Interim Report
January - September 2006

Continuing good volumes in the third quarter - gradual improvements of margins during the year

January - September

- Sales increased 16.5% to SEK 1 253.0 (1 075.9) m
- Operating profit amounted to SEK 69.8 (-87.7) m; operating margin was 5.6% (-8.2%)
- Profit after tax was SEK 45.9 (-69.2) m or SEK 4.71 (-7.19) per share after dilution
- Cash flow was SEK -16.6 (-33.2) m

Third quarter

- Sales increased 21.4% to SEK 421.4 (347.2) m
- Operating profit improved 25.8% to SEK 26.8 (21.3) m
- Profit margin has gradually been improved during the year and amounted to 6.0% (5.2%)
- Cash flow was SEK -24.9 (-8.2) m
- Forward-looking initiative on the Norwegian market began at the mid-point of the year

NOTE™
THE EMS PARTNER

About NOTE

NOTE is active in Electronics Manufacturing Services, EMS, which is the market for the contract manufacture of electronics. Apart from PCB manufacture, this includes a growing share of development, servicing and after-sales services. NOTE's business model combines EMS services close to customers geographically - Nearsourcing™ - with volume production at NOTE's international units.

The group comprises the parent company and wholly owned subsidiaries in Sweden, Finland, Estonia, Lithuania, Poland and Norway. Component procurement enterprise NOTE Components, which is responsible for strategic procurement agreements for all the group's units. The subsidiary NOTE Gdansk manages production collaborations with a number of subcontractors in central Europe. NOTE can also offer close-to-market production via the ems-ALLIANCE™, an international network of electronics manufacturers with partners in Brazil, China, India and the US.

NOTE's operations are primarily targeted at four defined customer segments: Industrial, Telecom, Vehicle/Maritime and Medical Technology/Safety & Security. Most of NOTE's customers are in Sweden.

The EMS market

Outsourcing in the electronics market remains in high growth, as companies focus on core business and outsource production and its services to contract manufacturers like NOTE. In addition to traditional manufacturing requirements, EMS customers require assistance in such services as manufacturability, PCB design, active support in choice component selection and fast prototyping. The development and design share of these assignments has increased in recent years. Accordingly, NOTE has gained increased responsibility for the development, design and production of more complex solutions—contract design and manufacturing, CDM. This is consistent with NOTE's endeavour to move upwards in the value chain towards more value-added services. A high share of customers are also demanding production of complete products—Box Build. Here, NOTE supplies the complete product including documentation and packaging.

Sector commentator iSuppli estimated that in 2005, the global EMS market grew by approximately 14%, while the European market grew by around 7%. Over the next 3 - 4 years, average estimated annual growth on the European EMS market is 9%.

The EMS market in the Nordic region has sustained its robust progress this year. This applies particularly in the industrial and telecom segments, both highly significant to NOTE's sales. The combination of a generally positive Nordic business cycle and high demand for product modification and RoHS-ready production are contributors to this positive progress. RoHS directives apply from the mid-point of 2006 and have implications including the abolition of lead from soldering processes.

Progress in the first three quarters

Signs of the electronics components market overheating were already apparent early in the year, through increased delivery lead-times and limited access to some components. Accordingly, to safeguard its customers' needs, NOTE increased its component stocks by 15% during the period.

As previously reported, development activities intended to ensure NOTE remains its customers' first choice, co-ordinate the group's units and to build an even stronger NOTE, are underway. Consequently, a centralised Lean Management function was established in the second quarter. Its activities are intended to create a competitive edge through continuous improvement in the cost, quality and delivery reliability segments.

To enhance NOTE's sourcing know-how in low-cost regions, a number of specialist positions have been created in NOTE Gdansk. NOTE has also consolidated its production collaboration with subcontractors in Central Europe, with the aim of rationalising the transfer of volume production to units outside Sweden.

As part of NOTE's efforts to increase market shares in Norway, NOTE acquired all the shares of Nordic-PrintDesign AS of Norway at the mid-point of the year. This enterprise offers specialist PCB design know-how. After changing corporate name to NOTE Oslo AS, and with a new management, this company will bring a well-equipped production unit on-stream, enabling it to offer fast prototype production for the Norwegian market.

