

NOTE Interim Report

January – March 2007



NOTE reports improved profitability

- Sales increased 7% to SEK 425.0 (398.6) m
- Operating profit improved by 31% to SEK 24.8 (18.9) m
- Operating margin increased to 5.8% (4.7%)
- Profit after tax was SEK 16.0 (12.1) m or SEK 1.66 (1.25) per share
- