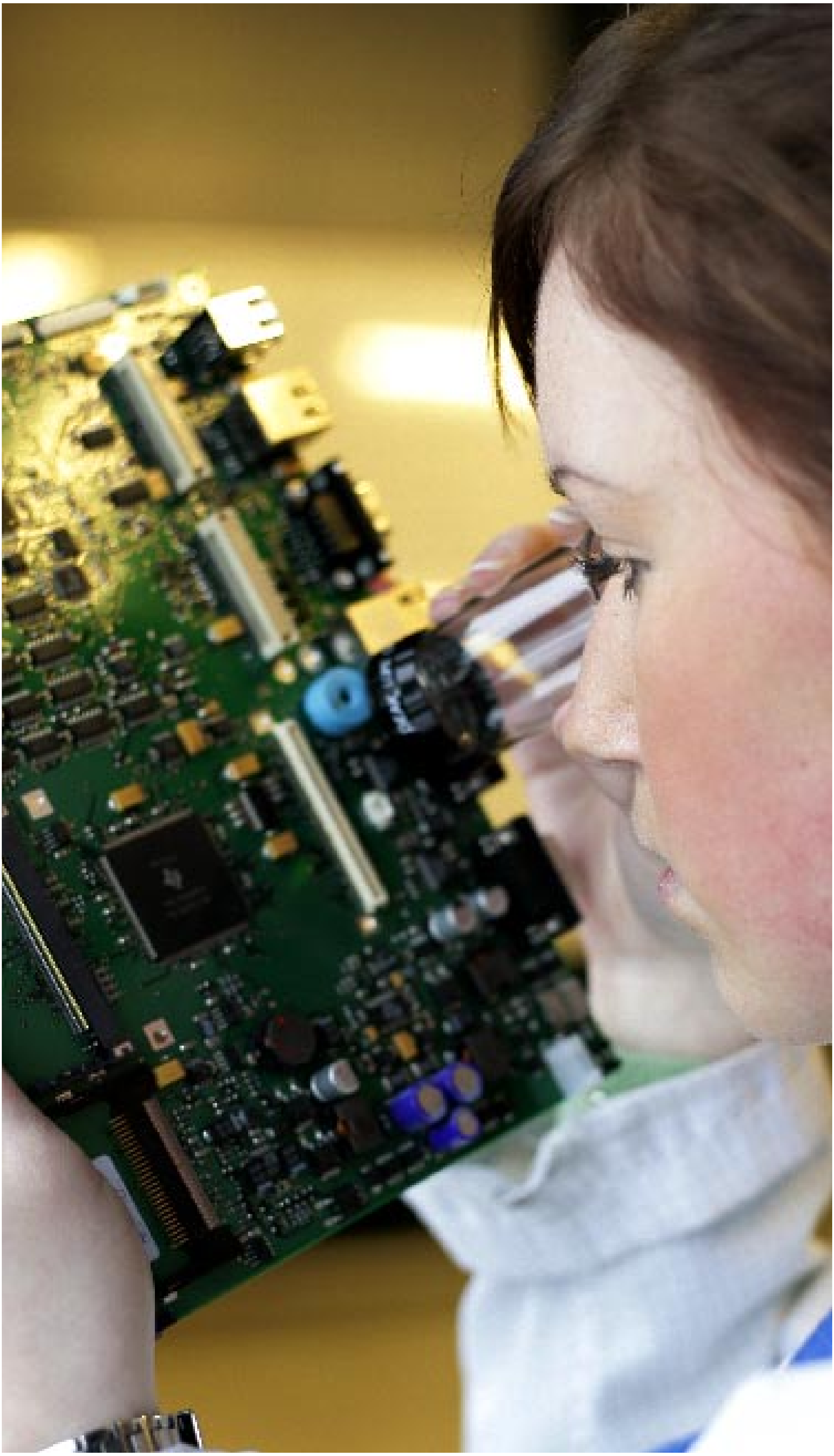
Annual Report 2005



Contents

Charlotte Holmberg (front page), Pär Johansson (this page) and Mattias Olsson (nearest camera, this page) are all employees of the NOTE group.

NOTE in brief

NOTE is an established contract manufacturer of electronics-based products with its head office in Sweden that is active on the EMS (electronics manufacturing services) market. NOTE offers skills in electronics production right through the value chain from development to after-sales, focusing on the Industrial, Telecom, Vehicle/Maritime and Medical Technology/Safety & Security customer segments.

The group has its own industrial plants in Sweden, Finland, Lithuania and Estonia. The subsidiary NOTE Gdansk manages production collaborations with a number of subcontractors in Poland and the rest of central Europe.

Additionally, NOTE offers close-to-market production through the ems-ALLIANCE, an international network of electronics manufacturers with partners in Brazil, China, India and the US.

NOTE has a total of 1,097 employees, and had sales of SEK 1,504 million for 2005. Net revenues grew by 36 percent for the full year. Growth was organic and acquisition driven.

NOTE is listed on the Stockholm Stock Exchange O-list.

Read more about how NOTE services its customer segments on the following pages →

NOTE is an international provider of complete modules.

Industrial

NOTE's customers in the industrial segment often have low-volume production with a broad product mix, which puts considerable demands on flexibility, close communication and collaboration between NOTE and its customers. NOTE's geographical proximity to the customer is one of the ingredients of the success of these collaborations. Products in this segment are often supplied box-build, with fairly high standards on environmental tolerance and ingress protection, termed IP classification. Industrial is the biggest segment of NOTE's customer base, and the company has very lengthy experience of producing and developing products for these customers.

NOTE has several customers in the segment including Beijer Electronics, Danaher Motion, Dresser Wayne and Flir.

➔ Dresser Wayne of the US supplies technology to service stations extending from fuel pumps, payment terminals and POS systems, to level meters for service stations' underground fuel tanks. Many years of collaboration between NOTE Lund and Dresser Wayne has evolved from NOTE initially being a local circuit board supplier in Sweden to becoming a multinational provider of complete modules.

"We've got 10,000 pumps installed worldwide, so we need a supplier we can trust. NOTE can supply products on time, with the right quality and at a reasonable cost. This is not just a matter of producing good solutions, you also have to deliver and that is what's important. NOTE has met the standards we've set," reports Sven Bladh, Dresser Wayne's Country Manager for Sweden.

NOTE sources components, assembles them and supplies complete modules. For customers, this means that procurement and planning resources can be freed up for other purposes. Customer lead-times get shorter, while NOTE can migrate upwards in the value chain.

NOTE has succeeded in being competitive through adaptability, flexibility, product enhancements and advice on components, while assuming greater responsibility for customers' products. For Dresser Wayne, whose international development unit is located in Sweden, working with a closely co-located supplier is an advantage.

An international on-call contract with Dresser Wayne means NOTE supplies direct to the US, Brazil, Scotland, Italy and service depots worldwide. Because Dresser Wayne works on a customer order basis, demand can vary widely, and accordingly, the agreement stipulates NOTE maintaining reserve stocks to even out volumes through the year.


ISH
SWE DISH

NOTE participated in the development phase of this product, facing many challenges for the product to work in harsh environments.

Telecom

Products in the telecom segment have features including high complexity and relatively demanding product testing. The international telecom industry also sets challenges for cost-efficiency, flexibility and high delivery precision. NOTE is a very strong player in the telecom segment with its optimal location of series production and close-to-customer technology know-how. Additionally, NOTE possesses long experience and an intimate understanding of the market, and thus, is well equipped to service telecom customers, corroborated by many of the group's biggest customers being in this segment.

The segment's customers include A2B, Ericsson Network Technologies, Powerwave and SWE-DISH.

➔ SWE-DISH satellite systems of Sweden offers equipment for satellite-based mobile broadband communication. Its customers include defence forces, police services, rescue services and radio and TV stations. Recently, SWE-DISH equipment was used in contexts including the tsunami catastrophe in Thailand and Hurricane Katrina in New Orleans.

SWE-DISH's compact satellite terminal fits in a suitcase, and includes a transmitter, receiver and 90 centimeter dish. NOTE participated in the industrialisation phase, where the challenge was to ensure that mechanical, electronic, motor, computer, compass, GPS, clinometers*, heating and cooling systems worked in demanding low temperature, damp, desert and tropical rain storm environments.

Apart from actual production, NOTE has a production team dedicated to this customer, which also handles installation, services and upgrades in the field on behalf of the customer.

"We're about to dispatch six terminals and a technician to help on training and commissioning with the South Africa Broadcasting Company, who will be covering the country's forthcoming elections," says Mats Hoflund, NOTE's Account Manager.

* Clinometers measure slope

Kongsberg Maritime chose NOTE as its supplier after a thorough evaluation, where NOTE's know-how and overall impression were decisive.

Vehicle/Maritime

The vehicle and maritime industry sets standards on reliability in harsh environments, with the ensuing challenging demands on traceability and IP classification. With the aid of various reliability tests, NOTE can help it customers to satisfy ISO/TS 16949 accreditation standards.

NOTE's vehicle and maritime sector customers include Atlas Copco Rock Drills, Kongsberg Maritime, Parker Hannifin and Åkerströms Trux.

➔ Kongsberg Maritime of Norway is a world leader in positioning, navigation and vessel automation, offering equipment and instrumentation for commercial shipping, the energy sector, naval fleets, the fishing industry, ports, and for underwater navigation.

NOTE's collaboration with Kongsberg Maritime, which accounts for about half of the Kongsberg group, began in late 2005. NOTE began a collaboration on the Compact navigation and positioning series for small and medium-sized vessels against strong competition from a range of EMS players.

These products are exposed to harsh salt water and damp environments. NOTE's Torsby facility has considerable skills and experience in supplying electronics products for demanding environments. Kongsberg Maritime selected NOTE as a supplier after a rigorous evaluation extending to skills and the overall impression from a visit to the Torsby facility, which was the decider. As time passes, NOTE's in-house development function will be very important as Kongsberg Maritime produces its next generation of the Compact series.

"Our visit to NOTE made a very good impression. Its technological know-how, clean, modern facility, good customer references and cost-efficiency meant that ultimately, we chose NOTE. We wanted to work with producers that understand the importance of actively seeking new technology that advances our market position the whole time, and can follow us internationally where our future customers are located," says Roy Hostvedt, Senior Buyer at Kongsberg Maritime.


KanMed

NOTE can process logistics, procurement and administration, servicing and repair of control units on assignment from the customer.

Medical Technology/Safety & Security

This customer segment sets particularly challenging standards on NOTE's quality systems. Most of NOTE's Swedish production facilities are approved for the production of medical technology equipment pursuant to ISO 13485. In practice, this means NOTE offers product documentation, component traceability and the identification of individual production batches.

Segment customers include Assa Abloy, Esmi, Gambro and KanMed.

➔ Sweden's KanMed offers medtech equipment to keep newborns and patients warm during surgery or premature deliveries. KanMed sells products in Sweden and abroad.

NOTE Torsby produces a complete control unit for the temperature regulation of patient warming systems, which are used in KanMed's baby warmers and together with its Operatherm product in surgical departments.

One of KanMed's biggest customers is Unicef, which needs baby warmers for the Third World. Baby warmers create a better environment for premature babies than traditional incubators.

KanMed has many years of collaboration with NOTE and is satisfied with product quality, pricing and commitment. KanMed made NOTE supplier of the year in 2005, with the award stating that "NOTE delivers on time with good quality, and is good to deal with."

➔ The Esmi group, the Nordic part of multinational manufacturer Schneider Electric, produces various types of security system, fire alarm and access control.

A few years ago, Esmi Finland spent several years screening potential electronics suppliers in its local region and the Baltic. Because it supplies security electronics, Esmi's quality standards are challenging so attention to detail is important. The possibility to conduct a close development collaboration with NOTE's facility at Hyvinge, Finland and NOTE's cost-efficient production facility at Pärnu, Estonia were the deciding factors.

The Pärnu facility is optimal for a wide variety of products with smaller production volumes. Lead-times are short so deliveries are flexible, even overnight.

NOTE's collaboration with Esmi offers major future opportunities to progress and grow with the customer.

Scope for a close development collaboration with NOTE's Hyvinge facility and NOTE's cost-efficient plant in Pärnu, Estonia, were decisive for the customer.

CEO's Statement

Last year was a year of realignment for NOTE and the group's employees. Particularly the first half-year featured major changes, as volume production was relocated from Sweden to Eastern European facilities, contributing to a third of all employees in Sweden being laid off. Meanwhile, NOTE conducted a thorough analysis of its inventories, accounts receivable and capitalised expenses. This resulted in restructuring expenses, provisions for write-downs and the depreciation of accounts receivable and inventories of some SEK 128 million.

Early in the year, three newly acquired facilities in Skellefteå, Sweden, Hyvinge, Finland and Pärnu in Estonia were integrated. This consolidation process included the review and enhancement of internal routines, to validate these operations and lay a stable foundation for future growth.

Erik Stenfors, NOTE's CEO and President, resigned on 25 May. Sten Dybeck and Erik Stenfors founded Eurosupply in Täby, near Stockholm, in 1999. Eurosupply was the embryo of NOTE, and had annual sales of SEK 4.5 million. In 2005, sales are over SEK 1,500 million, which is exceptionally robust growth in such a short period.

Our actions have paid off

Kjell-Åke Andersson, our former Vice President, took up the position as temporary CEO and President, and was able to conclude the consolidation activities that had begun. When I took over as CEO on 1 November, it was clear that the measures conducted had created the right conditions to improve profits in the second half-year. Our operating profits in the third and fourth quarters also demonstrate how the measures we took in the first half-year produced the improvements we wanted.

In the second half-year, we focused on assuring good liquidity and healthy cash flows from operations. Looking ahead, we will maintain our sharp focus on profitability and cash flow, while creating organic growth with a customer focus. There's no benefit in capital tied up in inventories and accounts receivable, which should be made available to increase our room to manoeuvre.

Continuous improvement

But we can't just sit back calmly thinking we are ready to face our future: current realities demand that we continuously review how we work, the processes and routines we run, and how we must continually ensure that our costs are as low as possible, without compromising customer quality or service. As part of our rationalisation activities, we closed our unit in Borås, and relocated production to other Swedish facilities.

We will be slimming down NOTE's production and processes to safeguard our market position. Fundamentally, this is about rationalising and simplifying production and processes. We will also get even more goal oriented in terms of quality, deliveries and costs, and ensuring that we can truly realise the economies of scale within the group.

We finished hiring some new executives to consolidate our group management in late 2005. Henrik Nygren joined us as CFO, taking up his position on 1 March this year. Henrik was previously International Controller at SNA Europe, part of the American tool group Snap-On. Henrik has many years' experience as a CFO and Controller at companies including Danaher Motion, Artema Medical and SSAB.

Knut Pogost was hired as the CEO of NOTE Components, the group's component procurement entity. Knut, who will also take on the role as the group's Sales & Marketing Director, has many years' experience of sales, marketing and logistics.

A multinational presence

We started up an office in China last year, which sources materials for our European facilities, with the aim of securing the best pricing and assuring component supply.

Cooperation within the international network, ems-ALLIANCE, which was a NOTE initiative, was deepened last year. With the aid of our partners around the world, we can help our customers relocate production to regions where their customers are located. In 2005, we helped customers relocate production to Brazil and India. NOTE took part in the start-up phase, ensuring that production gets underway in the new country. I regard progress in 2005 as clear evidence that the ems-ALLIANCE is a sustainable concept for the long term.

Outlook

Our closeness to, and focus on, the customer remain our first priority. The customer constantly wants more cost-efficient production, which creates market price pressure. NOTE has to satisfy these standards and continually cut costs. But this isn't enough, we must also ensure that we can increase our share of the customer's value-added chain. We have to come in and assist on design activities, testing, logistics and service. NOTE will ensure that the customer's visions are realised, from idea to products and services.

NOTE will continue to build on what we already have, putting processes and structures into place so we can keep giving our customers good service, which NOTE is known for. We have good sales resources, we commit ourselves and really listen, keeping our customer focus. With our philosophy, we will all keep our head-start on the competition.

To sum up, we will keep a sharp focus on the customer and organic growth, as well as on profitability and cash flow. We will introduce leaner methods for production and other processes across all the group's units. We will continue to enhance the strategic NOTE Components, while simultaneously still enabling the customer to nearsource production, while also being able to offer low-cost production worldwide.

We are continuing our change activities, so we remain the competitive player we are now and want to be on the market of the future, and the customer's first choice.

Arne Forslund
CEO and President

Norrtälje, Sweden, March 2006

The year in brief

- Net revenue increased by 36 percent to SEK 1,504 (1,103) million, of which organic growth was 8 percent.
- The loss after financial items was SEK –73.1 (19.5) million.
- Earnings per share after tax were SEK –5.78 (1.51).
- Operations were rationalised, volume production was relocated to Eastern Europe and significant restructuring expenses arose.
- A representative office was opened in the Guangdong province, China.
- Management was reinforced, with Arne Forslund appointed CEO.
- Deeper strategic collaboration with Jaltek Systems in the UK and France.
- Knut Pogost was appointed CEO of subsidiary NOTE Components and Group Vice President Sales & Marketing.
- Henrik Nygren was appointed CFO of NOTE AB.
- Continued technology initiatives through operational collaboration with Chalmers University of Technology, Gothenburg.

NOTE's procurement office in China.

Objective and strategy

Business concept

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

Objective

NOTE's objective is to be the customer's first choice and a leading EMS producer in Europe by 2009.

Growth

Organic growth in the coming year will be 10 percent. In addition, the Board expects sales to grow more due to acquisitions.

Margins

The objective is for a minimum EBT profit margin of 6 percent.

Returns

The minimum return on equity will be 18 percent.

Capital structure

The equity to assets ratio will be a minimum of 25 percent and a maximum of 35 percent.

Strategy

NOTE's overall strategy is to create and develop a production concept based on customer needs. This concept will be readily transferable to the group's various companies, dependent on where production can be conducted optimally. Additionally, this concept will be quickly integrated into the business model, to create value for the customer and group.

New production concepts will always build on the following five fundamental principles:

Growth

NOTE's growth will mainly be organic to achieve established growth objectives. NOTE anticipates growth across the whole Nordic region with the ambition of becoming a pan-European player.

Profitability

NOTE will conduct operations so that long-term profitability is achieved for the company and shareholders.

Closeness to the customer

NOTE will be close to its customers, enabling nearsourcing, minimising the barriers often implicit in large distances and foreign cultures. Sales and prototyping functions will be in the customer's immediate vicinity, production facilities may be at longer distances, but still in the same market region. This means NOTE creating the right conditions for dialogue and continuous feedback from the customer.

Cost optimisation

NOTE will question all its costs, specialize its production facilities and centralise procurement. Normally, NOTE's more specialist offerings and value-added services will be close to customers, while volume production will be located in cost-efficient countries.

A skilled organisation

NOTE's employees will have a high skills level and rigorous experience so they can support customers in various links of the value chain, from development to after-sales.

Five-year summary

SEK million **Summary Consolidated Income Statement**	**2005**	**2004**	**2003**	**2002**	**2001**
Net revenue	1,504.1	1103.1	859.2	636.8	514.0
Gross profit/loss	58.2	144.4	145.2	92.3	71.1
Operating profit/loss	–64.3	29.3	74.4	39.4	27.5
Profit/loss after financial items	–73.1	19.5	63.0	30.9	21.8
Net profit	–55.7	13.6	44.2	21.4	15.6

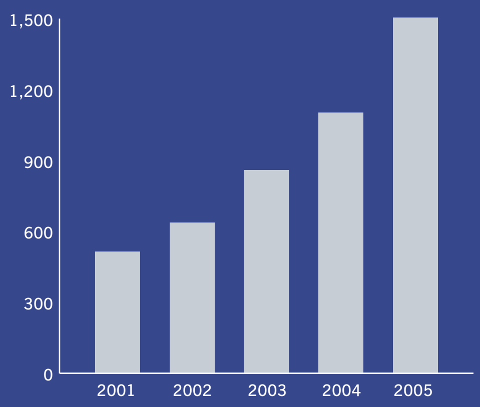
Summary Consolidated Balance Sheet	**2005**	**2004**	**2003**	**2002**	**2001**
ASSETS					
Fixed assets	184.5	144.6	147.2	87.9	28.6
Current assets	627.3	592.3	516.0	354.3	211.4
TOTAL ASSETS	811.7	736.9	663.2	442.2	240.0
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity	205.1	265.7	146.7	92.5	35.5
Long-term liabilities	107.8	149.8	215.9	121.2	41.4
Current liabilities	498.7	321.4	300.6	228.5	163.1
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	811.7	736.9	663.2	442.2	240.0

Cash flow from changes in working capital	**2005**	**2004**	**2003**	**2002**	**2001**
Cash flow from operating activities	69.9	19.5	–12.1	4.3	–21.1
Cash flow from investing activities	–79.5	–33.9	–51.5	–12.7	–9.0
Cash flow from financing activities	–1.5	26.5	68.3	10.2	31.3
Liquid funds at the beginning of the period	20.1	8.0	3.3	1.6	0.4
Change in liquid funds in the period	–11.1	12.1	4.7	1.7	1.2
LIQUID FUNDS AT THE END OF THE PERIOD	9.0	20.1	8.0	3.3	1.6

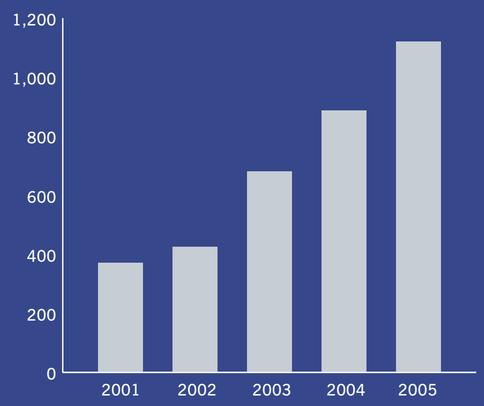
Consolidated key figures	**2005***	**2004***	**2003**	**2002**	**2001**
Margins					
Operating margin, %	–4.3	2.7	8.7	6.2	5.3
Profit margin, %	–4.9	1.8	7.3	4.8	4.2
Returns					
Return on operating capital, %	–14.2	6.6	21.5	20.3	22.5
Return on equity, %	–28.1	5.5	36.9	36.4	53.6
Capital structure					
Operating capital	458.8	460.5	431.3	278.8	138.0
Interest-bearing net debt	233.7	194.8	285.3	187.0	102.5
Equity to assets ratio, %	25.3	36.1	22.0	20.8	14.8
Net debt/equity ratio, multiple	1.1	0.7	2.0	2.0	2.9
Interest coverage ratio, multiple	–6.1	2.7	6.0	4.4	4.4
Capital turnover rate (operating capital), multiple	3.3	2.5	2.5	3.3	4.2
Employees					
Sales per employee	1,371	1,239	1,262	1,498	1,382

* Information for 2005 and 2004 is according to IFRS, and is not directly comparable with the data for 2001–2003.

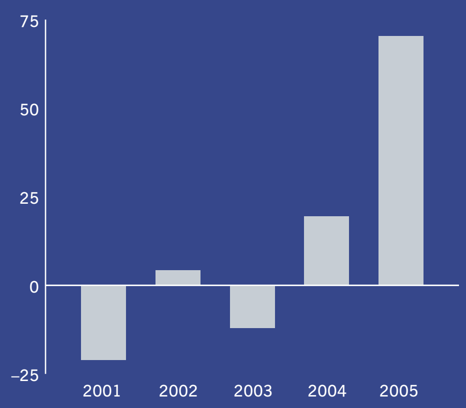
Net revenue, SEK m



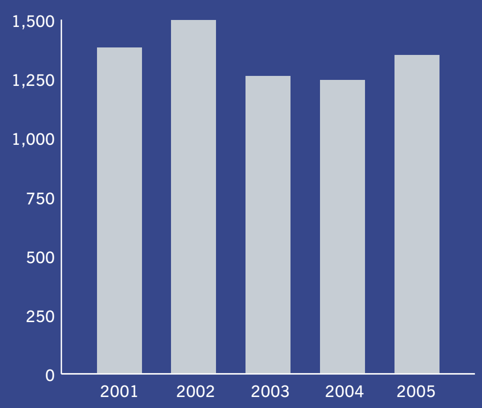
Average number of employees



Cash flow from operating activities, SEK 000



Sales per employee, SEK 000



Operations

NOTE manufactures all or parts of electronics-based products, often complete, box-build products. NOTE also offers advisory services on producability and components, including procurement, to limit total costs. This more cost-conscious starting-point requires a well-structured working method called Design for Excellence (DFX).