The AGM in April resolved to issue warrants corresponding to 200.000 shares within the auspices of an incentive plan for the CEO and other senior executives. This plan may result in maximum dilution of 2.1%. Pricing is on market terms, and the plan was fully subscribed in May. NOTE has no other securities-based incentive plans at present.

In March, NOTE Lund, which has produced PCBs for the CERN project ALICE. received the ALICE Industrial Award for its good collaboration, high innovation and high quality philosophy. After several years' collaboration, Kanmed, which develops sophisticated medical technology equipment, recognised NOTE Torsby as its supplier of the year. In the third quarter, manufacturing corporation FLIR Systems, which develops sophisticated infrared cameras, made NOTE Norrtelje its Supplier of the Year.

Sales and profits

First three quarters

NOTE's sales grew by 16,5% to SEK 1,253.0 (1,075.9) m year-on-year in the period. This growth was essentially organic, with the biggest gains in the Industrial and Telecom segments.

Operating profit grew by SEK 157.5 m to SEK 69.8 (-87.7) m. Operating profit was adversely affected by restructuring costs and other non-recurring costs of some SEK 128 m in the first half-year 2005. Adjusted for these costs, operating margin increased by 1.9 percentage points to 5.6% (3.7%). The margin gains were mainly due to increased volumes and rationalisation effected in the production and logistics areas.

The transfer of NOTE's volume production to units outside Sweden began in the previous year. Consistent with this process of migration to low-cost countries, NOTE's facility in Borås was closed down early in the year. With the aim of concentrating production in Sweden, operations at NOTE Björbo were divested in September. PCB production at Björbo had previously been transferred to NOTE's state-of-the-art facility at Torsby.

As a consequence of restructuring, overheads, particularly in the Swedish operations, reduced year-on-year. Improved co-ordination of the group's production facilities and the transfer of volume production to units outside Sweden also contributed to gradual capacity utilisation gains.

Profit after financial items was SEK 63.8 (-94.9) m in the period, equivalent to a profit margin of 5.1% (-8.8%).

Third quarter

Demand remained healthy in the third quarter. Sales increased by 21.4% to SEK 421.4 (347.2) m in the third quarter 2006 year-on-year. The sales gains were achieved across all four customer segments, and particularly within Telecom. The order backlog at the end of the period remained high.

Third-quarter operating profit increased by 25.8% to SEK 26.8 (21.3) m and operating margin amounted to 6.4% (6.1%). This margin gain is due primarily to volume expansion and rationalisation implemented.

Profit after financial items was SEK 25.1 (18.1) m in the third quarter, equivalent to a profit margin of 6.0% (5.2%). Profit margins have progressively improved through the current year.

Financial position and liquidity

The combination of sustained volume expansion efter the summer and some stockpiling of electronics components resulted in working capital increasing by about 25% since year-end.The period's cash flow amounted to SEK -16.6 (-33.2) m or MSEK -1.71 (-3.45) m per share.

The equity ratio consolidated by 1.9 percentage points on year-end to 27.2%. At the end of the period, available liquid funds including unused credit facilities were SEK 41.8 (53.6) m.

Capital Expenditures

Investments in tangible fixed assets were SEK 12.6 (23.2) m, or 1.0% (2.2%) of sales. Additionally, Nordic-PrintDesign AS of Norway, now NOTE Oslo AS, was acquired at the mid-point of the year, implying a modest increase to consolidated goodwill.

Investments related mainly to production and measurement equipment, as well as IT systems. Depreciation and amortisation in the period was SEK 21.7 (23.9) m. Firm demand and the start-up of a prototype manufacturing facility on the Norwegian market are expected to result in a slightly increased rate of investment during the fourth quarter.

Parent company

The parent company focuses primarily on the group's management, co-ordination and development. During the first three quarters, the parent company revenues were SEK 20.9 (28.4) m, comprising sales of intra-group services. Profit before tax was SEK -5.3 (-1.0) m. NOTE relocated its group head offices from Norrtälje to premises shared with NOTE Components' management at Danderyd, north of Stockholm.

Outlook

NOTE has posted five quarters of good volume growth and stable earnings performance. Sales in the previous 12-month period were over SEK 1.7 billion, with a profit margin above of 5.1%. In this period, the return on operating capital was 20%.

