115.2	10.0
Exchange difference	-0.4		-0.2	0.1	-0.3	
Outgoing capital	288.6	120.7	288.6	120.7	288.6	145.9

CONSOLIDATED CASH FLOW STATEMENT IN SUMMARY

Amounts in SEK million	2004 Jul-Sep	2003 Jul-Sep	2004 Jan-Sep	2003 Jan-Sep	Oct 2003- Sep 2004	2003 Jan-Dec
Earnings after financial items	14.5	12.5	53.1	40.2	75.9	63.0
Items not included in cash flow	9.1	3.8	23.8	10.7	34.2	21.1
Tax paid	-5.2	-2.2	-14.7	-10.3	-15.2	-10.8
Cash flow from current operations before change in working capital	18.4	14.1	62.2	40.6	94.9	73.3
Cash flow from changes in working capital	-34.2	-43.2	-31.8	-71.5	-45.7	-85.4
Cash flow from current operations	-15.8	-29.1	30.4	-30.9	49.2	-12.1
Cash flow from investment activities	-5.2	-24.4	-21.5	-30.7	-42.3	-51.5
Cash flow from financing activities	-44.9	53.1	29.5	60.7	37.1	68.3
Liquid assets at start of period	112.3	2.9	8.0	3.3	2.4	3.3
Change in liquid assets for the period	-65.9	-0.4	38.4	-0.9	44.0	4.7
LIQUID ASSETS AT END OF PERIOD	46.4	2.5	46.4	2.4	46.4	8.0
Unused credit	92.8	17.6	92.8	17.6	92.8	23.0
Disposable liquid assets	139.2	20.1	139.2	20.0	139.2	31.0

GROUP KEY FIGURES

	2004 Jul-Sep	2003 Jul-Sep	2004 Jan-Sep	2003 Jan-Sep	Oct 2003- Sep 2004	2003 Jan-Dec
Margins						
Operating margin %	6.7	7.2	7.5	8.3	8.0	8.7
Profit margin %	5.8	6.0	6.4	6.9	6.9	7.3
Yield						
Return on operating margin %	20.4	19.7	20.4	19.7	20.4	21.5
Return on equity %	24.3	33.1	24.3	33.1	24.3	36.9
Capital structure						
Operating capital	459.9	369.6	459.9	369.6	459.9	431.3
Net interest-bearing debt	171.4	248.9	171.4	248.9	171.4	285.3
Equity-to-assets ratio %	38.5	21.8	38.5	21.8	38.5	22.0
Net deb-equity ratio	0.6	2.1	0.6	2.1	0.6	2.0
Interest coverage ratio	6.6	7.3	6.5	6.2	6.2	6.0
Capital turnover rate (operating capital)	2.5	2.5	2.5	2.5	2.5	2.5
Employees						
Sales per employee, TSEK	283.2	308.4	942.2	900.6	1 283.4	1 262.0

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The company's auditors have not examined this Financial report.