NOTE has industrial plants around Sweden – closeness is something many customers appreciate, particularly in the product development phase. NOTE also has production in cost-efficient countries. Through the international ems-alliance, NOTE can support its customers on cost-efficient production and relocating production closer to end-customers. A recently opened procurement office in China also enables NOTE to source components at very attractive prices.

Having the shortest, most cost-efficient lead-time from idea to product launch is important for many customers. NPIs (new product introductions), the art of bringing new products into production, is one segment where NOTE enjoys substantial experience.

Organisation

NOTE's head office and group-wide functions are in Norrtälje, near Stockholm, with management and the central functions of procurement, human resources, accounting, sales, production and corporate communications. The central functions control and co-ordinate Industrial Plants, Excellence Units and the component procurement enterprise, NOTE Components, which signs strategic procurement contracts on behalf of all the group's units.

Excellence Units

Excellence Units are located in key customer regions. An Excellence Unit focuses on the vital first links of the value chain such as development, prototyping and industrialisation. NOTE has Excellence Units in Sweden, Finland, the UK and France, through Jaltek Systems Ltd. Several of NOTE's Swedish Excellence Units have specialist NOTE Centres of Excellence.

Industrial Plants

Industrial Plants are units with high production capacity, located in cost-efficient countries, which focus on the central segment of the value chain, with cost-efficient volume production.

NOTE has Industrial Plants in Estonia and Lithuania. NOTE has access to industrial plants in Poland, through collaboration agreements with external parties. The group's volume production was gradually migrated from Sweden to these plants in early 2005.

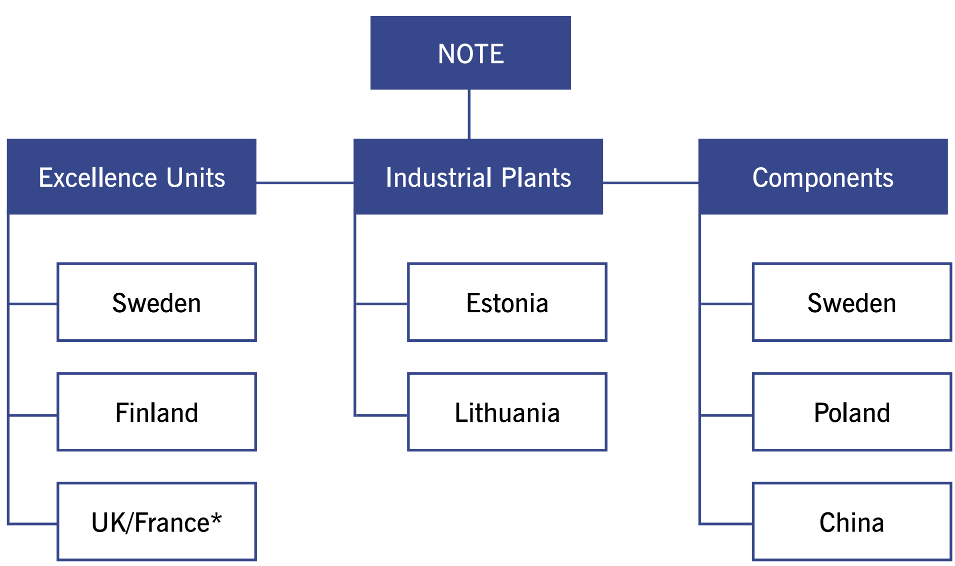
NOTE Components

NOTE Components is the group's central procurement enterprise, which negotiates and signs procurement contracts for all units, offering the group significant economies of scale. NOTE Components is located in Kista, near Stockholm.

Multinational collaboration

NOTE is part of an international network of electronics production companies, the ems-ALLIANCE, whose chairman is employed at NOTE's head office in Norrtälje. The purpose of NOTE Components is to negotiate for the whole alliance, which is established in four continents.

In 2005, NOTE deepened its collaboration with Jaltek Systems of the UK. This collaboration co-ordinates sales in the UK and France: contributing to securing new customer assignments in these countries.



* Represented by Jaltek Systems Ltd.

NOTE's offering

NOTE produces electronics-based products and offers services from design, via production to after-sales. NOTE can produce complete, or parts of, products for customers in sectors such as telecom, vehicles, medtech, mechatronics, optoelectronics or industrial electronics. Often, NOTE develops box-build products.

Offering

A lot of customers appreciate NOTE's in-depth technology know-how, particularly in production technology. Customers possess profound knowledge of product design, history and markets. However, they often lack detailed knowledge of contemporary production, and the alternatives open to them during product development. This may be a matter of testing, production technology and quality. These questions are part of NOTE's core competencies, and are offered to customers throughout the value chain. The key to success is a close collaboration with the customer, involving shared responsibility for the product's success on its market.

Considering various aspects of production to limit total costs is becoming increasingly important early in the product development phase. Today's short-term windows of opportunity on the international electronics market mean that getting products right from the start is decisive. This puts demands on efficient production development processes. To limit the total cost of products, NOTE factors in considerations like producability, components, testability and total cost early in development projects.

Quality

NOTE works continuously on quality control. FMEA (Failure Mechanism and Error Analysis) can be conducted as part of NOTE's quality activities on products when customers wish, or when justified for other reasons.

Research and development

NOTE is active on a number of research and development projects alongside universities and institutes of further education. These collaborations have proved particularly valuable for several of NOTE's customers, whose specialist technology necessitates the latest production technology to retain market leadership. NOTE's close contacts with the research community also enable innovations to become products more quickly.

Design for excellence, DFX

Over the past year, NOTE has prepared a formalized type of project to be able to offer customers the group's aggregate know-how as efficiently as possible. This type of project has proven very successful, with very positive results on projects intended to achieve cost-efficiency, testability and producability, or simply put, design for excellence.

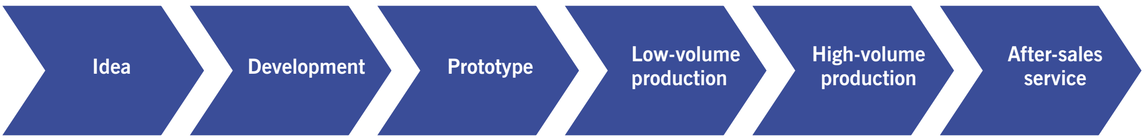
The knowledge and experience necessary for the project team is evaluated rigorously before projects start. The project group's activities are structured in a way that there is no risk of any part of production being overlooked. It is also vital not to sub-optimise, but to keep a focus on overall objectives the whole time.

New product introductions, NPI

NOTE offers NPI services, or the art of bringing a new product into production. NPI is the collective term for services early in product life-cycles, such as prototyping, product development, certification, test development and preparing production. Alongside NOTE, the customer can be secure in the knowledge that its product will reach the market quickly and cost efficiently. This allows customers to concentrate their resources on sales and the development of forthcoming product generations.

Nearsourcing – closeness to customers

Closeness is often a strong reason for product owners choosing NOTE as their sub-contractor. NOTE has industrial plants around Sweden, and is easily accessible to customers. This is important in the early phases of product life cycles, where products and production need to be fine-



NOTE is endeavouring to extend its offering into product life cycles, from production to after-sales and development services.

tuned. This is when NOTE and the customer need close and communication-intensive collaboration. This closeness also helps engender the high flexibility necessary before the product and its market are completely ready for production series.

Cost-efficient production
NOTE also offers cost-efficient production, with relatively short series at Pärnu, Estonia and Tauragé, Lithuania, servicing fewer customers but higher volumes. NOTE also outsources shorter and longer production series to sub-contractors in Poland, where it also has a procurement office.

Lead-free production
Converting to lead-free production was an in-demand service in 2005, and is expected to remain so in the first half-year 2006 and beyond. The background is that the lead content of products in the EU will be limited on 1 July 2006. The RoHS directive will also limit the use of other hazardous substances.

NOTE has enjoyed a competitive edge from being an early starter in this realignment. Several customers have started the conversion process themselves but then realized that they have neither the time nor the resources and then chosen to collaborate with NOTE.

However, lead-content production will not cease entirely, because many customers regard themselves as exempt from the EU directive. Accordingly, NOTE will also offer lead-content production for the foreseeable future.

More information in the environment section.

NOTE Components
The subsidiary NOTE Components manages NOTE's strategic contracts with suppliers and producers. NOTE Components possesses strength on the market by coordinating procurement for the whole group. The total volumes are so high that NOTE is offered very competitive contracts on price, quality and component availability. NOTE Components is a very strong reason for many customers choosing NOTE as their collaboration partner.

For most customers, NOTE manages all procurement of constituent materials, from electronics components to mechanical components. Because the cost of materials for some products is some 70 percent of the total, the capacity to constantly improve the cost base is important to customers. NOTE actively pursues materials cost-cutting, partly by seeking alternative components, and partly by continuously evaluating new suppliers of items such as mechanical components. To be able to cut costs further, NOTE also offers its customers the facility of designing costs out of production. Such projects are in close collaboration between the customer, NOTE Components and NOTE's development function.

NOTE Components puts a high priority on quality-assuring and monitoring procurement. All sub-contractors must be quality certified, with the largest and most strategic suppliers monitored monthly, by measuring quality, delivery precision and finances.

Many of the suppliers and producers NOTE Components negotiates with are located in Asia, and China particularly. To simplify the dialogue with these parties and to be able to respond to internationalisation trends proactively, in 2005, NOTE Components opened an office in Shenzhen, southern China. This initiative is a long-term one, and will enable sourcing of pre-specified and other components directly from Chinese producers.

Generally, the procurement function is oriented on increasingly sourcing directly from producers instead of going via distributors and intermediaries. To stay competitive in the future, it will be necessary to procure those components representing the big values in-house. NOTE looks for genuine, long-term partnerships with its most important suppliers, working towards shared objectives.

In 2006, NOTE intends to develop its materials supply further, focusing on a smaller number of strategic suppliers, while simultaneously extending the knowledge of materials supply within the organisation.

Chinese procurement office

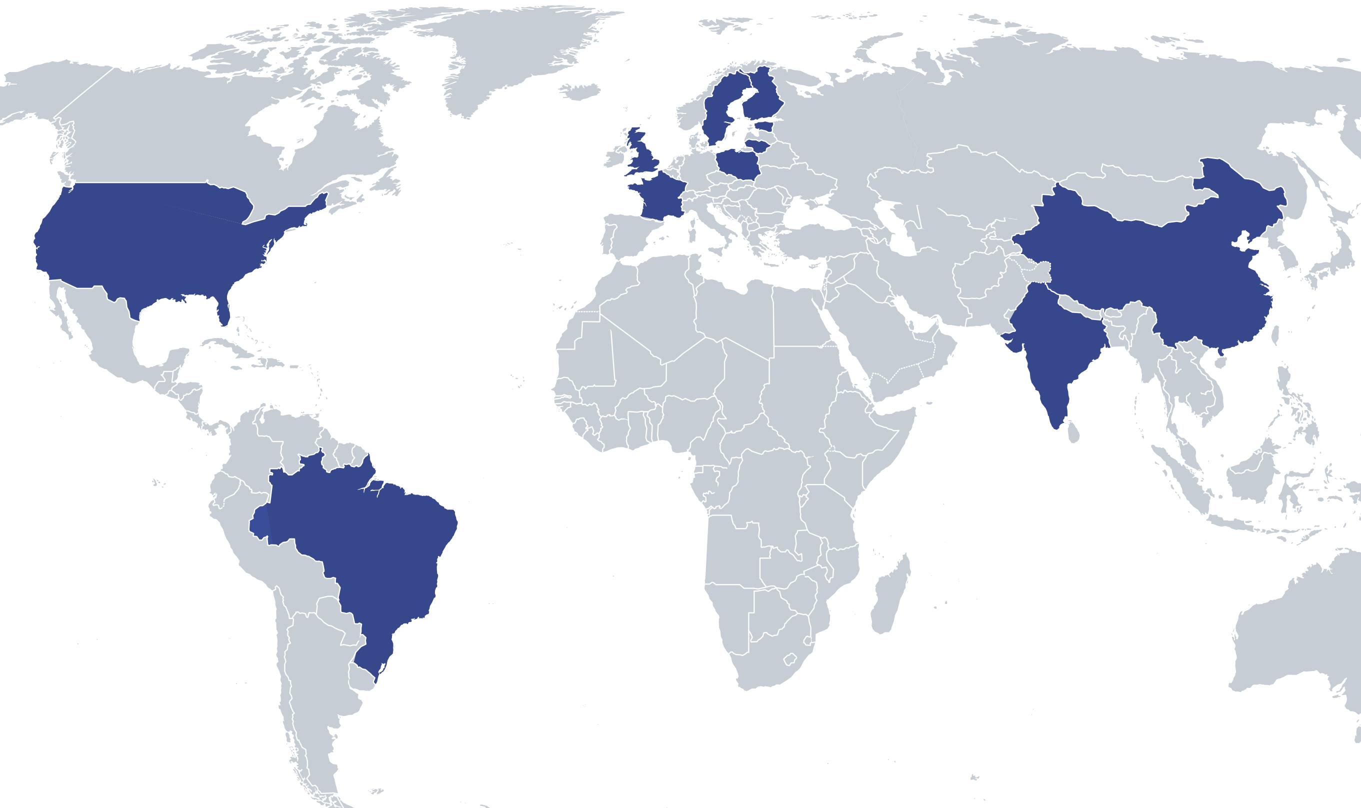
To assure component sourcing at the lowest prices on the global market, NOTE started up a procurement office in China in 2005. Approximately 70 percent of the world's electronics components are currently produced in Asia, mainly because of favourable pricing. This initiative has progressed well, particularly because procurement is without intermediaries. The office is close to Hong Kong, which has become China's export logistics centre. Alongside NOTE Components, this means the group has the capacity to source components for all members of the ems-ALLIANCE.

ems-ALLIANCE

The international ems-ALLIANCE is an important part of NOTE's strategy. This collaboration, initiated by NOTE in 2001, includes independent electronics manufacturers in four continents. One of the reasons the alliance was founded was the demand for international production. Often, customers want global suppliers that can cope with larger or smaller production volumes not only locally, but also in other countries, close to the product's end market. This production collaboration means NOTE not only satisfies customer needs for local, close-to-market production, but also more cost-efficient production.

A shared component procurement database for the ems-ALLIANCE was created in 2003, which was one prerequisite international distributors set for the alliance being perceived as a single unit, and thus able to negotiate on the same terms as the major EMS suppliers. In 2005, the ems-ALLIANCE's total annual procurement volumes were USD 375 million, which can be compared to NOTE's USD 120 million. Using the database, members can see where particular components can be procured most cost-efficiently, and use this as a benchmark for contract negotiations. So far, this system has enabled international contracts to be reached at a local level. This makes ems-ALLIANCE competitive for tendering components.

The network currently has members in Sweden, Brazil, China, India and the US. Alliance members share visions and have a single regulatory structure they all observe on activities such as quality. One of the alliance's strengths is that all members harbour considerable know-how of their own markets, which together, means a substantial bank of knowledge and competitiveness.



Marina Filipsson of NOTE AB is the Chairman of ems-alliance, and each member company is represented by its CEO, who run joint projects on procurement, production, the environment and quality issues with selected representatives. The alliance constantly endeavours to extend and enhance the processes accumulated, notably in product relocation routines. Flows between members are subject to constant review and enhancement.

As the alliance grows and deepens, its members nurture the values medium-sized EMS producers can offer – more responsive customer relations and more flexible production, tailored to the customer's standards and wishes, which in many cases, major multinational producers lack. Bewator, Ericsson and Parker Hannifin are some of the NOTE customers that currently produce within ems-ALLIANCE.

Positioning

Market
NOTE is active in EMS, electronics manufacturing services, which is the market for contract electronics manufacture. Apart from circuit board assembly, EMS extends to a growing share of development, servicing and after-sales services.

The global EMS market re-gained momentum, growing by some 14 percent in 2005. At present, estimated global market sales are USD 134 billion, with the US being the largest market.

Sector analysts estimate that the European market had slightly lower growth than the global market in 2005, of 7 percent.* In the same period, NOTE achieved growth of 36 percent. In 2003–2009, the European market is forecast to grow by an annual average of 9 percent.

Forecasts by customer segments indicates that the industrial and telecom segments will grow fastest in 2006.*

The Nordic region will be the geographical base of NOTE's continued growth. In practice, this means NOTE advancing its position in Norway and Denmark and continuing to grow in Finland, from its unit at Hyvinge. In 2005, NOTE advanced its Norwegian market share still further, through channels including securing Kongsberg Maritime AS as a customer.

The outsourcing trend continues
Outsourcing, where companies focus on core business and outsource production and maintenance to contractors, remains in high growth. This enables them to avoid capital being tied up in production equipment and inventories. Contract manufacturers offer companies access to state-of-the-art technology and skills at a lower price, because the costs are shared with other customers. Meanwhile, resources are freed up, which instead, can be used in core business such as sales and marketing.

This trend opens opportunities for corporations like NOTE, that can develop ideas into complete products. By participating at an early phase, NOTE can offer cost-efficient, comprehensive solutions that create value for the customer.

Over the years, NOTE has accumulated an extensive bank of knowledge of production processes and technology. Backed by NOTE's resources, NOTE's customers enhance their prospects of rapidly realigning to match changing end-customer needs.

Key market trends:
- ➔ Continuing outsourcing trend
- ➔ Increased standards for better performance at lower prices
- ➔ Higher standards on flexibility in the industrialisation and production process
- ➔ Greater demands for just-in-time deliveries to reduce capital tied-up
- ➔ Accelerating changes to end-customer needs
- ➔ EMS producers transforming into CDM companies (contract design and manufacturing).

Development and production
The development and design share of customer assignments has increased in recent years, against a backdrop of customers constantly raising their standards on product performance at competitive prices. Accordingly, NOTE's customers must continually develop better products to satisfy these standards. Thus, for many customers, being able to generate more products from the same platform quickly is central. Products must also be easy to produce and repair, and have cost-efficient constituent components.

* Source: iSuppli 2006

To satisfy these challenging standards, a high level of development and design know-how early in product life cycles is important.

Accordingly, it is natural for NOTE to take on greater responsibility for development, design and production of more complete solutions, termed contract design and manufacturing, CDM. This is logical progress, consistent with NOTE's efforts to migrate upwards in the value chain towards more specialised services.

Box-build

A clear trend is that more customers not only demand electronics production, but the production of complete components, termed box-build. This means that NOTE produces the complete product ready for use by end-customers, including instructions and packaging. In this respect, last year was a success, when the share of box-built products increased to some 60 percent from 30–40 percent in 2004.

Anette Nilsson works at one of NOTE's plants.

Substantial after-sales opportunities

The ability to offer after-sales services throughout product life cycles is a natural part of efforts to be a complete supplier. NOTE will focus even more sharply on human resources, know-how and production equipment to develop after-sales services offerings.

Focus

NOTE's focus on four segments – Industrial, Telecom, Medical Technology/Safety & Security and Vehicle/Maritime – is an important part of NOTE's strategy to increase the value-added on assignments. This sharp focus facilitates the accumulation of specialist know-how, which radically enhances customer offerings. NOTE will sharpen its competitiveness by packaging services better. Meanwhile, customers benefit from this cumulative knowledge.

Human resources

NOTE offers every employee responsibility and authority for their function, which helps create a stimulating and enjoyable workplace. Employees that take responsibility and initiative produce satisfied customers. This is an important prerequisite to create long-term collaboration and partnership between NOTE and its customers.

Every NOTE employee is unique and must be treated with respect. NOTE's organisation gives every individual the opportunity to utilise his or her resources actively in their work and to contribute to the company's progress. NOTE encourages and rewards ideas that improve customer assignments or the company as a whole.

NOTE's managers are accountable for creating the conditions for its people to work efficiently, feel motivated and make progress. Every employee should have the opportunity to influence their working conditions.

Restructuring occurred in the organisation in 2005, which meant the elimination of many positions from Sweden. Generally, the remaining jobs in Sweden are at a higher level in terms of qualifications and value-added. Testing, prototyping and design are some of the activities conducted in Sweden. Meanwhile, the number of employees increased, mainly in Estonia.

Employee accountability

At NOTE, employee accountability has implications including:

➔ Working according to the business concept and policy documents
➔ Committing, and being responsible, from start to finish
➔ Reaching the necessary decisions within predetermined frameworks
➔ Being open and straightforward
➔ Actively seeking information, and sharing knowledge and experience
➔ Ensuring personal skills enhancement alongside line managers
➔ Collaborating and showing respect and consideration
➔ Conducting oneself in an honest and straightforward manner

Ethics

NOTE's operation should feature straightforwardness, honesty and loyalty to the company. NOTE complies with local laws and contracts in the countries where the group is active. NOTE employees have the right to form and join trade unions.

Skills enhancement

NOTE concentrates on training to satisfy future needs, and gives employees the opportunity to keep growing. Employees should be competent to do their work to satisfy customers' quality and environmental standards. NOTE has created an in-house training unit, the NOTE Academy, to assure skills through its organisation. NOTE Academy offers training in electronics and various types of accreditation. Some training packages are offered to parties outside the group, such as customers and suppliers.

Equal opportunities

NOTE is working on integrating equal opportunities and diversity perspectives through all parts of the group, in collaboration with employees. All employees will be treated equally regardless of sex, age, ethnicity, disability, social background or sexual orientation. Meanwhile, every individual's specific know-how and developmental prospects will be utilised.

Training and staff turnover

NOTE had 1,119 (887) employees at year-end 2005, of which 527 (364) were women and 592 (523) men. On average, the group had 1,097 employees in 2005.

Staff turnover was 5.1 percent (5.3) and healthy attendance was 96.9 percent (95.9) of scheduled working-hours in NOTE's Swedish operations.

For the group overall, staff turnover was 13.1 percent, and healthy attendance was 95.8 percent of scheduled working-hours. Of all employees, 10 percent have higher education qualifications, while 11.4 percent are graduates.

Environment

An environmental philosophy should feature in all parts operations; the objective is to create the greatest possible customer benefit with the minimum possible environmental impact.

NOTE's environmental policy means the company should act to promote long-term sustainable development by offering production with environmental consideration throughout the process. NOTE will comply with, or exceed, prevailing environmental legislation, continually enhance its environmental consideration and endeavour that its Swedish and foreign subcontractors show environmental consideration.

NOTE's environmental policy should ensure that environmental consideration interweaves the entire production process. Other parts of operations like procurement, waste management and transportation should also show environmental consideration as a natural part of activities.

Lead-free offering

Lead-free production was high on many customers' agendas in 2005, particularly in the autumn, against the backdrop of the prohibition of electronics including lead in the EU coming into force 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 four-year period, and has thus attained an important competitive edge. NOTE makes a complete offering to customers with three levels of collaboration: total responsibility for lead-free conversions, review of affected components and conversion planning, which includes testing and re-design.