Given the profit margin strengthening during the first three quarters of 2006,and healthy order backlog at the end of the period, NOTE anticipates the fourth quarter of 2006 providing continued good volume and profit performance.

The Board of Directors
NOTE AB (publ)

Danderyd 25 October 2006

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Next financial report

The Year-end Report for January-December 2006 will be published on 13 February.

Audit review

This Interim Report has not been subject to review by the company's auditors.

Accounting and valuation principles

This report has been prepared pursuant to RR (Redovisningsrådet. the Swedish Financial Accounting Standards Council) recommendation RR 31. Interim Reporting for Groups and IAS 34. The same accounting principles and calculation methods as in the latest Annual Report have been used in this Interim Report. All amounts in MSEK (millions of Swedish kronor) unless indicated otherwise.

P & L statement

	2006 Q3	2005 Q3	**2006 JAN-SEP**	2005 JAN-SEP	**ROLLING 12 MONTHS**	2005 JAN-DEC
SALES	**421.4**	347.2	**1 253.0**	1 075.9	**1 681.2**	1 504.1
COSTS OF GOODS AND SERVICES SOLD	**-369.5**	-303.1	**-1 109.2**	-1 072.7	**-1 486.4**	-1 449.9
GROSS PROFIT	**51.9**	**44.1**	**143.8**	**3.2**	**194.8**	**54.2**
SALES COSTS	**-8.9**	-8.6	**-26.8**	-41.9	**-36.0**	-51.1
ADMINISTRATIVE COSTS	**-16.1**	-13.2	**-49.3**	-51.5	**-67.0**	-69.2
OTHER OPERATING INCOME/COSTS	**-0.1**	-1.0	**2.1**	2.5	**1.4**	1.8
OPERATING PROFIT*	**26.8**	**21.3**	**69.8**	**-87.7**	**93.2**	**-64.3**
NET INTEREST INCOME/EXPENSE	**-1.7**	-3.2	**-6.0**	-7.2	**-7.6**	-8.8
PROFIT AFTER NET FINANCIAL ITEMS	**25.1**	**18.1**	**63.8**	**-94.9**	**85.6**	**-73.1**
TAX	**-7.1**	-5.5	**-17.9**	25.7	**-26.2**	17.4
PROFIT AFTER TAX	**18.0**	**12.6**	**45.9**	**-69.2**	**59.4**	**-55.7**

* In 2005, consolidated operating results were negatively affected by restructuring costs and other costs of a non-recurring character totalling SEK 128 m, of which SEK 62 m were accounted in the first quarter and SEK 66 m in the second quarter.

Key ratios

	2006 Q3	2005 Q3	**2006 JAN-SEP**	2005 JAN-SEP	**ROLLING 12 MONTHS**	2005 JAN-DEC
DATA PER SHARE*						
AVERAGE NUMBER OF SHARES BEFORE DILUTION (THOUSANDS)	**9 624**	9 624	**9 624**	9 624	**9 624**	9 624
AVERAGE NUMBER OF SHARES AFTER DILUTION (THOUSANDS)	**9 824**	9 624	**9 735**	9 624	**9 707**	9 624
PROFIT PER SHARE AFTER FULL TAX BEFORE DILUTION. SEK	**1.87**	1.31	**4.77**	-7.19	**6.17**	-5.78
PROFIT PER SHARE AFTER FULL TAX AFTER DILUTION. SEK	**1.83**	1.31	**4.71**	-7.19	**6.12**	-5.78
EQUITY PER SHARE BEFORE DILUTION. SEK	**25.62**	19.88	**25.62**	19.88	**25.62**	21.31
EQUITY PER SHARE AFTER DILUTION. SEK	**25.10**	19.88	**25.10**	19.88	**25.10**	21.31
CASH FLOW PER SHARE BEFORE DILUTION. SEK	**-2.59**	-0.85	**-1.72**	-3.45	**0.72**	-1.01
CASH FLOW PER SHARE AFTER DILUTION. SEK	**-2.53**	-0.85	**-1.71**	-3.45	**0.71**	-1.01
OTHER KEY RATIOS						
GROSS MARGIN	**12.3%**	12.7%	**11.5%**	0.3%	**11.6%**	3.6%
OPERATING MARGIN	**6.4%**	6.1%	**5.6%**	-8.2%	**5.5%**	-4.3%
PROFIT MARGIN	**6.0%**	5.2%	**5.1%**	-8.8%	**5.1%**	-4.9%
RETURN ON OPERATING CAPITAL	**-**	-	**-**	-	**20.4%**	-14.2%
RETURN ON EQUITY	**-**	-	**-**	-	**26.5%**	-28.1%
EQUITY RATIO	**27.2%**	23.2%	**27.2%**	23.2%	**27.2%**	25.3%
AVERAGE NUMBER OF EMPLOYEES	**1 158**	1 085	**1 125**	1 096	**1 112**	1 097
SALES PER EMPLOYEE	**364**	320	**1 114**	982	**1 512**	1 371

* The AGM 2006 resolved on the issue of warrants corresponding to 200,000 shares.

Balance sheet

	2006 30 SEP	2005 30 SEP	2005 31 DEC
ASSETS			
GOODWILL	**48.8**	49.0	46.4
OTHER INTANGIBLE FIXED ASSETS	**2.8**	2.2	2.1
TANGIBLE FIXED ASSETS	**112.5**	124.9	121.7
DEFERRED TAX RECEIVABLES	**0.6**	-	13.9
OTHER FINANCIAL FIXED ASSETS	**0.0**	1.1	0.3
FIXED ASSETS	**164.7**	**177.2**	**184.4**
STOCK	**338.7**	299.0	297.4
TRADE RECEIVABLES	**346.5**	272.4	287.4
OTHER CURRENT RECEIVABLES	**42.3**	66.6	33.4
LIQUID FUNDS	**15.4**	7.7	9.1
CURRENT ASSETS	**742.9**	**645.7**	**627.3**
TOTAL ASSETS	**907.6**	**822.9**	**811.7**
EQUITY AND LIABILITIES			
EQUITY	**246.6**	191.3	205.1
LONG-TERM INTEREST-BEARING LIABILITIES	**78.1**	89.0	83.9
DEFERRED TAX LIABILITIES	**10.3**	18.1	10.4
OTHER LONG-TERM PROVISIONS	**12.9**	12.5	13.6
LONG-TERM LIABILITIES	**101.3**	**119.6**	**107.9**
CURRENT INTEREST-BEARING LIABILITIES	**192.4**	175.8	158.8
TRADE PAYABLES	**274.0**	226.0	227.1
OTHER CURRENT LIABILITIES	**89.7**	86.4	101.8
SHORT-TERM PROVISIONS	**3.6**	23.8	11.0
CURRENT LIABILITIES	**559.7**	**512.0**	**498.7**
TOTAL EQUITY AND LIABILITIES	**907.6**	**822.9**	**811.7**

Change in equity

	2006 Q3	2005 Q3	2006 JAN-SEP	2005 JAN-SEP	RULLANDE 12 MÅN	2005 JAN-DEC
OPENING EQUITY	**228.4**	178.4	**205.1**	265.6	**191.3**	265.6
PROFIT AFTER TAX	**18.0**	12.6	**45.9**	-69.2	**59.4**	-55.7
DIVIDENDS PAID	**-**	-	**-4.8**	-4.8	**-4.8**	-4.8
PAYMENT. WARRANTS	**-**	-	**0.6**	-	**0.6**	-
CHANGE IN GROUP STRUCTURE	**-**	-	**-**	-1.0	**-**	-1.0
TRANSLATION DIFFERENCE	**0.2**	0.3	**-0.2**	0.7	**0.1**	1.0
CLOSING EQUITY	**246.6**	**191.3**	**246.6**	**191.3**	**246.6**	**205.1**