NOTE has assembled dedicated RoHS teams, composed of key competencies from various sectors such as design, production, procurement and logistics. NOTE also offers training packages in this segment, at its own plants and on-site with the customer. Interest in the RoHS offering has been running high, and NOTE has supported many customers in the activities to re-align production to RoHS compatibility.

NOTE anticipates sustained high customer interest in its lead-free production offering in the first half-year 2006. Many customers are targeting the completion of their realignment processes one quarter in advance, i.e. in the first quarter 2006.

Obviously, NOTE is also ready for the realignment to lead-free production, after making substantial investments in its machine stock, at units in Estonia and Skellefteå.

Other environmental activities

NOTE Norrtelje was Sweden's first EMS supplier with ISO 14001 environmental management system accreditation. NOTE's operations in Lund, Torsby, Skellefteå, Borås and Pärnu, Estonia are also ISO 14001 accredited. The unit at Tauragé, Lithuania has started the accreditation process.

NOTE Gdansk's network of subcontractors has varying environmental policies, and thus products are placed at the facility that corresponds closest to the customer's environmental standards.

NOTE Norrtelje is also registered with the voluntary, EU-wide organisation EMAS (the Eco-Management and Audit Scheme), with implications including NOTE Norrtelje publicly disclosing its environmental audits.

NOTE also applies environmental standards to its suppliers, who must continuously work to improve environmental issues. NOTE prefers suppliers that have adapted to ISO 14001 or EMAS standards for the environment. Suppliers should have an environmental policy and documented plans for their environmental activities.

* RoHS, restriction of the use of certain hazardous substances in electrical and electronic equipment.

Corporate governance

The control, management and monitoring of NOTE is divided between the shareholders at the AGM (Annual General Meeting), the Board of Directors and Chief Executive Officer, pursuant to the Swedish Companies Act and the Articles of Association. The Swedish Corporate Governance Code will be progressively introduced into the company. Several of the Code's regulations were adopted in the financial year 2005.

AGM 2005

NOTE's AGM is its supreme decision-making body. In 2005, the AGM was held on 3 May in Norrtälje.

Election Committee

The purpose of the Election Committee, previously the Nomination Committee, is to consider and submit proposals to the AGM regarding the composition of the Board of Directors, the selection of auditors and remuneration. These proposals will be submitted at the AGM on 26 April 2006 in Norrtälje. The members of the Election Committee are representatives of the company's three largest shareholders as of the end of October 2006. This year, the Election Committee members were Sten Dybeck, representing Sten Dybeck with family and companies, Chairman and main shareholder of NOTE. Nils Petter Hollekim, representing Odin Fonder and Kjell-Åke Andersson, representing their own holdings, were the other members. This group represents shareholders with some 28 percent of the capital and votes.

The Election Committee held one meeting apart from its mandatory consideration. Its proposals are stated in the notice convening the AGM and information on the Website, www.note.se. No remuneration was paid to members of the Election Committee.

The Board of Directors and its activities

NOTE's Board comprises seven members elected by the AGM. The Board of Directors has a comprehensive composition with know-how from Board activities and managing listed companies, finance and accounting, strategic development and contracting activities. The Board includes the main shareholder. The secretary is appointed at each Board meeting. Normally, the company's Vice President of accounting is secretary. Other salaried employees of the company held presentations at Board meetings.

Board activities conform to annually adopted procedural rules, which was adopted on 3 May 2005. Each meeting considers selected matters, financial and other operational reports. 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, adopted on 3 May 2005, apply to the CEO. The Board of Directors supervises the Chief Executive Officer's activities, and is responsible for 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 3 May 2005, 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 receiving the information necessary to achieve creative discussion and decision-making. The Chairman is accountable for evaluating the Board's activities and for ensuring that the Election Committee receives reports on these activities. Chairman represents the company on ownership issues.

Board activities 2005

The Board of Directors held eleven meetings in the year at which minutes were taken. One telephone conference was held on the basis of material distributed. The Board meeting following election was held on 3 May 2005. In spring 2005, the Chief Operating Officer assumed temporary responsibility for the group until Arne Forslund took up position as CEO on 1 November. The Board of Directors' involvement with the change of CEO implied some additional activities for the Board in addition to its previously adopted plan.

Attendance

Attendance at Board and committee meetings was good in 2005, with all Board members present at meetings in the year apart from Börje Andersson on one occasion and Katarina Mellström due to business trips.

Directors' fees

Total fees to Board members resolved by the AGM were SEK 600,000. The division of Directors' fees between members is stated in Note 26.

Committee activities

The Board of Directors has complete understanding of, and accountability for, all Board decisions. Consideration of some remuneration issues has been delegated to the Remuneration Committee. The International Control Committee has specifically monitored accounting and internal financial controlling issues within the group.

Remuneration Committee

The Committee comprises Chairman Sten Dybeck and Tord Johansson. The CEO was co-opted to the Board and the Corporate Manager of Human Resources was secretary. The Committee considered issues affecting the salary, bonus and employment terms of the Chief Executive Officers and the group's other senior executives, for decision by the Board. The Remuneration Committee held three meetings in the year; no remuneration was paid.

Internal Control Committee

This Committee's members are Ulf Mikaelsson, Chairman, Arne Forslund, CEO and President and Gunilla Olsson, Corporate Manager of Accounting & Finance. The company's auditor, Lennart Jakobsson, also attended Committee meetings. The Committee held three meetings, and considered matters relating to the group's accounting and internal controls.

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 corporate management's activities, which changed in the year due to prevailing circumstances. At year-end 2005, the corporate management comprised Arne Forslund, CEO and President, Bengt Emesten, the CEO of NOTE Components, Annica Segerström, Corporate Manager of Human Resources, Marina Filipsson, Corporate Manager of Communications, Gunilla Olsson, Corporate Manager of Accounting & Finance, Peter Jansson, Corporate Manager of Production and Åsa Andersson, Corporate Manager of Sales & Marketing.

Remuneration

In 2005, the bonus scheme encompassing some 15 executives, which generates performance-related remuneration linked to the group's operating profit, did not imply any pay-out.

Information on remuneration to senior executives is stated in Note 26.

Auditors

Authorised Public Accountants Lennart Jakobsson and Anders Malmeby were appointed auditors of NOTE AB with a mandate period or 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, has been Chairman of FAR (the Institute for the Accounting Profession in Sweden) and is stationed at KPMG's offices in Stockholm.

The auditors have audited the Annual Report, Consolidated Financial Statements and accounting records, and the management by the Board of Directors and Chief Executive Officer.

The auditors report their observations coincident with their review to the full Board of Directors coincident with presentation of the financial statement. Remuneration to the auditors is stated in Note 9.

The NOTE share

At year-end 2005, the price of the NOTE share was SEK 63.75 (75.25), which was a 15.3 percent downturn. In the same period, the stock market as a whole, expressed as the SAX All-share Index, made gains of 33 percent. In 2005, 15.1 million NOTE shares were turned over, equivalent to a rate of turnover of 157 percent of the total number of outstanding shares. The average turnover on the O-list was 87 percent.

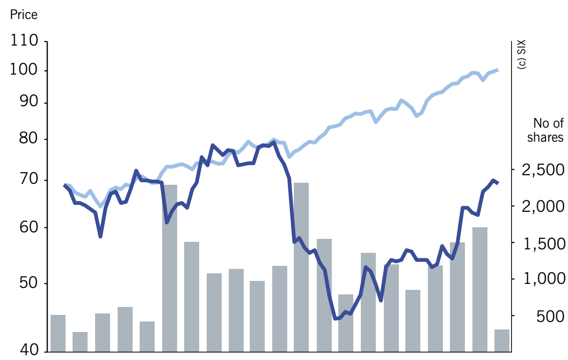
At year-end 2005, NOTE's share capital was SEK 4,812,100 divided between 9,624,200 shares. Market capitalisation at the end of the year was SEK 614 (724) million.

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 forecasts of, investment, and future profitability. The Board's proposal to the AGM in 2006 is for dividends of SEK 0.50 per share.

History

Coincident with NOTE's IPO in 2004, 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. About half of the shares were sold to Swedish and foreign institutions. The offering price was SEK 75 per share.



Ownership by size of shareholding, 31 December 2005

Size of holding	No. of shareholders	No. of shares	Holding, %
1–500	3,275	684,360	7.11
501–1,000	771	67,6697	7.03
1,001–5,000	591	1,424,650	14.80
5,001–10,000	64	488,224	5.07
10,001–15,000	18	233,434	2.43
15,001–20,000	13	234,533	2.44
20,001–	45	5,882,302	61.12
Total	**4,777**	**9,624,200**	**100**

NOTE's ten largest shareholders as of 31 December 2005

Name	No. of shares	Holding, %
Sten Dybeck with family and company	2,211,500	22.98
Andersson, Kjell-Åke	461,680	4.80
Itab Industri AB	300,000	3.12
Nordea Bank Norge Odin Sweden II	275,500	2.86
Herma Securities AB	257,700	2.68
Odin Sweden I, Nordea Bank Norge ASA	255,042	2.65
Banque Carnegie Luxembourg S.A.	193,900	2.01
Jansson, Peter	181,000	1.88
Carlsson, John-Olov	160,100	1.66
Otofol Invest AB	110,000	1.14
Total, 10 largest shareholders	**4,527,722**	**47.05**
Total, other shareholders	5,096,478	52.95
Total	**9,624,200**	**100**

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 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. NOTE's business model combines local EMS services with straightforward relocation of current production to international units for the customer.

The NOTE group comprises parent company NOTE AB and wholly owned subsidiaries in Sweden, Finland, Estonia, Lithuania, Poland and the UK. NOTE also has a representative office in China

Operations in 2005

Sales and profits
Group
Consolidated net revenue grew by 36 percent to SEK 1,504.1 (1,103.1) million; 28 percent of the sales increase is explained by volumes arising from the group's new units at Skellefteå, Hyvinge (Finland) and Pärnu (Estonia). NOTE took possession of these new units in January.

In the year, the group focused on capital and cost rationalisation. The relocation of a majority of the group's volume production to central Europe, and the realignment of a group-wide function located in Poland for procurement, warehousing and logistics resulted in redundancy notices being issued to 75 people in Sweden early in the year. The operating loss was SEK -64.3 (29.3) million, and was adversely affected by restructuring expenses in the first half-year, provisions for write-downs and the depreciation of accounts receivable – trade of some SEK 128 million. Disregarding these restructuring expenses and provisions, operating profit was SEK 63.7 million. The restructuring measures resulted in the desired profit gains in the final two quarters of the year. In December, the group reached the decision to close the Borås plant, a measure to be conducted in the first quarter 2006, as part of the group's rationalisation. No more expenses for this process are expected to affect profits in 2006.

Parent company
The parent company is mainly focused on managing, co-ordinating and developing the group, consolidated reporting and communication with shareholders.

Parent company revenues were SEK 38.2 (13.3) million and comprise sales of intra-group services. The operating profit was SEK 1.5 (-9.9) million. The profit before tax was SEK 0.4 (-10.5) million.

Market
In 2005, estimated growth on the European market was approximately 7 percent (source: iSuppli 2006).

Apart from EMS services, NOTE also offers contract design for product owners in Sweden. NOTE has detected an increased trend of those businesses outsourcing production also sourcing development, termed black-box orders. In 2006, NOTE will continue to focus on development and after-sales services, to be a full range supplier in all phases of product life cycles.

The demand for production modification and RoHS-standard production increased sharply in the year. The RoHS directive, which comes into force on 1 July 2006, has implications including lead being eliminated from soldering processes. NOTE has modified its production by investing in equipment adapted to lead-free production. As a consequence of NOTE's decision to concentrate lead-free production in the group, circuit board production at Björbo was relocated to Torsby.

Other
Arne Forslund took up position as CEO and President on 1 November. He previously held senior business executive positions in companies including Danaher Motion, Ortivus, Siemens-Elema, and most recently, was European Operations Director at Teleflex Morse.

Financial position and liquidity
For 2005, the group generated a positive cash flow from operating activities of SEK 69.9 (19.5) million. The capital and cost rationalisations exerted a positive impact on cash flow and capital tied-up. After investments in operating activities, but excluding acquisitions, cash flow was SEK 35.2 (-6.3) million.

At the end of the period, operating capital was SEK 438.7 million, a SEK 21.8 million decrease in the year despite acquisitions consummated. Interest-bearing net debt was SEK 233.7 (194.8) million, with the main reason for the increase being new units.

Available liquid funds including unutilised overdraft facilities were SEK 77.1 (119.1) at year-end.

Investments
Of total investments of SEK 79.6 million, investments in tangible assets were SEK 29.8 (25.8) million. Investments in acquired units amounted to SEK 44.8 million, while provisions for the final supplementary purchase price of NOTE Nyköping–Skänninge were SEK 4.7 million. Depreciation in the period was SEK 29.8 (24.5) million.

Research and development operations
Through its operations, NOTE is closely involved in its customers' development processes, including contributing to the industrialisation phase, guiding and developing production processes for its customers, using its substantial skills in electronics manufacture. These activities are continuous and broad based, and not disclosed separately in the accounts.

Approximately SEK 0.1 million of development activities attributable to environmental standards, or identifiable and quantifiable in some other way, were capitalised in the Balance Sheet, and comprise the development of lead-free production processes. A total of SEK 0.6 million was capitalised in the Balance Sheet, regarding the development of lead-free production processes.

Financial instruments and risk management
Because the majority of the group's invoicing is denominated in Swedish kronor, the group's currency risk is fairly limited. Foreign currency expenses are largely hedged through binding contracts, where customers assume the currency risk. The group's customers are diversified across several sectors, limiting the exposure to credit risk in accounts receivable – trade. Other financial risks are considered modest, and pursuant to Chap. 6 § 1 of the Swedish Annual Accounts Act, no more information is stated on this topic in the Report of the Directors. The group's financial risks are reviewed in more detail in Note 30.

Human resources
The average number of full-time employees was 1,097 (887) in the year.

Environmental data
The group pursues operations subject to permits pursuant to the Swedish ordinance on environmentally hazardous activities and health (reference SFS 1998:899) in two Swedish subsidiaries, and to some extent in one Swedish facility. All Swedish facilities (Borås, Lund, Norrtälje, Torsby/Björbo, Skellefteå and Nyköping/Skänninge) report to their respective municipal environmental and health authorities annually, because of these facilities' air conditioning installations, directly or via landlords. Six of the group's facilities have ISO 14001 environmental accreditation and a seventh is currently undergoing the accreditation process. NOTE Norrtelje also publishes an environmental audit pursuant to EMAS.

Foreign branches
On 2 August, NOTE opened a representative office in the city of Shenzhen, in Guangdong Province, southern China. The start-up implied increased rationalisation of the group's procurement processes for materials, and easier quality assurance of products and components manufactured in China.

After opening NOTE's UK operation in late 2004, NOTE has been looking for an EMS partner with a strategy consistent with NOTE's. This resulted in NOTE reaching a strategic collaboration agreement with Jaltek Systems in the year, relating to design, low-volume production and sales to the UK and French markets.

Revised accounting principle
NOTE adopted IFRS (International Financial Reporting Standards) as endorsed by the EU Commission on 1 January 2005. The adoption of these new standards implied an exchange of accounting principles, and had the following effects on the Income Statement and Balance Sheet: goodwill amortisation ceases, and profits and losses attributable to forward contracts that qualify as cash flow hedging are accounted in a hedging provision within shareholders' equity. The effects of the accounting of forward contracts is marginal. To attain comparability with NOTE's progress and position, the comparative year has been recalculated. More information in Note 1, accounting principles.

Statement on Board activities in the year
The Board of Directors comprises seven regular members.

The Board of Directors reaches decisions 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 a Board meeting following election, the Board held eleven meetings in the year. At these meetings, the Board considered items on its permanent agenda such as strategy, marketing, budgets, and annual and interim reporting. The company's auditors attended one Board meeting in the year, reporting on their observations from their statutory audit.

Events after the end of the financial year

Knut Pogost took up position as CEO of NOTE Components, and the group's Sales & Marketing Director, on 1 February 2006. Henrik Nygren took over as Chief Financial Officer on 15 March 2006.

Future outlook

European product owners are active on an increasingly internationalised market, with its standards on efficient product development, industrialisation and production. NOTE's business model, incorporating closeness to customers, satisfies these needs with development resources, a sharp technology focus and rational relocation of production to suitable production units at later phases of the production cycle. Because demand for international access and technology-intense services is forecast to increase, NOTE perceives good prospects to increase market shares in Europe. NOTE is retaining its long-term margin objective (EBT) of 6 percent.

Proposed appropriation of profits

The Board of Directors and Chief Executive Officer propose that unappropriated profits of SEK 50,142,433, are appropriated as follows:

Dividends of SEK 0.50 per share, totalling	4,812,100
Carried forward	45,330,333
Total	50,142,433

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.

Consolidated Income Statement

1 January – 31 December

SEK 000	Note	2005	2004
Net revenue	2, 3	1,504,057	1,103,146
Cost of sold goods and services		–1,449,822	–977,107
Other revenues	4	4,000	18,339
Gross profit/loss		**58,235**	**144,378**
Other operating revenue	6	4,158	2,220
Selling expenses		–51,140	–50,340
Administrative expenses		–69,177	–63,494
Other operating expenses	7	–6,426	–3,505
Operating profit/loss	3, 8, 9, 10, 31	**–64,350**	**29,260**
Financial income		1,522	1,788
Financial expenses		–10,278	–11,552
Net financial income/expense	11	**–8,756**	**–9,764**
Profit/loss before tax		**–73,106**	**19,496**
Tax	13	17,430	–5,851
Profit/loss for the period		**–55,676**	**13,645**
Attributable to:			
Parent company's shareholders		–55,676	13,434
Minority interest		–	211
Earnings per share	23		
before dilution (SEK)		–5.78	1.53
after dilution (SEK)		–5.78	1.50

Consolidated Balance Sheet

SEK 000	Note	31 December 2005	31 December 2004
ASSETS	5		
Fixed assets			
Intangible fixed assets	14	48,525	27,875
Tangible fixed assets	15	121,716	104,515
Long-term receivable	17	341	11,361
Deferred tax assets	13	13,869	804
Total fixed assets		**184,451**	**144,555**
Current assets			
Inventories	18	297,382	244,507
Accounts receivable–trade	19	287,375	263,884
Prepaid expenses and accrued income	20	9,126	42,395
Other receivables	17	24,322	21,409
Liquid funds	21	9,070	20,143
Total current assets		**627,275**	**592,338**
TOTAL ASSETS		**811,726**	**736,893**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	22		
Share capital (9,624,200 class A shares)		4,812	4,812
Other paid-up capital		148,100	148,100
Provisions		1,302	357
Retained profit including profit/loss for the period		50,895	111,383
Shareholders' equity attributable to parent company's shareholders		**205,109**	**264,652**
Minority interest		**–**	**997**
Total shareholders' equity		**205,109**	**265,649**
Liabilities	5		
Long-term interest-bearing liabilities	24, 30	83,928	126,200,
Provisions for pensions	26, 27	9,596	–
Other provisions	27	4,006	5,500
Deferred tax liabilities	13	10,353	18,125
Total long-term liabilities		**107,883**	**149,825**
Current interest-bearing liabilities	24, 30	158,843	88,741
Accounts payable – trade		227,090	154,504
Tax liabilities		1,588	6,466
Other liabilities	28	32,844	18,855
Accrued expenses and deferred income	29	67,370	49,585
Provisions	27	10,999	3,268
Total current liabilities		**498,734**	**321,419**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**811,726**	**736,893**

For information on the group's pledged assets and contingent liabilities, see Note 32.

Consolidated Statement of Changes in Shareholders' Equity

SEK 000	Share capital	Other paid-up capital	Provi-sions	Retained profit inc. profit/loss for the period	Total	Minority interest	Total share-holders' equity
	Shareholders' equity attributable to parent company's shareholders 2004						
Opening balance, shareholders' equity, 1 January 2004	3,840	44,160	–	97,948	**145,948**	–	**145,948**
Adjustment for revised accounting principle	–	–	–	–	**–**	785	**785**
Adjusted shareholders' equity, 1 January 2004	**3,840**	**44,160**	**–**	**97,948**	**145,948**	**785**	**146,733**
Change in translation provision for the year	–	–	357	–	**357**	–	**357**
Total changes in net worth accounted direct to shareholders' equity, excluding transactions with the company's shareholders	**–**	**–**	**357**	**–**	**357**	**–**	**357**
Profit/loss for the period	–	–	–	13,434	**13,434**	211	**13,645**
Total changes in net worth, excluding transactions with the company's shareholders	**–**	**–**	**357**	**13,434**	**13,791**	**211**	**14,002**
New issue	667	99,383	–	–	**100,050**	–	**100,050**
Stock options converted by staff	305	4,557	–	–	**4,862**	–	**4,862**
Closing balance, shareholders' equity, 31 December 2004	**4,812**	**148,100**	**357**	**111,383**	**264,652**	**997**	**265,649**

SEK 000	Share capital	Other paid-up capital	Provi-sions	Retained profit inc. profit/loss for the period	Total	Minority interest	Total share-holders' equity
	Shareholders' equity attributable to parent company's shareholders 2005						
Opening balance, shareholders' equity, 1 January 2005	4,812	148,100	357	111,383	**264,652**	997	**265,649**
Adjustment for revised accounting principle	–	–	–	–	**–**	–	**–**
Adjusted shareholders' equity, 1 January 2005	**4,812**	**148,100**	**357**	**111,383**	**264,652**	**997**	**265,649**
Change in translation provision for the year	–	–	945	–	**945**	–	**945**
Total changes in net worth accounted direct to shareholders' equity, excluding transactions with the company's shareholders	**–**	**–**	**945**	**–**	**945**	**–**	**945**
Profit/loss for the period	–	–	–	–55,676	**–55,676**	–	**–55,676**
Total changes in net worth, excluding transactions with the company's shareholders	**–**	**–**	**945**	**–55,676**	**–54,731**	**–**	**–54,731**
Acquisitions	–	–	–	–	**–**	–997	**–997**
Dividends	–	–	–	–4,812	**–4,812**	–	**–4,812**
Closing balance, shareholders' equity, 31 December 2005	**4,812**	**148,100**	**1,302**	**50,895**	**205,109**	**–**	**205,109**

Consolidated Cash Flow Statement

(indirect method)

1 January– 31 December

SEK 000	Note	2005	2004
Operating activities	36		
Profit/loss after financial items		–73,106	19,496
Adjustment for non-cash items		48,285	27,355
Income tax paid		–20,708	–16,827
Cash flow from operating activities before changes in working capital		**–45,529**	**30,024**
Cash flow from changes in working capital			
Increase (–)/decrease (+) to inventories		–4,757	–20,184
Increase (–)/decrease (+) to trade receivables		85,603	–46,333
Increase (+)/decrease (–) to trade liabilities		34,598	56,004
Cash flow from operating activities		**69,915**	**19,511**
Investing activities			
Acquisitions of tangible fixed assets		–29,752	–25,822
Acquisitions of intangible fixed assets		–5,154	–
Acquisitions of subsidiaries/business segments, net liquidity influence		–44,817	–8,081
Disposal of financial assets		170	–
Cash flow from investing activities		**–79,553**	**–33,903**
Financing activities			
New issue		–	112,032
Issue expenses		–	–7,120
Borrowings		3,325	201,856
Amortisation of loans		–	–280,243
Dividends paid to parent company’s shareholders		–4,812	–
Cash flow from financing activities		**–1,487**	**26,525**
Cash flow for the year		**–11,125**	**12,133**
Liquid funds at the beginning of the period		**20,143**	**7,968**
Exchange rate differences in liquid funds		**52**	**42**
Liquid funds at the end of the period		**9,070**	**20,143**

Parent Company Income Statement

1 January–31 December

SEK 000	**Note**	**2005**	**2004**
Net revenue	2, 3	38,232	13,318
Cost of sold goods and services		–6,350	–868
Gross profit/loss		**31,882**	**12,450**
Selling expenses		–14,885	–7,349
Administrative expenses		–15,865	–14,944
Other operating revenue	6	374	–
Other operating expenses	7	–	–41
Operating profit/loss	9, 31	**1,506**	**–9,884**
Profit/loss from participations in group companies		–2,900	–
Other interest income, etc.		3,934	328
Interest expenses, etc.		–2,704	–490
Profit/loss after financial items	11	**–164**	**–10,046**
Appropriations	12	574	–487
Profit/loss before tax		**410**	**–10,533**
Tax	13	–1,092	2,345
Profit/loss for the period		**–682**	**–8,188**

Parent Company Balance Sheet

SEK 000	**Note**	**31 December 2005**	**31 December 2004**
ASSETS			
Fixed assets			
Intangible fixed assets	14	467	2,268
Tangible fixed assets	15	365	438
Financial fixed assets			
Participations in group companies	34	161,585	120,757
Receivables from group companies	17	17,062	–
Other long-term receivables	17, 30	–	10,197
Total financial fixed assets		*178,647*	*130,954*
Total fixed assets		**179,479**	**133,660**
Current assets			
Current receivables		,	
Accounts receivable–trade		282	160
Receivables from group companies	16	120,291	133,188
Other receivables		1,497	5,461
Prepaid expenses and accrued income	20	226	299
Total current receivables		*122,296*	*139,108*
Cash and bank balances		410	875
Total current assets		**122,706**	**139,983**
TOTAL ASSETS		**302,185**	**273,643**

SEK 000	Note	31 December 2005	31 December 2004
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	22		
Restricted equity			
Share capital (9,624,200 class A shares)		4,812	4,812
Premium reserve		–	148,100
Revaluation reserve		–	43,995
Statutory reserve		148,161	61
Non-restricted equity			
Profit/loss brought forward		50,825	21,918
Profit/loss for the period		–682	–8,188
Total shareholders' equity		**203,116**	**210,698**
Untaxed provisions	35	**134**	**708**
Provisions			
Other provisions	27	1,350	4,500
Total provisions		**1,350**	**4,500**
Long-term liabilities			
Liabilities to group companies		–	2,414
Total long-term liabilities		**–**	**2,414**
Current liabilities			
Liabilities to credit institutions	25	26,772	11,369
Accounts payable–trade		1,410	1,414
Liabilities to group companies		53,400	33,274
Current tax liabilities		201	6,449
Other liabilities	28	10,586	196
Accrued expenses and deferred income	29	5,216	2,621
Total current liabilities		**97,585**	**55,323**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**302,185**	**273,643**
Pledged assets and contingent liabilities for parent company			
Pledged assets	32	**4,100**	**4,100**
Contingent liabilities	32	**178,666**	**185,841**

Statement of Changes in Parent Company's Shareholders' Equity

SEK 000	Restricted equity				Non-restricted equity			
	Share capital	Share issue in registra-tion	Statu-tory reserve	Reva-luation reserve	Premium reserve	Profit/loss brought forward	Profit/loss for the period	**Total share-holders' equity**
Opening balance, shareholders' equity 1 January 2004	3,840	150	61	43,995	44,010	2,083	2,792	**96,931**
Adjustment for revised accounting principle	–	–	–	–	–	–	–	**–**
Adjusted shareholders' equity 1 January 2004	**3,840**	**150**	**61**	**43,995**	**44,010**	**2,083**	**2,792**	**96,931**
Group contribution paid	–	–	–	–	–	–26,373	–	**–26,373**
Group contribution received	–	–	–	–	–	43,416	–	**43,416**
Profit/loss for the period	–	–	–	–	–	2,792	–10,980	**–8,188**
Total changes in net worth, excluding trans-actions with the company's shareholders	**–**	**–**	**–**	**–**	**–**	**19,835**	**–10,980**	**8,855**
New issue	667	–150	–	–	99,533	–	–	**100,050**
Stock options converted by staff	305	–	–	–	4,557	–	–	**4,862**
Closing balance, shareholders' equity 31 December 2004	**4,812**	**–**	**61**	**43,995**	**148,100**	**21,918**	**–8,188**	**210,698**

SEK 000	Restricted equity			Non-restricted equity			
	Share capital	Statutory reserve	Reva-luation reserve	Premium reserve	Profit/loss brought forward	Profit/loss for the period	**Total share-holders' equity**
Opening balance, shareholders' equity 1 January 2005	4,812	61	43,995	148,100	21,918	–8,188	**210,698**
Adjustment for revised accounting principle	–	–	–	–	–	–	**–**
Adjusted shareholders' equity 1 January 2005	**4,812**	**61**	**43,995**	**148,100**	**21,918**	**–8,188**	**210,698**
Group contribution paid	–	–	–	–	–53,400	–	**–53,400**
Tax on group contribution paid	–	–	–	–	14,952	–	**14,952**
Group contribution received	–	–	–	–	50,500	–	**50,500**
Tax on group contribution received	–	–	–	–	–14,140	–	**–14,140**
Profit/loss for the period	–	–	–	–	–8,188	7,506	**–682**
Total changes in net worth, excluding trans-actions with the company's shareholders	**–**	**–**	**–**	**–**	**–10,276**	**7,506**	**–2,770**
Dividends	–	–	–	–	–4,812	–	**–4,812**
Transfer of premium reserve to statutory reserve	–	148,100	–	–148,100	–	–	**–**
Transfer of revaluation reserve to profit/loss brought forward	–	–	–43,995	–	43,995	–	**–**
Closing balance, shareholders' equity 31 December 2005	**4,812**	**148,161**	**–**	**–**	**50,825**	**–682**	**203,116**

Parent Company Cash Flow Statement

(indirect method)

1 January–31 December

SEK 000	Note	2005	2004
Operating activities	36		
Profit/loss after financial items		–164	–10,046
Adjustment for non-cash items		–2,610	242
Income tax paid		–15,078	–6,445
Cash flow from operating activities before changes in working capital		**–17,852**	**–16,249**
Cash flow from changes in working capital			
Increase (–)/decrease (+) to trade receivables		66,412	–74,321
Increase (+)/decrease (–) to trade liabilities		–13,256	–7,752
Cash flow from operating activities		**35,304**	**–98,322**
Investing activities			
Acquisitions of tangible fixed assets		–467	–419
Acquisitions of intangible fixed assets		–	–2,268
Disposal of intangible fixed assets		1,801	–
Acquisitions of financial assets		–47,694	–10,197
Cash flow from investing activities		**–46,360**	**–12,884**
Financing activities			
New issue		–	112,032
Issue expenses		–	–7,120
Borrowings		15,403	6,869
Dividends paid		–4,812	–
Cash flow from financing activities		**10,591**	**111,781**
Cash flow for the year		**–465**	**575**
Liquid funds at the beginning of the period		**875**	**300**
Liquid funds at the end of the period		**410**	**875**

Notes

Note 1 Accounting principles

Consistency with standards and legislation
The Consolidated Financial Statements have been prepared pursuant to International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretation statements from the International Financial Reporting Interpretations Committee (IFRIC), which have been endorsed by the EU Commission for adoption in the EU. This Annual Report and Consolidated Financial Statements are the first complete financial reports prepared pursuant to IFRS. Coincident with the transfer from previous accounting principles to accounting according to IFRS, the group adopted IFRS 1, which formalises the first-time adoption of IFRS. Additionally RR's (Redovisningsrådet, the Swedish Financial Accounting Standards Council) recommendation RR 30, Supplementary Accounting Regulations for Groups, has been observed.

The parent company applies the same accounting principles as the group apart from the cases stated below in the 'parent company accounting principles' section. The discrepancies arising between the parent company's and group's principles result from limitations in possibilities to adopt IFRS for the parent company ensuing from the Swedish Annual Accounts Act and other relevant legislation (Tryggandelagen), and in some cases, for tax reasons.

Notes 40 and 41 summarise how the adoption of IFRS has affected the group's profits and position, and its accounted cash flow.

Preconditions when preparing the parent company's and group's financial reports
The parent company's functional currency is the Swedish krona, which is also the reporting currency for the parent company and group. Unless otherwise stated, all amounts are rounded to the nearest thousand. Assets and liabilities are accounted at historical cost, apart from some financial assets and liabilities, which are valued at fair value. The financial assets and liabilities valued at fair value are derivative instruments.

Preparing financial reports pursuant to IFRS necessitates the company management making evaluations and estimates, and assumptions that affect the adoption of accounting principles and book values of assets, liabilities, revenues and expenses. The estimates and assumptions are based on historical experience and a number of other factors that are considered reasonable in the prevailing circumstances. The results of these estimates and assumptions are then applied to evaluate the book value of assets and liabilities that would not otherwise be clearly stated from other sources. Actual figures might differ from these estimates and evaluations.

The estimates and assumptions are reviewed regularly. Changes to estimates are accounted in the period the change is made if the change only influences that period, or in the period the change is made and future periods if the change influences both current and future periods.

The company management's evaluations at the adoption of IFRS with a significant influence on the financial reports and estimates made, which may imply significant adjustments to ensuing year's' financial reports, are reviewed in more detail in Note 38.

The following accounting principles for the group have been applied consistently for all periods presented in the Consolidated Financial Statements, unless otherwise stated below, and when preparing the group's opening Balance Sheet pursuant to IFRS as of 1 January 2004, which explains the transfer from previously applied accounting principles to IFRS. The group's accounting principles have been consistently applied on reporting and consolidating the parent company and subsidiaries.

The Annual Report and Consolidated Financial Statements were approved for issuance by the Board of Directors on 28 March 2006. The Consolidated Income Statement and Balance Sheet and the Parent Company's Income Statement and Balance Sheet will be subject to resolution at the AGM (Annual General Meeting) on 26 April 2006.

Revised accounting principles
For the group, the transfer to accounting pursuant to IFRS has been pursuant to IFRS 1 and is reviewed in Notes 40 and 41. Pursuant to the voluntary exception of IFRS 1, IAS 39 has been applied, and IFRS 4 and IFRS 5 have not been applied on comparative figures for 2004, but in advance, from 1 January 2005. The adoption of IAS 39 did not exert any significant effect on shareholders' equity or profit/loss for the period.

No advance adoption of future standards pursuant to IFRS was effected in the absence of endorsement from the EU.

New IFRS and interpretations that will be applied during forthcoming periods are IFRS 7, Financial Instruments: Disclosure, which replaces the disclosure requirements of IAS 32, and will be applied from 1 January 2007 onwards, and IFRIC 4, Determining whether an Arrangement Contains a Lease.

Segment reporting
A segment is a part of the group that is identifiable in accounting terms, which either supplies products or services (business segments), or goods or services with a determined financial area (geographical region), which is exposed to risks and opportunities that differ from other segments.

Segment information is submitted pursuant to IAS 14 for the group only.

Classification, etc.
Essentially, the fixed assets and long-term liabilities of the parent company and group exclusively comprise amounts expected to be recovered or paid after more than 12 months from year-end. Essentially, the current assets and current liabilities of the parent company and group comprise amounts expected to be recovered or paid within 12 months of year-end.

Consolidation principles
Subsidiaries
Subsidiaries are companies under the controlling influence of NOTE AB. Controlling influence means a direct or indirect right to determine a company's financial and operational strategies with the aim of attaining financial benefits. When evaluating whether there is a controlling influence, potential shares entitled to vote that can be utilised or converted without delay are considered. Subsidiaries are accounted pursuant to acquisition accounting.

The financial reports of subsidiaries are consolidated in the Consolidated Financial Statements from the time of acquisition until the date when the controlling influence ceases.

Transactions to be eliminated upon consolidation
Intra-group receivables and liabilities, revenues or costs and unrealised profits or losses arising from intra-group transactions between group companies are eliminated in their entirety when the Consolidated Financial Statements are prepared.

Foreign currency
Foreign currency transactions
Foreign currency transactions are converted to the functional currency at the exchange rate on the transaction date. Foreign-currency monetary assets and liabilities are converted to the functional currency at year-end exchange rates. The exchange rate differences arising upon conversion are accounted in the Income Statement.

Financial reports of foreign operations
The assets and liabilities of foreign operations including goodwill and other consolidated surpluses and deficits are converted to Swedish krona at year-end change rates. The revenues and expenses of foreign operations are converted to Swedish krona at average exchange rates, which is an approximation of the exchange rates at each transaction date. Translation differences arising from the currency conversion of foreign operations are accounted directly against shareholders' equity as a translation provision.

Net investment in a foreign operation
Translation differences arising coincident with conversion of a foreign net investment and the associated effects of hedging of net investments are accounted directly in the translation provision in shareholders' equity. NOTE has chosen to set accumulated translation differences attributable to foreign operations to zero at the time of the adoption of IFRS.

Revenues
Sales of goods and conducting services assignments
Revenues from the sale of manufacturing services are accounted to the Income Statement when the significant risks and benefits associated with ownership of the product have been transferred to the buyer. Revenues are not accounted if it is likely that the financial benefits will not arise for the group. If there is significant uncertainty regarding payment, associated expenses or the risk of returns, and if the seller retains a commitment in the ongoing management usually associated with ownership, no revenues are accounted.

Revenues are recognised in the Income Statement when it is likely that the future financial benefits will arise for the company, and these benefits can be reliably calculated.

Revenues only include the gross inflows of financial benefits the company receives, or may receive, on its own behalf.

Revenues are accounted at the actual value of what is received, or will be received, less deductions for discounting.

Central government support
Central government subsidies are recounted in the Income Statement and Balance Sheet when there is reasonable certainty that the conditions associated with the subsidy will be satisfied and the subsidy will be received. Subsidies are allocated systematically and consistently, and over the same periods as the expenses the subsidy is intended to compensate.

Central government subsidies received as remuneration for expenses that have already been posted to profits in previous periods are accounted in the Income Statement in the period when the receivable from central government arises. Central government subsidies for investments are accounted as a reduction of the book value of the asset.

Operating expenses and financial income and expenses
Payments for operating leasing
Payments for operating lease contracts are accounted in the Income Statement linearly over the leasing term. Benefits received coincident with signing a contract are accounted as a portion of the total leasing expense in the Income Statement.

Payments regarding financial leases
Minimum leasing charges are allocated between interest expenses and amortisation of the outstanding liabilities. Interest expenses are divided over the leasing term so that each accounting period is subject to an amount corresponding to a fixed interest rate for the liability accounted in each period. Variable expenditure is written off in the periods it arises.

Financial income and expenses
Financial income and expenses comprise interest income on bank balances, receivables and interest-bearing securities, interest expenses on loans, dividend income, exchange rate differences, and unrealised and realised profits on financial investments and derivative instruments used in financing activities.

The group and parent company do not capitalise interest on the cost of assets.

Financial instruments
In the group, financial instruments are valued and accounted pursuant to the stipulations of IAS 39.

On the asset side, financial instruments accounted in the Balance Sheet include liquid funds, accounts receivable – trade, shares and loan receivables. Accounts payable – trade, issued debt and equity instruments and borrowings are accounted under liabilities and shareholders' equity.

Initially, financial instruments are accounted at acquisition value corresponding to the fair value of the instrument plus transaction expenses for all financial instruments. Subsequently, instruments are accounted according to how they are classified, as follows:

A financial asset or liability is accounted in the Balance Sheet when the company becomes party to the instrument's contracted terms. Accounts receivable – trade are accounted in the Balance Sheet when an invoice has been sent. Liabilities are accounted when the counterparty has delivered, and a contracted payment obligation exists, even if no invoice has yet been received. Accounts payable – trade are accounted when an invoice has been received.

Financial assets are removed from the Balance Sheet when the contracted rights are realised, mature or the company relinquishes control over them. The same applies for a portion of a financial asset. Financial liabilities are removed from the Balance Sheet when the contracted commitment is fulfilled or extinguished in some other manner. The same applies for a portion of a financial liability. The company conducts impairment tests coincident with each financial report to determine whether there is any need for write-down of a financial asset or group of financial assets.

IAS 39 classifies financial instruments in categories. This classification depends on the purpose of the acquisition of the financial instrument. The company management determines the classification at the original time of acquisition. The categories are as follows:

Loan receivables and accounts receivable – trade
'Loan receivables and accounts receivable – trade' are financial assets that are not derivatives with fixed payments or payments that can be determined, and are not listed on an active market. The receivables arise when the company supplies funds, goods or services directly to the borrower without the intention of conducting trade in the claim. This category also encompasses acquired receivables.

Other financial liabilities
Financial liabilities not held for trade are valued at accrued acquisition value.

Derivatives used for hedge accounting
All derivatives are accounted at fair value in the Balance Sheet.

Liquid funds
Liquid funds comprise cash and immediately available balances with banks and corresponding institutions.

Long-term receivables and other receivables
Long-term receivables and other current receivables are receivables that arise when the company supplies funds without intending to conduct trading in the claim. If the expected term of retention is longer than one year, they are classified as long-term receivables, and if shorter, other receivables. These receivables are categorised as loan receivables and accounts receivable – trade.

Accounts receivable – trade
Accounts receivable – trade are classified in the loan receivables and accounts receivable – trade category. Accounts receivable – trade are allocated at the amount expected to arise less deductions for doubtful debts, which is considered on a case-by-case basis. The expected term of accounts receivable is short, and thus the value is accounted at a nominal amount without discounting. The write-down of accounts receivable – trade is accounted in operating expenses.

Liabilities
Liabilities are classified as other financial liabilities, implying that initially, they are accounted at the amount received less deductions for transaction expenses. Long-term liabilities have an expected term of longer than one year, while current liabilities have a term shorter than one year.

Accounts payable – trade
Accounts payable – trade are classified in the other financial liabilities category. Accounts payable – trade have short expected terms and are valued at nominal amount without discounting.

Derivatives and hedge accounting
Derivative instruments are forwards contracts utilised to cover risks for exchange rate variations. Derivatives are also contract terms embedded in other contracts. Embedded derivatives should be accounted separately unless they are closely related to the host contract. Value changes on independent and embedded derivative instruments are accounted in the Income Statement based on the purpose of the holding. If the derivative is used for hedge accounting to the extent it is effective, value changes on the derivative are accounted on the same Income Statement line as the hedged item. Even if hedge accounting is not utilised, value increases and value decreases on derivatives are accounted as income and expenses within operating profit/loss, or within financial income/expenses, based on the purpose of the derivative instrument, and whether the usage relates to an operating or financial item. For hedge accounting, the ineffective portion is accounted in the same way as value changes on derivatives not used for hedge accounting.

Transaction exposure – cash flow hedging
Currency exposure regarding future forecast flows is hedged through currency forwards. Currency forwards that hedge future flows are accounted in the Balance Sheet at fair value. Value changes are accounted directly to shareholders' equity in the hedging reserve, until the hedged flow arrives in the Income Statement, whereupon the hedging instrument's accumulated value changes are transferred to the Income Statement, to encounter and match the profit effect from the hedged transaction. Hedged flows may be contracted and forecast transactions.

Because the hedged future cash flow relates to a transaction capitalised in the Balance Sheet, the hedging reserve is dissolved when the hedged item is accounted in the Balance Sheet. If the hedged item is a non-financial asset or a non-financial liability, the dissolution from the hedging reserve is included in the original cost of the asset or reliability. If the hedged item is a financial asset or financial liability, the hedging reserve is dissolved progressively against the Income Statement at the same rate as the hedged item affects profit.

When a hedging instrument matures, is sold, liquidated or redeemed, or the company ceases the identification of the hedging relation before the hedged transaction occurs, and the forecast transaction is still expected to occur, the accounted accumulated profit or loss remains in the hedging reserve in shareholders' equity and is accounted in the corresponding manner as the above when the transaction occurs.

If the hedged transaction is no longer expected to occur, the hedging instrument's accumulated profit or loss are dissolved immediately against the Income Statement pursuant to the principles on derivative instruments stated above.

Effects of outstanding forwards contracts are marginal.

Tangible fixed assets

Owned assets

Tangible fixed assets are accounted as assets in the Balance Sheet if it is likely that future financial benefits will arise for the company to the extent that acquisition value of the asset can be calculated reliably.

Tangible fixed assets are accounted in the group at acquisition value less deductions for accumulated depreciation and potential write-downs. The acquisition value includes the purchase price and expenses directly attributable to bringing the asset into the location and condition for use pursuant to the purpose of its acquisition. Examples of directly attributable expenses included in acquisition value include expenses for delivery and processing, installation, registration, consulting services and legal services. Borrowing is not included in acquisition values for fixed assets produced by the company.

The accounting principles for write-downs are stated below.

The acquisition value of fixed assets produced in-house includes expenses for materials, expenditure for remuneration to employees, and where applicable, other production expenses considered directly attributable to the fixed assets and estimated expenditure for the disassembly and disposal of the asset and restoration of the place or area where the asset was located.

Tangible fixed assets that comprise components of differing useful lives are treated as separate components of tangible fixed assets.

The book value of a tangible fixed asset is removed from the Balance Sheet upon obsolescence or disposal, or when no future financial benefits are expected from using or disposing of the asset. Profits or losses arising upon disposal or obsolescence of an asset comprise the difference between the sales price and the asset book value less direct selling expenses. Profits and losses are accounted as other operating income/expenses.

Leased assets

IAS 17 is applied for leased assets. In the Consolidated Financial Statements, leasing is classified as finance or operating leasing. Finance leasing occurs when essentially, the financial risks and benefits associated with ownership transfer to the lessee, and if this is not the case, operating leasing applies.

Assets least pursuant to finance leasing agreements are accounted as assets in the Consolidated Balance Sheet.

The obligation to pay future leasing charges is accounted as long-term and current liabilities. Leased assets are depreciated according to plan, while leasing payments are accounted as interest and amortisation of liabilities.

Operating leasing means that leasing charges are written off over the term, proceeding from usage, which may differ from what has been paid as leasing charges in the year de facto.

Additional expenditure

Additional expenditure is added to acquisition value only if it is likely that the future financial benefits associated with the asset will arise for the company, and the cost can be reliably calculated. All other additional expenditure is accounted as a cost in the period it arises. Additional expenditure is added to acquisition value to the extent that the performance of the asset is improved in relation to the level applying when originally acquired. All other additional expenditure is accounted as a cost in the period it arises.

Whether expenditure relates to the exchange of identifiable components, or parts thereof, is decisive to evaluation of when additional expenditure is added to acquisition value, whereupon such expenditure is capitalised. Even in those cases where new components are created, expenditure is added to acquisition value. Potential book values not written off on exchanged components, or parts of components, are made obsolete and written off at exchange. Repairs are written off on an ongoing basis.

Borrowing costs

Borrowing costs are posted to profit in the period to which they relate.

Depreciation principles

Depreciation is linear over the estimated useful lives of assets, and land is not depreciated. The group utilises component depreciation, which means that the components' estimated useful lives are the basis for depreciation.

Estimated useful lives:

Land improvements	20 years
Buildings, real estate used in business operations	15, 25 or 50 years
Expenditure on other party's property	5 or 20 years
Permanent equipment, service facilities etc. in buildings	5 or 10 years
Plant and machinery	5 years
Equipment, tools fixtures and fittings	4 or 5 years

Real estate used in business operations comprises a number of components with differing useful lives. The main division is buildings and land. There is no depreciation of the land component, whose useful lives are considered indefinite. However, buildings comprise several components, whose useful lives vary.

The useful lives of these components are assessed to vary between 10 and 100 years.

The following main groups of components have been identified and are the basis for depreciation on buildings:

Framework and foundation	50–100 years
Additions to framework, interior walls, etc	30–50 years
Fixtures and fittings, heating, electricity, ventilation and sanitation, etc.	30 years
Exterior surfaces, frontage, external roofing, etc.	30–40 years
Interior surfaces, mechanical equipment, etc.	10–15 years

The residual value and useful life of assets is conducted annually.