Cash flow statement

	2006 Q3	2005 Q3	**2006 JAN-SEP**	2005 JAN-SEP	**RULLANDE 12 MÅN**	2005 JAN-DEC
PROFIT AFTER FINANCIAL ITEMS	**25.1**	18.1	**63.8**	-94.9	**85.6**	-73.1
REVERSED DEPRECIATION AND AMORTISATION	**7.6**	8.2	**21.7**	23.9	**27.6**	29.8
OTHER NON-CASH ITEMS	**0.0**	-3.5	**-7.7**	26.4	**-15.6**	18.5
TAX PAID	**-1.9**	-7.7	**-10.0**	-3.5	**-27.2**	-20.7
CHANGE IN WORKING CAPITAL	**-50.1**	-16.6	**-69.1**	90.9	**-44.6**	115.4
INVESTMENT BUSINESS	**-5.6**	-6.7	**-15.3**	-76.0	**-18.9**	-79.6
CASH FLOW	**-24.9**	**-8.2**	**-16.6**	**-33.2**	**6.9**	**-9.7**
LIQUID FUNDS						
AT START OF PERIOD	**21.7**	15.4	**9.1**	20.1	**7.7**	20.1
CASH FLOW	**-24.9**	-8.2	**-16.6**	-33.2	**6.9**	-9.7
FINANCING BUSINESS	**18.6**	0.5	**22.9**	20.8	**0.7**	-1.4
EXCHANGE RATE DIFFERENCE IN LIQUID FUNDS	**0.0**	0.0	**0.0**	0.0	**0.1**	0.1
LIQUID FUNDS AT END OF PERIOD	**15.4**	7.7	**15.4**	7.7	**15.4**	9.1
UNUSED CREDITS	**26.4**	45.9	**26.4**	45.9	**26.4**	68.0
AVALIABLE LIQUID FUNDS	**41.8**	**53.6**	**41.8**	**53.6**	**41.8**	**77.1**

Quarterly summary

	Q3 2006	Q2 2006	Q1 2006	Q4 2005	Q3 2005	Q2 2005	Q1 2005	Q4 2004
SALES	**421.4**	433.1	398.6	428.2	347.2	403.7	325.0	276.8
GROSS PROFIT	**51.9**	50.0	42.0	51.0	44.1	-11.9	-29.0	-9.5
OPERATING PROFIT	**26.8**	24.1	18.9	23.4	21.3	-47.6	-61.4	-34.7
PROFIT AFTER FINANCIAL ITEMS	**25.1**	22.3	16.4	21.8	18.1	-49.4	-63.6	-36.0
PROFIT AFTER TAX	**18.0**	15.8	12.1	13.5	12.6	-35.8	-46.0	-26.6
CASH FLOW	**-24.9**	-15.4	23.7	23.6	-8.2	10.9	-36.0	-23.4
PROFIT/SHARE AFTER FULL TAX, SEK	**1.83**	1.62	1.25	1.40	1.31	-3.72	-4.78	-2.77
CASH FLOW/SHARE, SEK	**-2.53**	-1.57	2.47	2.45	-0.85	1.13	-3.74	-2.43
PROFIT MARGIN	**6.0%**	5.2%	4.1%	5.1%	5.2%	-12.2%	-19.6%	-13.0%
EQUITY RATIO	**27.2%**	26.5%	26.9%	25.3%	23.2%	21.0%	26.7%	36.1%

Five-year summary*

	ROLLING 12 MONTHS	2005	2004	2003	2002	2001
SALES	**1 681.2**	1 504.1	1 103.1	859.2	636.8	514.0
GROSS PROFIT	**194.8**	54.2	126.0	94.1	92.3	71.1
OPERATING PROFIT	**93.2**	-64.3	29.3	74.4	39.4	27.4
PROFIT AFTER FINANCIAL ITEMS	**85.6**	-73.1	19.5	63.0	30.9	21.8
PROFIT AFTER TAX	**59.4**	-55.7	13.6	44.2	21.4	15.6
CASH FLOW	**6.9**	-9.7	-14.4	-63.6	-8.4	-30.1
PROFIT/SHARE AFTER FULL TAX. SEK	**6.12**	-5.78	1.50	5.41	3.13	2.60
CASH FLOW/SHARE. SEK	**0.71**	-1.01	-1.60	-7.79	-1.24	-5.02
PROFIT MARGIN	**5.1%**	-4.9%	1.8%	7.3%	4.8%	4.2%
RETURN ON OPERATING CAPITAL	**20.4%**	-14.2%	6.6%	21.5%	20.3%	22.5%
RETURN ON EQUITY	**26.5%**	-28.1%	5.5%	36.9%	36.4%	53.6%
EQUITY RATIO	**27.2%**	25.3%	36.1%	22.0%	20.8%	14.8%
NUMBER OF EMPLOYEES	**1 112**	1 097	887	681	425	372

* *2004-2006 according to IFRS; 2001-2003 according to Swedish GAAP.*

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