Intangible assets

Goodwill

Goodwill is the difference between the cost of business acquisitions and the fair value of acquired assets, liabilities taken over and contingent liabilities.

For the goodwill of acquisitions before 1 January 2004, at the adoption of IFRS, the group has not adopted IFRS retroactively, but going forward, the book value accounted at that date comprises the group's acquisition value, after impairment testing, see Notes 14 and 40.

Goodwill is valued at acquisition value less potential accumulated write-downs. Goodwill is divided between cash-generating units and is no longer amortised, but subject to annual impairment tests.

Research and development

Expenditure for research intended to attain new scientific or technical knowledge is accounted as an expense when it arises.

Expenditure for development, where research results or other knowledge are used to achieve new or improved products or processes, is accounted as an asset in the Balance Sheet if the product or process is technically and commercially usable, and the company has sufficient resources to complete development, and will use or sell the intangible asset thereafter. The book value includes expenditure for materials, direct expenditure for salaries and indirect expenditure attributable to the asset in a reasonable and consistent manner. Other expenditure for development is accounted in the Income Statement as an expense when it arises. Development expenses accounted in the Balance Sheet are stated at cost less accumulated depreciation and potential write-downs.

Other intangible assets

Other intangible assets acquired by the group are accounted at acquisition value less accumulated amortisation (see below).

Expenses incurred for internally generated goodwill and internally generated trademarks and brands are accounted in the Income Statement when the expense arises.

Additional expenditure

Additional expenditure for capitalised intangible assets is accounted as an asset in the Balance Sheet only when it increases the future financial benefits for the specific asset to which it is attributable. All other expenditure is written off as it arises.

Depreciation

Depreciation is accounted in the Income Statement linearly over the

Notes

estimated useful lives of intangible assets, providing such useful lives are not indefinite. Goodwill and intangible assets with indefinite useful lives are subject to impairment tests annually or as soon as indications that the relevant asset's value has reduced arise. Depreciable intangible assets are depreciated from the date they are available for use. The estimated useful lives are:

Trademarks, brands and similar rights	5 years
Capitalised expenditure on software	4 years
Capitalised expenditure for process development	5 years

Inventories

Inventories are valued at the lower of acquisition value and net realisable value. Net realisable value is the estimated sales price in operating activities less estimated expenditure for completion and achieving a sale.

Cost is calculated by applying the FIFO (first in first out) method and includes expenditure arising from the acquisition of inventory items and their transportation to their current location and condition. The acquisition value of producing finished goods and work in progress includes a reasonable proportion of indirect expenses based on normal capacity.

The acquisition value of semi-finished and finished goods produced by the company includes direct production expenses and a reasonable proportion of indirect production expenses. Valuations consider normal capacity utilisation.

Write-downs

With the exception of inventories and deferred tax assets, the book values of the group's assets are subject to impairment tests at each year-end for any need for write-downs. If there is such indication, the asset's recoverable value is calculated. Assets exempted by the above are subject to impairment tests pursuant to the relevant standards.

For goodwill and other intangible assets with indefinite useful lives, recoverable values are calculated annually.

A write-down is accounted when an asset or cash-generating unit's book value exceeds its recoverable value. A write-down is posted to the Income Statement.

Write-downs of assets attributable to cash-generating units (group of units) are primarily assigned to goodwill. A proportional write-down of the unit's other constituent assets (group of units) is effected subsequently.

Goodwill and other intangible assets with indefinite lifetimes were subject to impairment tests as of 1 January 2004 (IFRS adoption date) even if there was no indication of a need for write-downs.

Calculating recoverable values

Recoverable values on assets in the categories of investments held until maturity and loan receivables and accounts receivable – trade, which are accounted at accrued cost, are calculated as the present value of future cash flows discounted by effective interest prevailing when the asset was accounted for the first time. Assets with shorter maturities are not discounted.

The recoverable value of other assets is the greater of the fair value less selling expenses and value in use. Future cash flows are subject to a discount factor, considering risk-free interest and the risk associated with the specific asset for calculating value in use. For an asset not generating cash flows, which is significantly independent of other assets, recoverable values are calculated for the cash-generating unit to which the asset belongs.

Reversal of write-downs

Write-downs of investments held until maturity or loan receivables and accounts receivable – trade, which are accounted at accrued cost, are reversed if a subsequent increase in recoverable value can be objectively attributed to an event that has occurred after the write-down was effected.

Goodwill write-downs are not reversed.

Write-downs on other assets are reversed if changes to the assumptions forming the foundation for calculating the recoverable value have occurred.

A write-down is only reversed to the extend the asset's book value after reversal does not exceed the book value the asset would have had if no write-down had been effected, considering the depreciation that would then have been effected.

Share capital

Dividends

Dividends are accounted as a liability after the AGM has approved the dividends.

Employee benefits

Defined-contribution plans

Commitments regarding expenditure on defined-contribution plans are accounted as an expense in the Income Statement when they arise.

Defined-benefit plans

The group's net commitments for defined-benefit plans are calculated separately for each plan through an estimate of the future remuneration employees have accrued through their service in current and previous periods; this remuneration is discounted to present value, with the fair value of potential plan assets deducted.

When the benefits of a plan improved, the proportion of the increased benefits attributable to employee service in previous periods is accounted as an expense in the Income Statement, divided linearly as the average period until the benefits are fully accrued. If the benefit is fully accrued, an expense is accounted in the Income Statement directly.

All actuarial gains and losses as of 1 January 2004, the IFRS adoption date, have been accounted. For actuarial gains and losses arising in the calculation of the group's commitments for various plans after 1 January 2004, the 'corridor rule' is applied, which implies that the portion of the accrued actuarial gains and losses exceeding 10 per cent of the greater of the commitment's present value and the fair value of assets under management is accounted in profits over the expected average remaining length of service for those employees covered by the plan. Otherwise, actuarial gains and losses are not considered.

Remuneration upon notice

A provision is accounted coincident with the issuance of notice of staff, only if the company has demonstrably committed to conclude employment before the normal time, or if remuneration is disbursed as an offering to encourage voluntary redundancies. The those cases the company makes staff redundant, a detailed plan is prepared, which as a minimum includes workplace, positions and approximate number of affected staff, and the remuneration for each staff category, or position, and the time of execution of the plan.

Equity-related benefits

The group has no outstanding stock option plans. A stock option plan, outside the scope of the disclosure requirements of IFRS 2, because the options were accrued before 1 January 2005, matured in 2004, social security contributions have been accounted for the staff utilising their rights to subscribe for shares pursuant to the stock option plan. For information on this plan, see Note 26.

Provisions

Provisions are accounted in the Balance Sheet when the group has an existing legal or informal commitment ensuing from an event that has occurred, and it is likely that an outflow of financial resources will be necessary to settle the commitment and the amount can be reliably estimated. When the effect of when the payment occurs in time is significant, the provision is calculated by discounting the expected future cash flows at an interest rate before tax reflecting current market evaluations of the time value of money, and if applicable, the risks associated with the liability.

Restructuring

A restructuring provision is accounted when the group has determined an executable and formal restructuring plan, and the restructuring has either begun or been publicly announced. No provision is made for future operating expenses.

Tax

Income tax comprises current tax and deferred tax. Income tax is accounted in the Income Statement apart from when the underlying transaction is 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, applying the tax rate rates resolved or practically resolved as of year-end, which also includes adjustments to current tax attributable to previous periods.

Deferred tax is calculated according to the balance sheet method, proceeding from temporary differences between book and taxable values of assets and liabilities. The following temporary differences are not considered; for temporary differences arising in the first accounting of goodwill, the first accounting of assets and liabilities that are not business combinations, and that at the time of the transaction neither influence accounted nor taxable profits. Nor are temporary differences attributable to participations in subsidiaries not expected to be reversed within the foreseeable future considered. The value of deferred tax is based on how the book value of assets or liabilities are expected to be realised or settled. Deferred tax is calculated by applying the tax rates and tax regulations that are either resolved or practically resolved at year-end.

Deferred tax assets on taxable temporary differences and loss carry-forwards are only accounted to the extent it is likely that they will be utilised. The value of deferred tax assets is reduced when it is no longer considered likely that they can be utilised.

Potential additional income tax arising from dividends is accounted at the same time as when the dividend was accounted as a liability.

Contingent liabilities
A contingent liability is accounted when there is a possible commitment resulting from events that have occurred and whose incidence is only confirmed by one or more uncertain future events, or when there is a commitment that is not accounted as a liability or provision because it is not likely that an outflow of resources will be necessary.

Parent company accounting principles
the parent company has prepared its Annual Report pursuant to the Swedish Annual Accounts Act (1995:1554) and RR's (Redovisningsrådet, the Swedish Financial Accounting Standards Council) recommendation RR 32, Accounting for Legal Entities. RR 32 means that in its Annual Report as a legal entity, the parent company should adopt all IFRS and statements endorsed by the EU, providing this is possible within the framework of the Swedish Annual Accounts Act and with consideration to the relationship between accounting and taxation. This recommendation states the exceptions and supplements to be made IFRS.

Revised accounting principles
The parent company's revised accounting principles have been accounted pursuant to the stipulations of IAS 8, but considering the special transitional stipulations of RR 32. This means that the revised accounting principles are stated with retroactive effect, with the following exceptions:

Pursuant to the transitional stipulations of RR 32, the company has chosen not to adopt Chap. 4 §14 a–e of the Swedish Annual Accounts Act, which permits valuation of certain financial instruments at fair value. The stipulations of Chap. 4 § 14 a–e of the Swedish Annual Accounts Act will be adopted from 1 January 2006 onwards. This will not have any significant effects.

The accounting principles for the parent company stated below have been adopted consistently for all periods published in the parent company's financial reports.

Subsidiaries
In the parent company, participations in subsidiaries are accounted pursuant to the cost method. Only dividends received are accounted as revenues, providing they are sourced from profits earned after the acquisition. Dividends exceeding these accrued profits are considered as repayment of the investment, and reduce the participations' book value.

Revenues
Sales of goods and conducting services assignments
The revenue of services assignments in the parent company are recognised pursuant to the Chap. 2 §4 of the Swedish Annual Accounts Act when the services are complete. 100 per cent of parent company sales are to other group companies.

Dividends
Dividend revenue is calculated when the rights to receive payment are considered certain.

Anticipated dividends
Anticipated dividends from subsidiaries are accounted when the parent company alone possesses the right to resolve on the size of dividends, and the parent company has reached a decision on the size of dividends before the parent company publishes its financial reports.

Financial instruments
The parent company does not use the valuation rules of IAS 39. However, other information on financial instruments also applies to the parent company. The parent company values financial fixed assets at acquisition value less potential write-downs and financial current assets pursuant to the lower of cost or market.

Tangible fixed assets
Owned assets
Tangible fixed assets in the parent company are accounted at cost less deductions for accumulated depreciation and potential write-downs in the same manner as for the group, but with a supplement for potential revaluations.

Leased assets
All leasing contracts in the parent company are accounted pursuant to operating leasing rules.

Intangible fixed assets
Research and development
In the parent company, all expenditure for development is accounted as an expense in the Income Statement, apart from expenditure for the development of lead-free manufacturing.

Tax
In the parent company, untaxed provisions are accounted including deferred tax liabilities. However, the Consolidated Financial Statements divide untaxed reserves between deferred tax liabilities and shareholders' equity.

Group contributions and shareholders' contributions for legal entities
The company accounts group contributions and shareholders' contributions pursuant to statements from the RR Emerging Issues Task Force. Shareholders' contributions are accounted directly to the recipient's shareholders' equity and capitalised in shares and participations of the issuer, to the extent no write-downs are necessary.

Group contributions are accounted pursuant to their financial implications, which means that group contributions paid with the aim of minimising the group's total tax are accounted directly against retained profits less deductions for their current tax effect.

Group contributions that are equivalent to dividends are accounted as dividends. This means that group contributions received and their current tax effect are accounted in the Income Statement. Group contributions paid and their current tax effect are accounted directly against retained profits.

Group contributions that are equivalent to shareholders' contributions are accounted directly against the recipient's retained profits, considering their current tax effect. The issuer accounts the group contribution and its current tax effect as an investment in participations in group companies, to the extent no write-downs are necessary.

Not 2 Division of revenue

	Group		Parent company	
Revenues by significant revenue type	1 Jan 2005 –31 Dec 2005	1 Jan 2004 –31 Dec 2004	1 Jan 2005 –31 Dec 2005	1 Jan 2004 –31 Dec 2004
Net revenue				
Services assignments	1,504,057	1,103,146	–	–
Intra-group services	–	–	38,232	13,318
	1,504,057	**1,103,146**	**38,232**	**13,318**

Not 3 Segment reporting

Segment reporting is prepared for the group's business segments and geographical regions. The group's internal reporting systems are structured on the basis of monitoring the returns on the group's goods and services, and accordingly, business segments are the primary basis for division. The company is active in contract electronics production, which is its primary segment. Operations consist of a single business segment because the company's products/services are exposed to risks and opportunities that do not differ notably. Moreover, the products/services are similar, which has implications including the character of the actual product, production processes and distribution channels being similar. Information on the group's primary segment is stated in the Consolidated Income Statement, Balance Sheet and Cash Flow Statement.

Geographical regions
The business segment of electronics production is basically conducted within a single geographical region, the Nordic and Baltic region. Some 92 per cent of the group's services are sold in the Nordic and Baltic region. Risks and opportunities do not differ significantly within this region.

Note 4 Other revenues

Group	1 Jan 2005 –31 Dec 2005	1 Jan 2004 –31 Dec 2004
Insurance claim for downtime and margin losses	4,000	18,339
	4,000	**18,339**

Note 5 Business combinations

On 1 January 2005, the group acquired 100 per cent of the shares of OÜ Paitec Electroonika for SEK 20,697,000 for a cash payment (an advance payment of SEK 10,197,000 was made on 15 December 2004). The corporate name was changed to NOTE Pärnu OÜ. The assets and liabilities of Point Products Oy were acquired in the same transaction for SEK 6,040,000, and invested in an acquired holding company in Helsinki, whose corporate name was changed to NOTE Hyvinkää Oy.

A provision for supplementary purchase price for this transaction, based on the total profits of NOTE Pärnu OÜ and NOTE Hyvinkää Oy over a three-year period of SEK 1,950,000 was created. These companies produce electronics products, mainly for Finnish and Baltic product owners.

In 2005, subsidiaries contributed SEK 2,925,000 to consolidated profit after tax.

Additionally, the subsidiary Ericsson Anslutningssystem AB was acquired on 1 January 2005 for SEK 16,078,000. This company produces electronics products, mainly for Swedish product owners. In 2005, this subsidiary contributed SEK 12,370,000 to consolidated profit after tax.

Effects of the acquisition
The acquisitions had the following effects on consolidated assets and liabilities:

NOTE Pärnu OÜ's net assets at the time of acquisition:

	Book value, NOTE Pärnu OÜ	Fair value adjust-ment	Fair value, Group
Tangible fixed assets	19,676	–	19,676
Inventories	9,885	–	9,885
Accounts receivable – trade and other receivables	6,191	–	6,191
Liquid funds and short-term investments	277	–	277
Interest-bearing liabilities	–23,491	–	–23,491
Accounts payable – trade and other liabilities	–9,118	–	–9,118
Net identifiable assets and liabilities	3,420	–	3,420
Consolidated goodwill			18,628
Purchase price paid, cash*			22,048
Cash (acquired)			185
Net cash outflow			**21,863**

* Including fees for legal and other advisory services amounting to SEK 383,000.

Goodwill arose at the acquisition of OÜ Paitec Elektroonika, now NOTE Pärnu, because of acquired customer relations, know-how and opportunities did not satisfy the criteria for accounting as intangible assets at the time of acquisition.

Apart from existing customer relations, goodwill comprises synergy effects in the form of higher purchasing volumes, co-ordinating procurement and marketing, opportunities for joint rationalisation of existing and acquired production processes and access to production in low-cost countries. Additionally, employees' technological know-how and good relations with local authorities are included.

NOTE Hyvinkää Oy's net assets at the time of acquisition (the value of acquired net assets and liabilities of Point Product at the time of acquisition):

	Book value, NOTE Hyvinkää Oy	Fair value adjust-ment	Fair value, Group
Tangible fixed assets	1,766	–	1,766
Inventories	5,584	–	5,584
Accounts payable – trade and other liabilities	–1,310	–	–1,310
Net identifiable assets and liabilities	6,040	–	6,040
Purchase price paid, cash			6,040
Acquired holding company*			85
Net cash outflow			**6,125**

* Including fees for legal and other advisory services of SEK 14,000.

NOTE Skellefteå AB's net assets at the time of acquisition:

	Book value, NOTE Skellefteå AB	Fair value adjust-ment	Fair value, Group
Tangible fixed assets	2,811	–	2,811
Financial assets	171	–	171
Inventories	31,802	–	31,802
Accounts receivable – trade and other receivables	21,230	419	21,649
Liquid funds	17	–	17
Interest-bearing liabilities	–7,393	–1,496	–8,889
Accounts payable – trade and other liabilities	–31,594	–	–31,594
Net identifiable assets and liabilities	17,044	–1,077	15,967
Consolidated goodwill			111
Purchase price paid, cash*			16,078
Cash (acquired)			17
Net cash outflow			**16,061**

*Including fees for legal and other advisory services of SEK 529,000.

Goodwill arises at the acquisition because of local market knowledge.

Financial effects of business combinations
The acquisitions exerted a SEK 44,049,000 Negative cash flow effect. Interest-bearing net debt increased by SEK 40,131,000 because of the acquisitions.

Goodwill
A supplementary purchase price of SEK 1,350,000 has been accounted for NOTE Pärnu OÜ pursuant to contract, and classified as goodwill. A supplementary purchase price of SEK 600,000 was accounted for NOTE Hyvinkää Oy, classified as goodwill. The supplementary purchase prices are classified as provisions, because the amounts are dependent on future profits.

Contingent liabilities
The acquisitions implied taking over a SEK 166,000 guarantee to pension manager PRI. In addition, at the end of the period, acquired companies had pledged collateral of SEK 22,308,000.

Note 6 Other operating revenue

Group	1 Jan 2005 –31 Dec 2005	1 Jan 2004 –31 Dec 2004
Subsidies received	644	–
Exchange gains on trading receivables/liabilities	2,858	1,497
Other	656	723
	4158	**2,220**

Parent company	1 Jan 2005 –31 Dec 2005	1 Jan 2004 –31 Dec 2004
Exchange gains on trading receivables/liabilities	374	–
	374	**–**

Government assistance
The group received government support in the form of 'Target 1' subsidies for training and schooling operations and investment support. Target 1 subsidies were SEK 519,000. Investments subsidies of SEK 781,000 were received in the financial year. Total contingent liabilities for investments subsidies received were SEK 3,926,000 for 2005 and previous years. Collateral of SEK 4,650,000 was pledged to the Swedish Business Development Agency for contingent liabilities to a county administrative board. The contingent liability is for repayment obligations for investment subsidies in the event of terms not being fulfilled.

Note 7 Other operating expenses

	Group		Parent company	
	1 Jan 2005 –31 Dec 2005	1 Jan 2004 –31 Dec 2004	1 Jan 2005 –31 Dec 2005	1 Jan 2004 –31 Dec 2004
Exchange losses on trading receivables/ liabilities	–5,801	–1 898	–	–61
Other	–625	–1 607	–	20
	–6,426	**–3,505**	**–**	**–41**

Not 8 Employees and personnel expenses

Expenses for employee benefits

Group	1 Jan 2005 –31 Dec 2005	1 Jan 2004 –31 Dec 2004
Salaries and benefits, etc.	230,529	202,316
Pension expenses, defined-benefit plans (more information in Note 26)	708	–
Pension expenses, defined-contribution plans	18,283	14,792
Other benefits to employees after service concludes (more information in Note 26)	2,550	–
Social security contributions	76,365	73,624
	328,435	**290,732**

Average number of employees

	1 Jan 2005 –31 Dec 2005	Of which men	1 Jan 2004 –31 Dec 2004	Of which men
Parent company				
Sweden	13	35%	10	45%
Total parent company	**13**	**35%**	**10**	**45%**
Subsidiaries				
Sweden	666	66%	693	64%
UK	2	50%	–	–
Finland	35	37%	–	–
Estonia	142	63%	–	–
Poland	38	55%	19	65%
Lithuania	201	30%	165	35%
Total subsidiaries	**1,084**	**57%**	**877**	**59%**
Group total	**1,097**	**57%**	**887**	**59%**

Division between the sexes in the corporate management

	Share of women 1 Jan 2005 –31 Dec 2005	Share of women 1 Jan 2004 –31 Dec 2004
Parent company		
Board of Directors	14%	14%
Other senior executives	67%	67%
Group total		
Board of Directors	13%	18%
Other senior executives	57%	33%

There are three other senior executives in the parent company, two of which are women: the CEO/President, the Vice President of Accounting & Finance and the Vice President of Corporate Communications. There are seven other senior executives in the group, four of which are women: the CEO/President and Vice Presidents of Accounting & Finance, Corporate Communications, Sales & Marketing, Production, the CEO of NOTE Components (strategic procurement) and Vice President of Human Resources.

Salaries, other benefits and social security contributions

	1 Jan 2005 –31 Dec 2005	1 Jan 2005 –31 Dec 2005	1 Jan 2004 –31 Dec 2004	1 Jan 2004 –31 Dec 2004
	Salaries and benefits	Social security contributions	Salaries and benefits	Social security contributions
Parent company	10,623	4,238	6,053	4,435
(of which pension expense)		(1,305*)		(521*)

Of salaries and benefits, SEK 2,550,000 will be paid in 2006.

* Of parent company pension expenses, SEK 147,000 (19,000) are for the Board of Directors and CEO.

Salaries and other benefits by country and between Board members, etc. and other employees

	1 Jan 2005 –31 Dec 2005	1 Jan 2005 –31 Dec 2005	1 Jan 2004 –31 Dec 2004	1 Jan 2004 –31 Dec 2004
	Board and CEO	Other employees	Board and CEO	Other employees
Parent company				
Sweden	4,517	6,106	1,597	4,456
(of which bonus, etc.)	–	–	–	–
Parent company total	**4,517**	**6,106**	**1,597**	**4,456**
Group total	**13,683**	**n/a**	**8,805**	**n/a**
(of which bonus, etc.)	(158)	n/a	(143)	n/a

Notes

Of the salaries and benefits paid to other group employees, SEK 4,074,000 (2,895,000) relate to senior executives other than the Board of Directors and CEO.

Severance pay
Apart from salaries in the six-month notice period, severance pay is due to CEOs of the parent company and subsidiaries, upon termination initiated by the company, of six months' salary.

Loans to senior executives
There are no loans to senior executives in the group.

Parent company sickness absence
Parent company sickness absence is 7.3 percent.

Note 9 Auditors' fees and reimbursement

	Group		Parent company	
	1 Jan 2005 –31 Dec 2005	1 Jan 2004 –31 Dec 2004	1 Jan 2005 –31 Dec 2005	1 Jan 2004 –31 Dec 2004
KPMG Bohlins AB				
Auditing assignments	1,990	1,272	479	65
Other assignments*	489	1,021	282	776
Other auditors				
Auditing assignments	61	90	–	–
Other assignments*	–	380	–	380

Auditing assignments means reviews of the Annual Report and accounts and the Board of Directors' and Chief Executive Officer's administration, other tasks appropriate for the company's auditors and advisory or other services resulting from observations from such reviews, or the performance of other similar tasks. All other assignments are other assignments.

* Of which a total of SEK 808,000 in 2004 is fees for the review of prospectus, etc. head of initial public offering. This amount is included in issue expenses, deducted from issue payment, accounted against shareholders' equity.

Note 10 Operating expenses by type

Group	1 Jan 2005 –31 Dec 2005	1 Jan 2004 –31 Dec 2004
Cost of goods and materials	1,001,391	638,484
Personnel expenses	328,435	290,732
Depreciation	29,750	24,443
Write-downs	12,886	100
Other	204,102	143,597
	1,576,564	**1,097,356**

Note 11 Net financial income/expenses

Group	1 Jan 2005 –31 Dec 2005	1 Jan 2004 –31 Dec 2004
Interest income	1,396	1,788
Net exchange rate fluctuations	126	–
Financial income	**1,522**	**1,788**
Interest expenses	–10,008	–11,552
Net exchange rate fluctuations	–270	–
Financial expenses	**–10,278**	**–11,552**
Net financial income/expenses	**–8,756**	**–9,764**

Profit/loss from participations in group companies

Parent company	1 Jan 2005 –31 Dec 2005	1 Jan 2004 –31 Dec 2004
Write-downs	–2,900	–
	–2,900	**–**

Interest income, etc.

Parent company	1 Jan 2005 –31 Dec 2005	1 Jan 2004 –31 Dec 2004
Interest income, group companies	3,928	325
Interest income, other	6	3
	3,934	**328**

Interest expenses, etc.

Parent company	1 Jan 2005 –31 Dec 2005	1 Jan 2004 –31 Dec 2004
Interest expenses, group companies	–	–90
Interest expenses, other	–2,704	–400
	–2,704	**–490**

Note 12 Appropriations

Parent company	1 Jan 2005 –31 Dec 2005	1 Jan 2004 –31 Dec 2004
Difference between accounted depreciation and depreciation according to plan:		
Equipment, tools, fixtures and fittings	574	–647
Tax allocation reserve, reversal in the year	–	160
	574	**–487**

Note 13 Tax

Accounted in Income Statement

Group	1 Jan 2005 –31 Dec 2005	1 Jan 2004 –31 Dec 2004
Current tax expense (–)/tax revenue (+)		
Tax expense/tax revenue in the period	–3,176	–6,519
Adjustment of tax attributable to previous year	–71	4
Deferred tax expense (–)/tax revenue (+)		
Deferred tax regarding temporary differences/appropriations	7,594	398
Deferred tax revenue in the year – capitalised tax value of loss carry-forward	13,083	–
Deferred tax resulting from provisions for pensions	–	267
Total accounted tax	**17,430**	**–5,851**

Parent company	1 Jan 2005 –31 Dec 2005	1 Jan 2004 –31 Dec 2004
Current tax expense (–)/tax revenue (+)		
Tax expense/tax revenue in the period	–1,090	2,347
Adjustment of tax attributable to previous year	–2	–2
Total accounted tax	**–1,092**	**2,345**

Reconciliation of effective tax

Group	1 Jan 2005 –31 Dec 2005 (%)	1 Jan 2005 –31 Dec 2005 (SEK 000)	1 Jan 2004 –31 Dec 2004 (%)	1 Jan 2004 –31 Dec 2004 (SEK 000)
Profit/loss before tax		–73,107		19,496
Tax at applicable tax rate for parent company	28.0	20,470	28.0	–5,459
Effect of other tax rates for foreign subsidiaries	–0.4	–256	–1.0	194
Non-deductible expenses	–3.3	–2,414	5.6	–1,094
Non-taxable revenues	0.5	376	–0.8	150
Tax attributable to previous year	–0.1	–71	0.0	–3
Tax effect-adjustment goodwill/negative goodwill	–	–	–1.2	233
Reversed goodwill on acquired assets and liabilities	–	–	–1.4	280
Standard interest on tax allocation reserve	–0.4	–301	–	–
Other	–0.5	–374	0.8	–152
Accounted effective tax	**23.8**	**17,430**	**30.0**	**–5,851**

Reconciliation of effective tax

Parent company	1 Jan 2005 –31 Dec 2005 (%)	1 Jan 2005 –31 Dec 2005 (SEK 000)	1 Jan 2004 –31 Dec 2004 (%)	1 Jan 2004 –31 Dec 2004 (SEK 000)
Profit/loss before tax		410		–10,533
Tax at applicable tax rate for parent company	28.0	–115	28.0	2,949
Non-deductible expenses	238.1	–975	–5.7	–602
Tax attributable to previous year	0.0	–2	0.0	–3
Other	–	–	0.0	1
Accounted effective tax	**266.1**	**–1,092**	**22.3**	**2,345**

Tax items accounted directly against shareholders' equity

Parent company	2005	2004
Current tax in group contributions received/paid	812	–6,628
	812	**–6,628**

Accounted in the Balance Sheet

Deferred tax assets and liabilities

	Deferred tax asset		Deferred tax liability		Total	
Group	1 Jan 2005 –31 Dec 2005	1 Jan 2004 –31 Dec 2004	1 Jan 2005 –31 Dec 2005	1 Jan 2004 –31 Dec 2004	1 Jan 2005 –31 Dec 2005	1 Jan 2004 –31 Dec 2004
Tangible fixed assets	367	450	1,813	1,903	**–1,446**	**–1,453**
Provisions for pensions	419	354	–	–	**419**	**354**
Loss carry-forward	13,083	–	–	–	**13,083**	**–**
Untaxed provisions	–	–	8,540	16,222	**–8,540**	**–16,222**
Tax receivables/liabilities	13,869	804	10,353	18,125	**3,516**	**–17,321**
Set-off	–10,353	–804	–10,353	–804	**–**	**–**
Tax receivables/liabilities, net	**3,516**	**–**	**–**	**17,321**	**3,516**	**–17,321**

Other provisions for tax

Group	31 Dec 2005	31 Dec 2004
Book value at the beginning of the period	18,125	18,445
Amounts utilised in the period	–7,772	–320
Book value at the end of the period	**10,353**	**18,125**

In some countries where the group has operations, the sale of some assets is free of tax, assuming that profits are not paid as dividends. At year-end, total tax-free provisions were SEK 1,454,000, which would imply a tax liability of SEK 334,000 if the subsidiaries paid dividends from these provisions.

Largely, financial assets comprise deferred tax assets, expected to be recoverable against future tax liabilities on consolidated profits.

Non-accounted deferred tax assets
Deductible temporary differences and taxable loss-carry forwards for which deferred tax assets have not been accounted in the Income Statement and Balance Sheet are insignificant amounts.

Change in deferred tax in temporary differences and loss carry-forwards

Group	Balance as of 1 Jan 2004	Accounted in Income Statement	Accounted against shareholders' equity	Acquisitions/ Disposal of operations	Balance as of 31 Dec 2004
Tangible fixed assets	–1,640	187	–	–	–1,453
Provisions for pensions	177	177	–	–	354
Appropriations	–16,805	583	–	–	–16,222
	–18,268	**947**	**–**	**–**	**–17,321**

Group	Balance as of 1 Jan 2005	Accounted in Income Statement	Accounted against shareholders' equity	Acquisitions/ Disposal of operations	Balance as of 31 Dec 2005
Tangible fixed assets	–1,453	–1	–	8	–1,446
Provisions for pensions	354	–	–354	419	419
Appropriations	–16,222	7,682	–	–	–8,540
Loss carry-forwards	–	13,083	–	–	13,083
	–17,321	**20,764**	**–354**	**427**	**3,516**

Note 14 Intangible fixed assets

The useful life of goodwill is indeterminate while the useful lives of other intangible assets is determinable and conforms to what is stated in Note 1, accounting principles. Intangible assets with determinable useful lives are depreciated linearly over their useful lives.

Group	Goodwill	Capitalised expenditure for software, acquired	Capitalised expenditure for process development, internally accrued	Trademarks and brands, acquired	Total
Accumulated cost					
Opening balance, 1 January 2004	40,231	426	65	320	**41,042**
Internally developed assets	–	–	3,212	–	**3,212**
Other investments	–	251	–	–	**251**
Disposals and obsolescence	–	–	–24	–	**–24**
Reclassification	–15,982	–	26	–	**–15,956**
Closing balance, 31 Dec 2004	**24,249**	**677**	**3,279**	**320**	**28,525**
Opening balance, 1 January 2005	24,249	677	3,279	320	**28,525**
Business combinations	24,020	–	493	–	**24,513**
Other investments	–	–	600	–	**600**
Closing balance, 31 Dec 2005	**48,269**	**677**	**4,372**	**320**	**53,638**
Accumulated depreciation and write-downs					
Opening balance, 1 January 2004	–	–45	–50	–192	**–287**
Disposals and obsolescence	–	–	24	–	**24**
Depreciation for the year	–	–158	–165	–64	**–387**
Closing balance, 31 Dec 2004	**–**	**–203**	**–191**	**–256**	**–650**
Opening balance, 1 January 2005	–	–203	–191	–256	**–650**
Business combinations	–	–	–14	–	**–14**
Write-down for the year	–1,880	–	–1,756	–	**–3,636**
Depreciation for the year	–	–176	–573	–64	**–813**
Closing balance, 31 Dec 2005	**–1,880**	**–379**	**–2,534**	**–320**	**–5,113**
Book values					
As of 1 January 2004	40,231	381	15	128	**40,755**
As of 31 December 2004	24,249	474	3,089	64	**27,875**
As of 1 January 2005	24,249	474	3,089	64	**27,875**
As of 31 December 2005	46,389	298	1,838	–	**48,525**

Parent company	Development expenditure, internally accrued
Accumulated cost	
Opening balance, 1 January 2004	–
Internally developed assets	2,309
Closing balance, 31 December 2004	**2,309**
Opening balance, 1 January 2005	2,309
Other investments	72
Write-downs	–1,788
Closing balance, 31 December 2005	**593**
Accumulated depreciation	
Opening balance, 1 January 2004	–
Depreciation for the year	–41
Closing balance, 31 December 2004	**–41**
Opening balance, 1 January 2005	–41
Disposals and obsolescence	32
Write-down for the year	–117
Closing balance, 31 December 2005	**–126**
Book values	
As of 1 January 2004	–
As of 31 December 2004	2,268
As of 1 January 2005	2,268
As of 31 December 2005	467

Depreciation and write-downs

Depreciation is included in the following Income Statement items

	Group		Parent company	
	1 Jan 2005 –31 Dec 2005	1 Jan 2004 –31 Dec 2004	1 Jan 2005 –31 Dec 2005	1 Jan 2004 –31 Dec 2004
Cost of sold goods	–705	–308	–39	–
Administrative expenses	–62	–67	–39	–41
Selling expenses	–46	–12	–39	–
	–813	**–387**	**–117**	**–41**

Write-downs are included in the following Income Statement items

	Group		Parent company	
	1 Jan 2005 –31 Dec 2005	1 Jan 2004 –31 Dec 2004	1 Jan 2005 –31 Dec 2005	1 Jan 2004 –31 Dec 2004
Cost of sold goods	–3,636	–	–1,200	–
Selling expenses	–	–	–588	–
	–3,636	**–**	**–1,788**	**–**

Write-downs
A write-down of capitalised development expenditure of SEK 1,756,000 was effected after the expenditure was re-evaluated to not being classified as development activities, but rather, as rationalisation measures. Additionally, a SEK 1,880,000 write-down of consolidated goodwill was made regarding the facility in Borås, resulting from a decision to close operations in this unit and relocate the remaining operations to other units. Because operations have ceased on this site, neither value in use nor fair value less selling expenses have been calculated.

Impairment tests for cash-generating units including goodwill
The following cash-generating units have significant accounted goodwill values in relation to the group's total accounted goodwill values:

	31 Dec 2005	31 Dec 2004
NOTE Pärnu/NOTE Hyvinkää	19,242	–
NOTE Lund	8,740	8,740
NOTE Torsby	6,833	6,833
NOTE Nyköping–Skänninge	11,319	6,642
	46,134	22,215
Units without significant goodwill values, cumulative	255	2,034
	46,389	**24,249**

The recoverable value of units is based on the same basic assumptions.

All units
Impairment tests for all units are based on calculations of value in use, a value based on cash flow forecasts totalling ten years, in which the first five years are based on five-year business plans determined by the corporate management. The cash flows forecast after the first five years were based on annual growth rates after a case-bye-case assessment, corresponding to the long-term growth rates on the units' markets. For all units with significant goodwill items, forecast market growth of 7 per cent has been applied. A growth rate of 3 per cent, corresponding to estimated GDP growth, has been used for forecasts for the last five years of the period.

The present value of forecast cash flows has been calculated with a discount rate based on risk-free interest and the risk associated with the relevant units. The discount rate before tax differs between the various units subject to impairment tests, partly because of differences in risk outlook and partly because of differences in capital structures. The following discount rates before tax have been used:

Hyvinkää/Pärnu	10.86%
Lund	18.37%
Torsby	15.82%
Nyköping-Skänninge	18.90%

Important variables	Method for estimating values
Market share and growth	Market growth has been estimated at a 7 per cent basic level for the first five years of the forecast, corroborated by external sources. The long-term GDP growth rate has been estimated at 3 per cent.
Component prices	Component prices are expected to decline because of increased procurement volumes.
Personnel expenses	Payroll overheads are taxed partly using collective agreements and partly historical pay increases. Additionally, increased payroll overheads resulting from growth in the group's facilities in low-cost countries have also been calculated.
Exchange rates EUR and USD	Estimated with the aid of SEB's long-term forecasts

Recoverable values for all units exceed book value by some margin.

Notes

Note 15 Tangible fixed assets

Group	(real estate used in business operations) Buildings and land	Disbursed expenses on other party's property	Machinery and other plant	Equipment, tools, fixtures and fittings	Total
Acquisition value					
Opening balance, 1 January 2004	39,391	3,383	100,841	45,231	**188,846**
Other acquisitions	2,051	708	16,580	6,982	**26,321**
Disposals	–	–	–1,555	–783	**–2,338**
Reclassification	–	–-	535	–550	**–15**
Closing balance, 31 December 2004	**41,442**	**4,091**	**116,401**	**50,880**	**212,814**
Opening balance, 1 January 2005	41,442	4,091	116,401	50,880	**212,814**
Acquired subsidiaries	18,556	1,684	24,958	1,499	**46,697**
Acquisitions of assets and liabilities	–	–	1,758	–	**1,758**
Other investments	1,574	169	25,805	3,649	**31,197**
Write-downs	–	–	–9,152	–	**–9,152**
Disposals	–	–	–6,499	–1,438	**–7,937**
Closing balance, 31 December 2005	**61,572**	**5,944**	**153,271**	**54,590**	**275,377**
Depreciation and write-downs					
Opening balance, 1 January 2004	–7,150	–1,206	–48,902	–27,798	**–85,056**
Depreciation for the year	–1,572	–164	–15,779	–6,514	**–24,029**
Disposals	–	–	1,352	674	**2,026**
Reclassification	–	–	–141	–	**–141**
Closing balance, 31 December 2004	**–8,722**	**–1,370**	**–63,470**	**–33,638**	**–107,200**
Opening balance, 1 January 2005	–8,722	–1,370	–63,470	,–33,638	**–107,200**
Acquisitions subsidiaries	–1,357	–216	–20,392	–1,297	**–23,262**
Acquisitions of assets and liabilities	–	–	–140	–	**–140**
Depreciation for the year	–2,726	–314	–18,656	–6,738	**–28,434**
Disposals	–	–	4,075	1,300	**5,375**
Closing balance, 31 December 2005	**–12,805**	**–1,900**	**–98,583**	**–40,373**	**–153,662**
Book values					
1 January 2004	32,241	2,177	51,939	17,433	**103,790**
31 December 2004	32,720	2,721	52,930	17,242	**105,614**
1 January 2005	32,720	2,721	52,930	17,242	**105,614**
31 December 2005	48,767	4,044	54,688	14,217	**121,716**

Taxable values

Group	31 Dec 2005	31 Dec 2004
Taxable values, buildings (in Sweden)	8,227	8,227
Taxable values, land (in Sweden)	4,370	4,370

Information on central government support in the group
The aggregate cost of the assets the support is intended to cover amounted to SEK 2,791,000 in the period. The acquisition value reduced by SEK 781,000 for receiving government support.

Parent company	Machinery and other plant	Equipment, tools, fixtures and fittings	Total
Acquisition value			
Opening balance, 1 January 2004	–	498	498
Acquisitions	179	154	333
Disposals	–56	–	–56
Reclassification	124	–124	–
Closing balance, 31 December 2004	**247**	**528**	**775**
Opening balance, 1 January 2005	247	528	775
Acquisitions	46	47	93
Disposals	–2	–54	–56
Closing balance, 31 December 2005	**291**	**521**	**812**
Avskrivningar			
Opening balance, 1 January 2004	–	–238	–238
Depreciation for the year	–57	–87	–144
Reclassification	–56	56	–
Disposals	45	–	45
Closing balance, 31 December 2004	**–68**	**–269**	**–337**
Opening balance, 1 January 2005	–68	–269	–337
Depreciation for the year	–64	–104	–168
Disposals and obsolescence	2	56	58
Closing balance, 31 December 2005	**–130**	**–317**	**–447**
Book values			
1 January 2004	–	260	260
31 December 2004	179	259	438
1 January 2005	179	259	438
31 December 2005	161	204	365

Depreciation and write-downs are divided over the following Income Statement items

	Depreciation	
Parent company	1 Jan 2005 –31 Dec 2005	1 Jan 2004 –31 Dec 2004
Cost of sold goods and services	–56	–
Selling expenses	–56	–
Administrative expenses	–56	–144
	–168	**–144**

Group

Finance leasing (leased production equipment)

The group leases production equipment through several different finance leasing contracts. As of 31 December 2005, the value of leased assets was SEK 23,458,000 (13,090,000).

Collateral

As of 31 December 2005, property with book value of SEK 49,442,000 (26,745,000) was pledged as collateral for bank borrowings.

Note 16 Receivables from group companies

Parent company	31 Dec 2005	31 Dec 2004
Accumulated acquisition value		
At the beginning of the period	133,188	1,691
Loans	–	71,000
Overdraft facility	63,445	–
Accounts receivable – trade, current receivables	6,346	1,888
Amortised liabilities	–133,188	–1,691
Group contribution	50,500	60,300
Closing balance, 31 December	**120,291**	**133,188**

Note 17 Long-term receivables and other receivables

Group	31 Dec 2005	31 Dec 2004
Long-term receivables that are fixed assets		
Advances business combinations	–	10,197
Other	341	1,164
	341	**11,361**
Other receivables that are current assets		
Tax receivables	18,479	12,828,
Advances from suppliers	200	–
Sales tax	390	907
Other	5,253	7,674
	24,322	**21,409**

Parent company	31 Dec 2005	31 Dec 2004
Long-term receivables		
Receivables from group companies	17,062	–
Advances business combinations	–	10,197
	17,062	**10,197**

Moderbolaget	31 Dec 2005	31 Dec 2004
Accumulated acquisition value		
Long-term receivables		
At the beginning of the period	10,197	100
Acquisition	17,062	10,197
Repayment	–10,197	–100
Closing balance, 31 December	**17,062**	**10,197**

Note 18 Inventories

Group	31 Dec 2005	31 Dec 2004
Raw materials and consumables	180,871	151,519
Products in process	95,229	86,823
finished goods and goods for re-sale	21,282	6,165
	297,382	**244,507**

The consolidated cost of sold goods and services include SEK 58.5 (0) million of write-downs on inventories.

Note 19 Accounts receivable – trade

Accounts receivable – trade are accounted with consideration to provisioning for doubtful debt, which was SEK 12.2 million for the group. These losses arose because of the re-valuation of underlying agreements with customers that were not considered sufficiently binding.

Note 20 Prepaid expenses and accrued income

	Group		Parent company	
	31 Dec 2005	31 Dec 2004	31 Dec 2005	31 Dec 2004
Accrued revenues	4,067	3,947	–	153
Accrued insurance revenues	–	10,500	–	–
Prepaid rent	1,391	891	106	127
Prepaid insurance	68	173	6	–
Prepaid start-up expenses	215	20,256	–	–
Prepaid leasing charges	341	–	–	–
Other	3,044	6,628	114	19
	9,126	**42,395**	**226**	**299**

Note 21 Liquid funds

Group	31 Dec 2005	31 Dec 2004
Liquid funds comprise the following components:		
Cash and bank	9,070	20,143
Total, Balance Sheet	**9,070**	**20,143**
Total, Cash Flow Statement	**9,070**	**20,143**

Short-term investments have been classified as liquid funds because:
- They have an insignificant risk of value fluctuations.
- They can be easily converted to cash funds.
- They have maximum maturities or three months from the time of acquisition.

Note 22 Shareholders' equity

Specification of shareholders' equity item provisions

Translation provision	31 Dec 2005	31 Dec 2004
Opening translation provision	357	–
Translation differences for the year	945	357
Closing translation provision	**1,302**	**357**

Total provisions	31 Dec 2005	31 Dec 2004
Opening provisions	357	–
Change in provisions for the year:		
Translation provision	945	357
Closing provisions	**1,302**	**357**

Group

Share capital and premium

	Share class A	
Thousands of shares	31 Dec 2005	31 Dec 2004
Issues as of 1 January	9,624	384
Cash issue	–	1,349
Share split 1:20	–	7,581
New issue, stock option plan	–	310
Issued as of 31 December – paid up	**9,624**	**9,624**

As of 31 December 2005, registered share capital comprised 9,624,200 ordinary shares (9,624,000) with a quotient value of SEK 0.50.

Holders of ordinary shares possess rights to dividends, determined subsequently, and shareholdings confer the rights to voting rights at one vote per share at the AGM (Annual General Meeting).

Other paid-up capital
Shareholders' equity provided by shareholders. This includes the portion of the share premium reserve transferred to the statutory reserve as of 31 December 2005. Provisions to share premium reserves as of 1 January 2006 and beyond are also accounted as paid-up capital.

Provisions
Translation provision
The translation reserving encompasses all exchange rate differences arising from converting financial reports from foreign operations that prepared their financial reports in currencies other than the currency the Consolidated Financial Statements are published in. The parent company and group publish their financial reports in Swedish kronor.

Hedging provision
The hedging provision covers the effective portion of the accumulated net change in fair value of a cash flow hedging instrument attributable to hedging transactions that have not yet occurred. Cash flow hedges are marginal and the effect of revaluations to fair value are not significant, and accordingly, are not accounted separately.

Retained profits including profit/loss for the period
Retained profits including profit/loss for the period include accrued profits of the parent company and its subsidiaries. Previous provisions to statutory reserves, excluding transfers to share premium reserve, and revaluations are included in this shareholders' equity item.

Dividends
Dividends paid in the year were SEK 0.50 per share, totalling SEK 4,812,000.

The Board of Directors is proposing unchanged dividends of SEK 0.50 per share to the AGM. These dividends will be subject to resolution by the AGM on 26 April 2006.

Parent company

Restricted reserves
Restricted reserves may not be reduced through dividends.

Revaluation reserve
When tangible or financial fixed assets are revalued, the revalued amount is assigned to a revaluation reserve.

Statutory reserve
The purpose of the statutory reserve is to save a portion of net profits

that can be utilised to cover losses brought forward.

Share premium reserve
When shares are issued at a premium, i.e. shares are payable at amounts greater than the shares' nominal amount, an amount corresponding to the amount received in addition to the nominal value of shares is accounted to the share premium reserve.

Non-restricted equity
Retained profit
Retained profit consists of the previous year's non-restricted equity after potential provisions to statutory reserves and after paying potential dividends. Alongside profit/loss for the period, and potential reserves for the fair value of total non-restricted equity, i.e. the amount available for dividends to shareholders.

Note 23 Earnings per share

Earnings per share for total, continuing and discontinued operations.

	Before dilution		After dilution	
SEK	1 Jan 2005 –31 Dec 2005	1 Jan 2004 –31 Dec 2004	1 Jan 2005 –31 Dec 2005	1 Jan 2004 –31 Dec 2004
Earnings per share	–5.78	1.53	–5.78	1.50

Calculations of the numerators and denominators used in the above calculations of earnings per share are stated below.

Earnings per share before dilution
The calculation of earnings per share for 2005 has been based on profit/loss of the period attributable to the parent company's ordinary shareholders of SEK –55,676,000 (13,434,000) and a weighted average number of outstanding shares in 2005 of 9,624,200 (8,777,873). The two components have been calculated as follows:

Profit/loss for the period attributable to the parent company's ordinary shareholders, before dilution

SEK 000	1 Jan 2005 –31 Dec 2005	1 Jan 2004 –31 Dec 2004
Profit/loss for the period attributable to parent company's shareholders	–55,676	13,434
Profit/loss attributable to parent company's ordinary shareholders, before dilution	**–55,676**	**13,434**

Weighted average number of outstanding ordinary shares, before dilution

Thousands of shares	1 Jan 2005 –31 Dec 2005	1 Jan 2004 –31 Dec 2004
Total number of ordinary shares 1 January	9,624	384
New issue, Feb 2004	–	15
Split 1:20, April 2004	–	7,581
New issue, June 2004	–	310
New issue, July 2004	–	1,334
Weighted average number ordinary shares in the year, before dilution	**9,624**	**8,778**

Earnings per share after dilution
The calculation of earnings per share after dilution for 2005 is based on the profit/loss attributable to the parent company's ordinary shareholders of SEK –55,676,000 (13,434,000) and on a weighted average number of outstanding shares in 2005 of 9,624,200 (8,977,833). The two components have been calculated as follows:

Profit/loss attributable to the parent company's ordinary shareholders, after dilution

SEK 000	1 Jan 2005 –31 Dec 2005	1 Jan 2004 –31 Dec 2004
Profit/loss attributable to parent company's ordinary shareholders	–55,676	13,434
Profit/loss attributable to parent company's ordinary shareholders, after dilution	**–55,676**	**13,434**

Weighted average number of ordinary shares, after dilution

Thousands of shares	1 Jan 2005 –31 Dec 2005	1 Jan 2004 –31 Dec 2004
weighted average number ordinary shares in the year, before dilution	9,624	8,778
Effect of issued stock options, June 2004	–	480
Weighted average number ordinary shares in the year, after dilution	**9,624**	**8,978**

Instruments that can create potential dilution effects and changes after year-end – none.

Note 24 Interest-bearing liabilities

This Note includes information on the parent company's contracted terms for interest-bearing liabilities. For more information on the company's exposure to interest risk and the risk of exchange rate fluctuations, see Note 30.

Group	31 Dec 2005	31 Dec 2004
Long-term liabilities		
Bank loans	65,358	116,152
Other loans	1,707	–
Finance leasing liabilities	16,863	10,048
	83,928	**126,200**
Current liabilities		
Overdraft facilities	31,026	25,972
Short-term bank loans	103,903	59,727
Short-term portion of bank loans	10,859	–
Other loans	6,460	–
Short-term portion of finance leasing liabilities	6,595	3,042
	158,843	**88,741**

Terms and repayments periods
The majority of loans are divided so that two-thirds mature in 2006 and one-third in 2007. SEK 30,583,000 (12,400,000) of the company's land and buildings, and SEK 261,771,000 (256,600,000) in operations (see also Note 15) have been pledged as collateral for bank loans. For more details on maturity structure, see Note 30.

Not 25 Liabilities to credit institutions

Parent company	31 Dec 2005	31 Dec 2004
Current liabilities		
Overdraft facilities	26 772	11 369
	26 772	**11 369**

Notes

Not 26 Employee benefits

Defined-benefit plans

Group	31 Dec 2005	31 Dec 2004
Present value of traditional assurance commitments	10,081	–
Present value of net commitments	10,081	–
Effects of corridor rule	–485	–
Net accounted for defined-benefit plans (see below)	9,596	–
Net commitments, employee benefits	**9,596**	**–**

Net amount accounted in the following Balance Sheet items:		
Provisions for pensions	9,596	–
Net amounts in the Balance Sheet	**9,596**	**–**

Overview of defined-benefit plans
The group has a define-benefit plan to provide employees with benefits when they retire. The plan implies remuneration based on average salary over the last ten years of employment, indexed with inflation.

Changes in the accounted net commitments for defined-benefit plan in the Balance Sheet.

Group	31 Dec 2005	31 Dec 2004
Net commitments for defined-benefit plans as of 1 January		
Expense accounted in Income Statement	708	–
Effects of acquired/divested operations	8,888	–
Net commitments for defined-benefit plans as of 31 December	**9,596**	**–**

Expense accounted in Income Statement

Group	1 Jan 2005 –31 Dec 2005	1 Jan 2004 –31 Dec 2004
Expenses regarding service for current period	768	–
Interest expense of commitment	425	–
Accounted actuarial gains (–) and losses (+)	–485	–
Total net expense in Income Statement	**708**	**–**

Expense accounted in the following Income Statement items:

Group	1 Jan 2005 –31 Dec 2005	1 Jan 2004 –31 Dec 2004
Cost of sold goods and services	708	–
	708	**–**

Assumptions for defined-benefit commitments
The main actuarial assumptions as of year-end (weighted averages)

Group	1 Jan 2005	1 Jan 2004
Discount rate as of 31 December	4.80%	–
Future salary increase	3.60%	–
Income basic amounts	3.60%	–
Termination intensity	4.00%	–
Future increase of paid-up policies	2.00%	–
Future increase of pensions	2.00%	–
Remaining length of service, years	17.20	–

The assumptions for retirement and survivors' pensions for salaried employees in Sweden are largely insured through a policy with Alecta. Statement URA 42 from RR's Emerging Issues Taskforce defines this as a defined-benefit multi-employer plan. For the financial year 2005, the company did not have access to sufficient information enabling the plan to the accounted as a defined-benefit plan. Thus, ITP (Supplementary Pensions for Salaried Employees) plans insured through Alecta are accounted as defined-contribution plans. The expenditure for pension policies with Alecta in the year were SEK 6.7 (6.8) million. Alecta's surplus can be divided between policy-holders and/or beneficiaries. At year-end 2005, Alecta's surplus, expressed as a collective consolidation ratio1 was 128.5 per cent (128.0). This collective consolidation ratio comprises the market value of Alecta's assets as a percentage of insurance commitments calculated pursuant to Alecta's actuarial calculation assumptions, which are not consistent with IAS 19.

* Alecta publishes monthly information on its consolidation ratio on its website.

Defined-contribution plans
The group has defined-contribution pension plans in Sweden for white-collar and blue-collar staff, which the companies pay for entirely.

There are defined-contribution plans in foreign countries, which are partly paid by subsidiaries and partly covered through employees' contributions. Payments to these plans is on an ongoing basis through the regulations of the plan.

	Group		Parent company	
	1 Jan 2005 –31 Dec 2005	1 Jan 2004 –31 Dec 2004	1 Jan 2005 –31 Dec 2005	1 Jan 2004 –31 Dec 2004
Expenses for defined-contribution plans*	18 283	14 792	1 305	521

* Includes SEK 6,742,000 (6,799,000) for an ITP plan funded in Alecta, see above.

Equity-related benefits
The group had no outstanding equity-related plans as of 31 December 2005.

At 1 January 2004, there was one outstanding incentive plan, comprising a stock option plan with 437,000 underlying shares. Apportionment to employees and a small number of external parties was effected on two occasions: 10 October 2001 and 17 October 2003. For these employees, the related warrants should be considered as stock options because they were linked to employment. The terms of the related agreement stipulated that option-holders possessed the right to exercise their options upon a listing of the NOTE share on a recognised marketplace, or by 31 December 2004 at the latest.

Before a listing, in April 2004, option-holders were offered the right to exercise their options by 7 May 2004. Options corresponding to 310,200 shares were exercised, while unutilised options expired. The exercise price per share was SEK 35.93 upon subscription. A clause in the contract with employees meant that shares acquired through exercising options could not been subsequently sold before 31 December 2004.

NOTE's shares were quoted on the Stockholm Stock Exchange O-list as of 23 June 2004 at a price of SEK 75.

Social security contributions of SEK 1,950,000 were accounted for the taxable benefit on staff stock options.

Senior executives' benefits

Benefits and other remuneration in the year

	Basic salary, Directors' fees	Performance-related pay	Other benefits	Pension expense	Financial instruments, etc.	Other benefits	Total
Chairman of the Board							
Sten Dybeck	150	–	–	–	–	3	153
Board members							
Thord Johansson	50	–	–	–	–	–	50
Lennart Svensson	70	–	–	–	–	–	70
Katarina Mellberg	50	–	–	–	–	–	50
Börje Andersson	50	–	–	–	–	–	50
Ulf Mikaelsson	70	–	–	–	–	–	70
Chief Executive Officer							
Erik Stenfors	1,077	–	51	29	–	–	1,157
Kjell-Åke Andersson	596	–	–	93	–	–	689
Arne Forslund	210	–	31	34	–	–	275
Other senior executives (7 people)	4,074	–	68	304	–	–	4,446
Total	**6,397**	**–**	**150**	**460**	**–**	**3**	**7,010**

Comments on the table
The resigning Chief Executive Officers of the parent company, Erik Stenfors and Kjell-Åke Andersson, each had six months' paid notice periods and severance pay of another six months' salary. A provision for all related expenses has been created in the parent company.

Directors' fees are remuneration for that portion of the mandate period relating to May - December 2005. Directors' fees for 2004 were also paid in January 2005, although this was accounted in the Annual Report for 2004.

Apart from salary, senior executives received non-cash benefits from the group, which pays charges to defined-benefit pension plans for these people.

Consideration and decision process:
In the year, the Remuneration Committee submitted recommendations regarding the principles of remuneration to senior executives to the Board of Directors. These recommendations covered the proportions between fixed and variable remuneration and the scale of potential salary increases. Additionally, the Remuneration Committee proposed criteria for evaluating bonus payments, the apportionment and scale of remuneration in the form of financial instruments determined, etc. and pension terms and severance pay. The Board of Directors discussed the Remuneration Committee's proposals, and reached decisions on the basis of the Committee's recommendations. Benefits to the Presidents of the financial year 2005 were resolved by the Board on the basis of the Remuneration Committee's recommendations. Benefits to other senior executives were resolved by the Chief Executive Officer in consultation with the Chairman of the Board.

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

Note 27 Provisions for other liabilities

Group	31 Dec 2005	31 Dec 2004
Provisions that are long-term liabilities		
Expenses for restructuring measures	2,000	–
Supplementary purchase price of acquisitions	1,450	4,500
Pensions	9,596	–
Guarantee commitments	–	1,000
Other	556	–
Total	**13,602**	**5,500**
Provisions that are current liabilities		
Expenses for restructuring measures	10,499	3,268
Supplementary purchase price of acquisitions	500	–
Total	**10,999**	**3,268**

Parent company	31 Dec 2005	31 Dec 2004
Supplementary purchase price of acquisitions	1,350	4,500
Total	**1,350**	**4,500**

Group

Restructuring measures	31 Dec 2005	31 Dec 2004
Book value at the beginning of the period	3,268	–
Provisions in the period*	29,288	3,268
Amounts utilised in the period	–20,057	–
Book value at the end of the period	**12,499**	**3,268**

Parent company

Supplementary purchase price acquisitions	31 Dec 2005	31 Dec 2004
Book value at the beginning of the period	4,500	4,500
Provisions in the period*	6,017	–
Amounts utilised in the period	–9,167	–
Book value at the end of the period	**1,350**	**4,500**

Group, total provisions	31 Dec 2005	31 Dec 2004
Total book value at the beginning of the period	26,893	40,405
Provisions in the period*	46,542	4,268
Amounts utilised in the period	–29,709	–
Unutilised amounts reversed in the period	–1,000	–638
Goodwill set-off	–	–16,822
Change in provision for deferred tax	–7,772	–320
Total book value at the end of the period	**34,954**	**26,893**
Of which total long-term portion of provisions	23,955	23,625
Of which total short-term portion of provisions	10,999	3,268

Parent company, total provisions	31 Dec 2005	31 Dec 2004
Total book value at the beginning of the period	4,500	4,500
Provisions in the period*	6,017	–
Amounts utilised in the period	–9,167	–
Total book value at the end of the period	**1,350**	**4,500**
Of which total long-term portion of provisions	850,	4,500
Of which total short-term portion of provisions	500	–

* Provisions in the year include existing provisions

Payments	31 Dec 2005	31 Dec 2004
Group		
Amounts by which the provision is expected to be paid after more than 12 months	23,955	23,625
Parent company		
Amounts by which the provision is expected to be paid after more than 12 months	850	4,500

Restructuring
Expenses of SEK 3,268,000 were accounted against the provision in the opening balance as of 1 January 2005 to restructure some of the group's production units. Provisions of SEK 18,000,000 and SEK 4,788,000 were made in the financial year 2005 to cover estimated expenses for downsizing operations in Borås and finally closing this unit, and relocating the remaining assignments to other units. The estimated expenses are based on a detailed plan agreed with the corporate management and employee representatives. The decision to close the Borås unit and the associated plans was published in December 2005. The restructuring is scheduled for completion in the first quarter 2006. An additional SEK 6,416,000 of restructuring expenses were provisioned for the unit in Norrtälje.

Note 28 Other liabilities

Group

Other current liabilities	31 Dec 2005	31 Dec 2004
Staff withholding tax	5,432	5,386
Social security contributions	2,018	1,469
Sales tax	13,818	11,281
Other	11,576	719
	32,844	**18,855**

Parent company	31 Dec 2005	31 Dec 2004
Staff withholding tax	503	193
Sales tax	906	–
Supplementary purchase price, ITAB	9,177	–
Other	–	3
	10,586	**196**

Note 29 Accrued expenses and deferred revenues

	Group		Parent company	
	31 Dec 2005	31 Dec 2004	31 Dec 2005	31 Dec 2004
Accrued salaries and benefits	29,226	24,110	1,270	896
Accrued social security contributions	13,225	13,371	1,052	447
Accrued interest	291	–	–	–
Holiday benefits	1,432	–	–	–
Other	23,196	12,104	2,894	1,278
	67,370	**49,585**	**5,216**	**2,621**

Note 30 Financial risks and finance policies

Through its operations, the group is exposed to various types of financial risks such as currency risks, funding and interest risks and liquidity and credit risks. The group's finance policy stipulates that financial risks are to be kept at the lowest possible level.

The group's finance policies for managing financial risk has been formulated by the Board and constitutes a framework for risk management. The policy's overall objective is to ensure the company's long and short-term access to capital, to adapt the financial strategy to the company's operations to enable the attainment and retention of a stable long-term capital structure, and to achieve the best possible financial income/expenses within stated risk limits.

The group's guidelines for loan financing state that there should be one main lender. The policy stipulates the consistent division of maturities over the years.

The parent company is primarily focused on the management, co-ordination and development of the group, as well as group reporting and communication with shareholders. The group's operations are pursued in legal subsidiaries, and accordingly, the actual risks arise there.

Contract terms
Financial assets mainly consist of liquid funds and deferred tax assets. Tax assets are considered utilisable during subsequent years, either directly in the company where the receivable lies, or through group contributions.

Financial liabilities comprise external borrowings and the utilise portion of overdrafts. Approximately one-third of loans mature within two years and some two-thirds within one year.

Interest terms are based on variable base interest plus a fixed percentage rate, dependent on the maturity structure of loans.

Contract terms

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Interest terms are based on variable base interest plus a fixed percentage rate, dependent on the maturity structure of loans.

Loan terms

Expenses for conducted restructuring packages and provisions for feared write-downs and de-valuations in 2005 meant that NOTE was unable to achieve the financial key figures agreed with its lender. A new temporary agreement resulted in a temporary increase to interest levels on credit facilities through the autumn. As of 20 February 2006, terms return to their original levels.

Liquidity risks

Liquidity risk means the risk of being unable to fulfil payment commitments resulting from insufficient liquidity or difficulties in raising external borrowings. Operations are funded through means such as SEK 205.1 million of shareholders' equity and interest-bearing liabilities of SEK 242.8 million. This includes utilised overdrafts of SEK 31 million. The unutilised overdraft facility was SEK 68 million at year-end. The maturity structure of loan debt is stated in the Interest and maturity structure table.

Interest risks

Interest risk is the risk that the value of a financial instrument varies due to changes in interest rates. Interest rates can partly comprise changes in fair value, price risk, and partly changes in cash flow, cash flow risk. Interest fixing periods are a significant factor influencing interest risk. Mainly, long interest fixing periods affect cash flow risk, while shorter interest fixing periods influence price risk.

The management of the group's interest exposure is centralised, implying that the central finance function is responsible for identifying and managing this exposure.

The group's exposure to market risk for changes in interest levels is mainly attributable to the group's financial net debt.

Interest and maturity structure

The following table illustrates the maturity structure/interest re-fixings of financial assets/liabilities.

Group			31 Dec 2005						31 Dec 2004					
Interest-fixing period	Currency	Nominal amounts, original currency	Total	Maturing within 1 year	2 years	3 years	4 years	5 years and beyond	Total	Maturing within 1 year	2 years	3 years	4 years	5 years
Liquid funds														
	SEK	3,568	3,568	3,568	–	–	–	–	19,699	19,699	–	–	–	–
	USD	281	2,233	2,233	–	–	–	–	–	–	–	–	–	–
	EUR	302	2,850	2,850	–	–	–	–	–	–	–	–	–	–
	EEK	9	5	5	–	–	–	–	–	–	–	–	–	–
	PLN	168	409	409	–	–	–	–	420	420	–	–	–	–
	LTL	1	3	3	–	–	–	–	24	24	–	–	–	–
Bank loans														
Variable until 06/09	SEK	113,351	113,351	113,351	–	–	–	–	59,727	59,727	–	–	–	–
Variable until 07/09	SEK	57,007	57,007	–	57,007	–	–	–	116,152	–	60,052	56,100	–	–
Maturing 09/08	EEK	2,632	1,586	410	–	–	1,176	–	–	–	–	–	–	–
Maturing 14/02	EEK	13,569	8,176	1,001	–	–	–	7,175	–	–	–	–	–	–
Other loans														
	EUR	750	7,169	5,813	1,356	–	–	–	–	–	–	–	–	–
	LTL	365	998	647	351	–	–	–	–	–	–	–	–	–
Overdraft facilities														
Variable until 06/09	SEK	26,774	26,774	26,774	–	–	–	–	25,972	25,972	–	–	–	–
Until 06/04	EEK	7,058	4,252	4,252	–	–	–	–	–	–	–	–	–	–
Finance leasing liabilities														
	SEK	21,477	21,477	6,132	1,258	7,961	5,508	617	13,090	3,042	6,101	622	2,581	744
	EEK	3,289	1,981	463	62	–	155	1,301	–	–	–	–	–	–

Notes

Credit risks
Credit risks in financing activities
Credit risk consists of a party of the transaction being unable to fulfil its financial commitments. The group's largest financial assets comprise deferred tax assets.

Credit risks in accounts receivable – trade
The risk that the group's customers do not fulfil their commitment, i.e. that payments for accounts receivable – trade is a credit risk. The group's customers are subject to credit checks, implying the collection of information on customers' financial positions from various credit agencies. The group has prepared rules stating the level of decisions for credit limits, and how valuations of credits and doubtful debts should be managed. In some cases, for larger accounts receivable – trade, the risk of bad debt is limited through credit insurance. Bank guarantees or other collateral are required for customers with low creditworthiness or insufficient credit histories.

There were no significant concentrations of credit exposure at year-end. The maximum exposure to credit risk is stated in the book value of each financial asset in the Balance Sheet. Risk exposure is limited by the group's customers being diversified across multiple sectors.

Currency risk
The group is exposed to various types of currency risk. The primary exposure is for purchases and sales in foreign currency, where risks can partly comprise fluctuations in the currency of the financial instrument, customer or supplier's invoice, partly the currency risk in expected or contracted payment flows, termed transaction exposure.

Currency risk fluctuations also exist in the conversion of foreign subsidiaries' assets and liabilities to the functional currency of the parent company, termed conversion exposure.

Foreign currency expenses and procurement are largely hedged through binding contracts, where the customer assumes the full currency risk. Invoicing is largely in local currency. The majority of the group's invoicing is in Swedish kronor. If invoicing in local currency cannot be avoided, hedging is through forwards. NOTE adopts a decentralised view of the processing of currency hedging measures. In consultation with the head office, units take currency hedging measures for commercial exposure within the framework of the group's policy.

In most cases, material price variations on customers contracts are transparent for the customer (i.e. the customer is responsible for price increases/benefits from price reductions) which limits the group's risk. NOTE's strategic procuring companies manage a sizeable portion of materials procurement contracts.

The Consolidated Income Statement includes SEK 2,076,000 (–403,000) of exchange rate differences in operating profit/loss, and SEK –144,000 (1,000) in net financial/income expenses.

Transaction exposure
The group's currency risk is fairly limited by the majority of the group's invoicing being in Swedish kronor. The group classifies its forwards contracts used for hedging forecast transactions as cash flow hedging. At the end of the period, there were only two forwards contracts, each of USD 150,000. The effect of the actual value of forwards contracts used for hedging forecast flows is marginal.

Conversion exposure
The group's foreign net assets are divided in the following currencies, amounts in thousands of SEK:

Group	31 Dec 2005		31 Dec 2004	
Currency	**Amounts**	**%**	**Amounts**	**%**
EUR	429	0.2	–	–
EEK	2,732	1.3	–	–
LTL	7,400	3.6	5,756	2.2
PLN	3,454	1.7	3,730	1.4
	14,015	**6.8**	**9,486**	**3.6**

The group's policy has been not to hedge foreign currency conversion exposure.

Sensitivity analysis
To manage interest in currency risks, the group's purpose is to reduce the impact of short-term fluctuations on consolidated profit/loss.

However, in the long term, permanent changes in exchange interest rates can exert an impact on consolidated profits.

As of 31 December 2005, a general 1 per cent increase and interest rates would exert an approximate effect of SEK 2.3 (2.1) million on consolidated profit/loss before tax.

A general appreciation of the SEK against foreign currencies would have less significance in the short term, because most transactions are denominated in SEK, and changes to underlying exchange rate through contracts are transferred to customers.

Fair value
Book values stated in the Balance Sheet are the same as fair value.

Calculating fair value
The following summarises the methods and assumptions mainly used to determine the fair value of financial instruments as accounted in the above table.

Interest-bearing liabilities
Fair value is based on discounted future cash flows on principals and interest.

Finance leasing liabilities
Fair value is based on the present value of future cash flows discounted at market interest for similar leasing contracts.
The estimated fair value reflects changes in interest rates.

Accounts receivable and payable
For Accounts receivable and payable with a remaining term of less than one year, book value is considered to reflect fair value. Accounts receivable and payable with a term exceeding one year are discounted coincident with determining fair value.

Note 31 Operating leasing

Leasing contracts where the company is the lessee

Non-terminable leasing payments amount to:

	Group		Parent company	
	31 Dec 2005	31 Dec 2004	31 Dec 2005	31 Dec 2004
Within one year	2,284	4,517	88	140
Between one year and five years	603	2,030	173	242
	2,887	**6,547**	**261**	**382**

In the financial statement for 2005, an SEK 6,724,000 (7,029,000) expense was accounted for operating leasing, and relates to minimum leasing charges.

Note 32 Pledged assets, contingent liabilities and contingent assets

	Group		Parent company	
	31 December 2005	31 December 2004	31 December 2005	31 December 2004
Pledged assets				
In the form of pledged assets for own liabilities and provisions				
Property mortgage	30,583	12,400	–	–
Floating charge (approx.)	261,771	256,600	4,100	4,100
Total pledged assets	**292,354**	**269,000**	**4,100**	**4,100**
Contingent liabilities				
Guarantee commitments, FPG/PRI	166	–	9,292	–
Other guarantee commitments for subsidiaries	–	–	798	–
Guarantees favouring subsidiaries	–	–	168,576	185,841
Guarantees, other	950	360	–	–
County administrative board, conditional loan	3,926	3,585	–	–
Contingent liability, forward contracts	–	10,795	–	–
Total contingent liabilities	**5,042**	**14,740**	**178,666**	**185,841**

Note 33 Closely related parties

Close relations
The parent company has a close relationship with its subsidiaries.

Summary of transactions with closely related parties

Close relation	Year	Sale of services to closely related parties	Purchase of services from closely related parties	Liability to closely related parties as of 31 December	Receivable from closely related parties as of 31 December
Group					
Associated company divested in the year	2005	235	692	–	–
Company owned by Board members of subsidiaries	2005	11	445	–	–
Key staff in executive positions	2005	–	–	2 200	–
Parent company					
Subsidiaries	2005	38 232	1 950	53 400	137 354
Subsidiaries	2004	13 318	2 002	35 688	133 188
Key staff in executive positions	2005	–	–	2 550	–
Key staff in executive positions	2004	–	–	–	–

Transactions with key staff in executive positions
Sten Dybeck with company and family, controls 24 per cent of the company's votes. Other Board members control 0.6 per cent of the company's votes. Key staff in executive positions control 2 per cent of the votes.

For the Board of Directors', CEO's another senior executives' salaries and other benefits, expenses and commitments relating to pensions and similar benefits, as well as agreements on severance pay, see Note 26.

Notes

Note 34 Group companies

Holdings in subsidiaries	Subsidiary registered office in	Participating interest, % 31 Dec 2005	31 Dec 2004
NOTE Norrtelje AB	Sweden	100	100
NOTE Torsby AB	Sweden	100	100
NOTE Gdansk SP. Z. o.o	Poland	100	100
NOTE Components AB	Sweden	100	100
NOTE Lund AB	Sweden	100	100
NOTE Borås AB	Sweden	100	100
NOTE Nyköping-Skänninge AB	Sweden	100	100
NOTE Tauragé UAB	Lithuania	100	82.5
NOTE Björbo AB	Sweden	100	100
NOTE Hyvinkää Oy	Finland	100	100
NOTE Pärnu OÜ	Estonia	100	100
NOTE Skellefteå AB	Sweden	100	100
NOTE UK Ltd	UK	100	100

Parent company	31 Dec 2005	31 Dec 2004
Accumulated acquisition value		
At the beginning of the period	120,760	120,757
Purchases	43,725	3
Closing balance, 31 December	**164,485**	**120,760**
Accumulated write-downs		
At the beginning of the period	–	–
Write-downs for the year	–2,900	–
Closing balance, 31 December	**–2,900**	**–**
	161,585	**120,760**

Specification of parent company's direct holdings of shares in subsidiaries

Subsidiaries / Corporate ID no. / registered office	No. of shares	Prop., %	31 Dec 2005 Book value	31 Dec 2004 Book value
NOTE Norrtelje AB, 556235-3853, Norrtälje	1,000	100	50,000	50,000
NOTE Torsby AB, 556597-6114, Torsby	30,000	100	3,000	3,000
NOTE Gdansk SP. Z o.o, 583-26-15-588, Gdansk	40	100	99	99
NOTE Components AB, 556602-2116, Norrtälje	1,000	100	100	100
NOTE Lund AB (publ), 556317-0355, Lund	10,661	100	42,491	42,491
NOTE Borås AB, 556567-6193, Borås	1,000	100	5,000	7,900
NOTE Nyköping-Skänninge AB, 556161-4339, Skänninge	9,000	100	19,509	14,832
NOTE Tauragé, 1076886, Tauragé	15,000	100	3,175	2,335
NOTE Skellefteå AB, 556430-0183, Skellefteå	5,000	100	16,078	–
NOTE Hyvinkää Oy, 1931805-1, Hyvinkää	80	100	86	–
NOTE Pärnu OÜ, 10358547, Pärnu	1	100	22,047	–
NOTE UK Ltd, 5257074, Luton	–	100	N/A	–
			161,585	**120,757**

Note 35 Untaxed provisions

Parent company	31 Dec 2005	31 Dec 2004
Accumulated depreciation in addition to plan:		
Machinery and equipment	134	708
Total untaxed provisions	**134**	**708**

Note 36 Cash Flow Statement

Liquid funds – group	31 Dec 2005	31 Dec 2004
Liquid funds comprise the following components		
Cash and bank	9,070	20,143
Total, Balance Sheet	9,070	20,143
Total, Cash Flow Statement	**9,070**	**20,143**

Liquid funds – parent company	31 Dec 2005	31 Dec 2004
Liquid funds comprise the following components		
Cash and bank	410	875
Total, Balance Sheet	410	875
Total, Cash Flow Statement	**410**	**875**

Interest paid and dividends received

	Group 1 Jan. 2005– 31 Dec. 2005	1 Jan. 2004– 31 Dec. 2004	Parent company 1 Jan. 2005– 31 Dec. 2005	1 Jan. 2004– 31 Dec. 2004
Interest received	1,355	1,746	3,932	347
Interest paid	–7,798	–10,107	–2,704	–472

Adjustments for non-cash items

	Group		Parent company	
	1 Jan. 2005–31 Dec. 2005	1 Jan. 2004–31 Dec. 2004	1 Jan. 2005–31 Dec. 2005	1 Jan. 2004–31 Dec. 2004
Depreciation	29,750	27,344	483	185
Write-downs	12,886	100	–	–
Unrealised exchange rate differences	374	–4	–	–
Capital gain/loss on sale of tangible fixed assets	–647	57	57	57
Provisions for pensions	1,042	–	–	–
Other provisions	5,052	2,646	–3,150	–
Other items not influencing liquidity	–171	113	–	–
	48,285	**30,256**	**2,610**	**242**

Transactions not implying payments

	Group	
	1 Jan. 2005–31 Dec. 2005	1 Jan. 2004–31 Dec. 2004
Acquisitions of assets through finance leasing	14,913	1,632

Acquisitions of subsidiaries and other business units, group

	1 Jan. 2005–31 Dec. 2005	1 Jan. 2004–31 Dec. 2004
Acquired assets and liabilities		
Intangible fixed assets	18,753	–
Tangible fixed assets	24,210	3,052
Financial fixed assets	187	–
Inventories	47,298	5,029
Trade receivables	55,378	–
Liquid funds	274	–
Total assets	**146,099**	**8,081**
Long-term provisions	10,065	–
Long-term interest-bearing liabilities	23,491	–
Minority	–1,040	–
Short-term trade liabilities	69,141	–
Total provisions and liabilities	**101,657**	**–**
Purchase price:	45,090	–
Purchase price paid	45,090	–
Less: liquid funds of acquired operation	–274	–
Affect on liquid funds	**44,816**	**–**

Unutilised credits	Group		Parent company	
	31 Dec 2005	31 Dec 2004	31 Dec 2005	31 Dec 2004
Unutilised credits amount to	67,974	99,028	63,266	99,028

Note 37 Events after year-end

Knut Pogost took up his position as CEO of NOTE Components and the group's Sales & Marketing Director on 1 February 2006.

Henrik Nygren took up his position as CFO on 15 March 2006.

Note 38 Significant estimates and evaluations

The corporate management has discussed progress, selection and information regarding the group's critical accounting principles and estimates with the Audit Committee, as well as the application of these principles and estimates.

Critical evaluations when applying the group's accounting principles
Some critical accounting estimates applied at the application of the group's accounting principles are reviewed below.

Critical sources of uncertainty in estimates

Goodwill impairment tests
Several assumptions regarding future circumstances and estimates were made when calculating the recoverable value of cash-generating units for evaluating the potential need for write-downs. They are stated in Note 14. As is apparent from the review in Note 14, changes to the conditions of these assumptions and estimates in 2006 did not have a significant effect on goodwill values.

Exposure to foreign currencies
Changes in exchange rates could have a relatively modest effect on the company generally. Note 30 details foreign currency exposure and the risks associated with changes to exchange rates.

Recovery of value of financial assets
Basically, financial assets comprise deferred tax assets, which are estimated to be recoverable against future tax liabilities on the group's profit/loss.

Significant changes during the final interim period

Supplementary purchase price and acquisition price
The supplementary purchase prices of NOTE Hyvinkää and NOTE Nyköping-Skänninge were re-evaluated. The acquisition price of NOTE Skellefteå was also reduced. Factors influencing the re-evaluations are higher price of the NOTE share than used in the calculation of the supplementary purchase price of NOTE Nyköping-Skänninge, the profit forecast of NOTE Hyvinkää and NOTE Pärnu and the IFRS calculation of NOTE Skellefteå's pension liabilities.

Note 39 Information on the parent company

NOTE AB (publ) is a Swedish-registered limited company with its registered office in Norrtälje. The parent company's shares are listed on the Stockholm Stock Exchange. The address of the head office is NOTE AB (publ), Box 910, 761 29 Norrtälje, Sweden.

The Consolidated Financial Statements for 2005 comprise the parent company and its subsidiaries, together termed the group.

Note 40 Explanations on the adoption of IFRS

This financial report for the group is the first prepared by applying IFRS, as stated in Note 1.

The accounting principles stated in Note 1 have been applied when preparing the group's financial reports for the financial year 2005 and the comparative year 2004, and for the group's opening balance on 1 January 2004 apart from IAS 32, 39 and IFRS 4, which pursuant to the exception of IFRS 1, only applies for 2005.

When preparing the opening Consolidated Balance Sheet, amounts stated pursuant to previous accounting principles had been adjusted for IFRS. Explanations of how the transfer from previous accounting principles to IFRS have affected the group's financial position, financial profit/loss and cash flow are stated in the following tables and their explanations.

Regarding the adoption of IAS 32, 39 and IFRS 4 from 1 January 2005 onwards, see Note 41.

Notes

Reconciliation of shareholders' equity	Note	Previous principles	Effect at adoption of IFRS	According to IFRS	Previous principles	Effect at adoption of IFRS	According to IFRS
			1 January 2004			31 December 2004	
ASSETS							
Intangible fixed assets	a	40,754	–	40,754	24,974	2,901	27,875
Tangible fixed assets		102,588	–	102,588	104,515	–	104,515
Long-term receivables		3,662	–	3,662	11,361	–	11,361
Deferred tax assets		177	–	177	804	–	804
Total fixed assets		**147,181**	**–**	**147,181**	**141,654**	**2,901**	**144,555**
Inventories		219,246	–	219,246	244,507	–	244,507
Accounts receivable – trade		232,931	–	232,931	263,884	–	263,884
Prepaid expenses and accrued income		52,392	–	52,392	42,395	–	42,395
Other receivables		3,482	–	3,482	21,409	–	21,409
Liquid funds		7,968	–	7,968	20,143	–	20,143
Total current assets		**516,019**	**–**	**516,019**	**592,338**	**–**	**592,338**
TOTAL ASSETS		**663,200**	**–**	**663,200**	**733,992**	**2,901**	**736,893**
SHAREHOLDERS' EQUITY							
Share capital		3,840	–	3,840	4,812	–	4,812
Other paid-up capital		150	44,010	44,160	103,940	44,160	148,100
Provisions		100,781	–100,781	–	101,105	–100,748	357
Retained profit inc. profit/loss for the period	b	41,178	56,770	97,948	51,893	59,490	111,383
Shareholders' equity attributable to parent company's shareholders		**145,949**	**–**	**145,949**	**261,751**	**2,901**	**264,652**
Minority interest		785	–	785	997	–	997
Total shareholders' equity		**146,733**	**–**	**146,733**	**262,748**	**2,901**	**265,649**
LIABILITIES							
Long-term interest-bearing liabilities		176,070	–	176,070	126,200	–	126,200
Negative goodwill		16,822	–	16,822	–	–	–
Other provisions		4,500	–	4,500	5,500	–	5,500
Deferred tax liabilities		18,445	–	18,445	18,125	–	18,125
Total long-term liabilities		**215,837**	**–**	**215,837**	**149,825**	**–**	**149,825**
Other current interest-bearing liabilities		117,263	–	117,263	88,741	–	88,741
Accounts payable – trade		118,100	–	118,100	154,504	–	154,504
Tax liabilities		7,418	–	7,418	6,465	–	6,465
Other liabilities		17,702	–	17,702	18,855	–	18,855
Accrued expenses and deferred income		40,147	–	40,147	49,585	–	49,585
Provisions		–	–	–	3,268	–	3,268
Total current liabilities		**300,630**	**–**	**300,630**	**321,418**	**–**	**321,418**
Total liabilities		**516,467**	**–**	**516,466**	**471,243**	**–**	**471,243**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**663,200**	**–**	**663,200**	**733,992**	**2,901**	**736,893**

Notes on the reconciliation of shareholders' equity

a) In the Consolidated Financial Statements, IFRS 3 has been applied for all business combinations conducted from 1 January 2004 onwards, the IFRS adoption date. There is no goodwill amortisation from 1 January 2004 onwards. Instead, goodwill is subject to impairment tests annually, or when there is any indication of value depreciation.

As a consequence of the above adjustment, the book value of goodwill increased by SEK 2,901,000 as of 31 December 2004. Reversed goodwill amortisation in 2004 was 2,901,000 (accounted in cost of sold goods and services).

b) The effect of the above adjustments on profit brought forward is stated in the following table:

Group	Note	1 Jan 2004	31 Dec 2004
Goodwill	a	–	2,901
Total adjustments in shareholders' equity		**–**	**2,901**
Attributable to:			
Parent company's shareholders		–	2,901

Reconciliation of profit/loss for year 2004

	Note	Previous principles	Effects at adoption of IFRS	According to IFRS
Group				
Net revenue		1,103,146	–	1,103,146
Cost of sold goods and services	a	–980,008	2,901	–977,107
Other revenues		18,339	–	18,339
Gross profit/loss		**141,477**	**2,901**	**144,378**
Other operating revenue		2,220	–	2,220
Selling expenses		–50,340	–	–50,340
Administration expenses		–63,494	–	–63,494
Other operating expenses		–3,505	–	–3,505
Operating profit/loss		**26,359**	**2,901**	**29,260**
Financial income		1,788	–	1,788
Financial expenses		–11,552	–	–11,552
Net financial income/ expenses		**–9,764**	**–**	**–9,764**
Profit/loss before tax		**16,595**	**2,901**	**19,496**
Tax		–5,851	–	–5,851
Profit/loss for the period		**10,744**	**2,901**	**13,645**
Attributable to:				
Parent company's shareholders		10,533	2,901	13,434
Minority interest		211	–	211
Earnings per share before dilution (SEK)		1.20	0.33	1.53
Earnings per share after dilution (SEK)		1.17	0.33	1.50

Note 41 Exchange of accounting principles, 1 January 2005

The effect of the introduction of IAS 32 and 39 is marginal.

The Board and Chief Executive Officer hereby offer their assurances that this Annual Report has been prepared in accordance with generally accepted accounting practice for listed companies.
The submitted information is consistent with actual circumstances of operations, and no material omissions have been made that could affect the impression of the group and parent company created by the Annual Report.

Sten Dybeck
CHAIRMAN

Ulf Mikaelsson
DEPUTY CHAIRMAN

Börje Andersson

Thord Johansson

Katarina Mellström

Erik Stenfors

Lennart Svensson

Arne Forslund
CEO

Our Audit Report was submitted on 5 April 2006

Lennart Jakobsson
AUTHORISED PUBLIC ACCOUNTANT

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 2005. Responsibility for the accounts, administration and for the Swedish Annual Accounts Act being observed when the Annual Report is being prepared, and IFRS (International Financial Reporting Standards) as endorsed by the EU and the Swedish Annual Accounts Act being observed when the Consolidated Financial Statements are being prepared, rests with 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 good, but not absolute, 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 has been prepared in accordance with the Annual Accounts Act and, thereby, gives a true and fair view of the company's profit and financial position in accordance with generally accepted accounting principles in Sweden. The Consolidated Financial Statements have been prepared in accordance with IFRS as endorsed by the EU and give a true and fair view of the company's profit and financial position. 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.

Norrtälje, Sweden, 5 April 2006

Lennart Jakobsson
AUTHORISED PUBLIC ACCOUNTANT

Anders Malmeby
AUTHORISED PUBLIC ACCOUNTANT

Board of Directors

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

Sten Dybeck
Djursholm, Born in 1933
Chairman of the Board since 2000
Holdings of NOTE shares: Sten Dybeck with family and company holds 2,211,500

Börje Andersson
Landskrona, Born in 1950
Board member since 2004
Other assignments: Chairman of the Board of Detego AB, Rostfria Svetsmekano AB, Netmilling AB, Latvia Forrest SIA, Svenska Stadsnät AB, Ohlssons AB, Wasberger AB and Palm & Partners AB
Holdings of NOTE shares: 0

Thord Johansson
Jönköping, Born in 1955
Board member since 2003
Other assignments: Board member of ITAB Industri AB (publ), Jönköping International School of Economics, Enventus AB and Smedjan Utvecklings AB
Holdings of NOTE shares: 0

Katarina Mellström
Sollentuna, Born in 1962
Board member since 2004
Holdings of NOTE shares: 0

Ulf Mikaelsson
Stockholm, Born in 1939
Deputy Chairman
Board member since 2002
Other assignments: Chairman of the Board of Skandia's shareholders' association and Board member of Eurostar i Solna AB
Holdings of NOTE shares: 50,000

Erik Stenfors
Norrtälje, Born in 1966
Board member since 2000
Other assignments: Board member of Value Tree Holdings AB and Chairman of BE2 Online Ltd.
Holdings of NOTE shares: 5,000

Lennart Svensson
Stockholm, Born in 1945
Board member since 2002
Other assignments: Board member of companies including Domsjö Fabriker AB
Holdings of NOTE shares: 2,000

Auditors

Lennart Jakobsson
Born in: 1947
Authorised Public Accountant,
KPMG Bohlins AB
NOTE's auditor since 1990

Anders Malmeby
Born in: 1955
Authorised Public Accountant,
KPMG Bohlins AB
NOTE's auditor since 2004

Senior executives

GROUP MANAGEMENT

1 **Arne Forslund**
CEO and President
Born in: 1963.
Employed by NOTE since November 2005
NOTE shareholdings: 10,000
NOTE stock option holdings: 15,000

2 **Marina Filipsson**
Vice President ems-ALLIANCE
Born in: 1964
Employed by NOTE since 2000
NOTE shareholdings: 100

3 **Annica Segerström**
Vice President Human Resources
Born in: 1964
Employed by NOTE since: 2000*
NOTE shareholdings: 500

4 **Annelie Wirdefeldt**
Vice President Investor Relations
& Information Strategy
Active in NOTE since February 2006
Born in: 1969
NOTE shareholdings: 0

5 **Henrik Nygren**
Chief Financial Officer
Born in: 1956
Employed by NOTE since March 2006
NOTE shareholdings: 10,000
NOTE stock option holdings: 10,000

6 **Peter Jansson**
Vice President Production
Born in: 1965
Employed by NOTE since 1986*
NOTE shareholdings: 181,000

7 **Knut Pogost**
CEO of NOTE Components AB
and Group Vice President
Sales & Marketing
Active in NOTE since February 2006
Born in: 1962
NOTE shareholdings: 0

PRESIDENTS OF SUBSIDIARIES

1 **Berndt Eriksson**
President of NOTE Skellefteå AB
Born in: 1946
Employed by NOTE since 1967*
NOTE shareholdings: 200

2 **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 shareholdings: 100

3 **Gerd Levin-Nygren**
President of NOTE Torsby AB
Born in: 1951
Employed by NOTE since 1973*
NOTE shareholdings: 800

4 **Patrik Kvarnlöf**
President of NOTE Norrtelje AB
Born in: 1968
Employed by NOTE since 1993*
NOTE shareholdings: 10,000

5 **Ulf Karlsson**
President of NOTE Lund AB
Born in: 1964
Employed by NOTE since 2004
NOTE shareholdings: 0

6 **Povilas Sprainys**
President of NOTE Taurage UAB
Born in: 1967
Employed by NOTE since 2005
NOTE shareholdings: 0

7 **Ilona Lukaszewicz**
President of NOTE Gdansk Sp z o.o.
Born in: 1972
Employed by NOTE since 1999*
NOTE shareholdings: 0

8 **Erki Hirv**
President of NOTE Pärnu Ou
Born in: 1979
Employed by NOTE since 2000*
NOTE shareholdings: 0

9 **Mikko Sajaniemi**
President of NOTE Hyvinkää Oy
Born in: 1953
Employed by NOTE since 1995*
NOTE shareholdings: 0

* Total length of service with NOTE and acquired subsidiaries

Notice convening the Annual General Meeting

Shareholders are hereby convened to the AGM (Annual General Meeting) of NOTE AB (publ), corporate identity number 556408-8770, at 4:30 p.m. on Wednesday, 26 April 2006 at Roslagens Sparbank's premises, Danskes Gränd 2, Norrtälje, Sweden.

Participation

Shareholders that wish to participate at the AGM should:

First, be recorded in their share register maintained by VPC AB (the Swedish Central Securities Depository & Clearing Organisation) by no later than Thursday, 20 April 2006,

Secondly, notify the company of their intention to participate at the AGM by post at NOTE AB (publ), Box 910, 761 29 Norrtälje, Sweden, or by telephone: +46 (0)176 79900, by fax: +46 (0)176 17879, or by e-mail: info@note.se, by no later than 4 p.m. on Friday, 21 April 2006. Notifications should state personal/corporate names, personal/corporate identity numbers, number of shares held, addresses and telephone numbers.

For entitlement to participate at the AGM, shareholders with nominee-registered holdings must temporarily register their shares in their own name through the agency of their nominee in good time before 20 April 2006.

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.

Proposed agenda

1. Opening the Meeting.
2. Election of Chairman of the Meeting.
3. Preparing and approving the voting list.
4. Approving the agenda.
5. Election of one or two people to take the minutes.
6. Consideration of whether the Meeting has been duly convened.
7. Chief Executive Officer's statement.
8. Information on corporate governance.
9. Submission of the Annual Report and Audit Report, the Consolidated Financial Statements and consolidated Audit Report.
10. Resolutions
    a) on adoption of the Income Statement and Balance Sheet, and where applicable, the Consolidated Income Statement and Consolidated Balance Sheet.
    b) on appropriation of the company's profit or loss according to the adopted Balance Sheet.
    c) record date for dividends.
    d) on discharging the Board members and Chief Executive Officer from liability.
11. Determining the number of Board members to be elected at the Meeting.
12. Determining fees for the Board of Directors and auditors.
13. Election of Board members and the Chairman of the Board.
14. Resolution regarding revising the Articles of Association.
15. Resolution to introduce an incentive plan and issue warrants.
16. Other matters for consideration.
17. Closing the Meeting.

Documentation for the Meeting

The accounting records, Audit Report, and the Board of Directors' complete proposals regarding items 14 and 15 above, and the Board of Directors' statement pursuant to chap. 18 § 4 of the Swedish Companies Act, will be available from the company at its offices at Stockholmsvägen 59, Norrtälje, Sweden from 12 April 2006 onwards. This documentation will be sent to those shareholders that request it and state their postal address.

The Board of Directors
NOTE AB (publ)
Norrtälje Sweden, March 2006

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.

DFX
Design for excellence. Development projects that consider total cost early in the product development process, including quality, testability and producability. Also used for development projects intended to design costs out of an existing product.

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 medtech and other products.

WEEE directive
(Waste electrical and electronic equipment) implies total producer accountability for all electronics production. The WEEE directive came into force in 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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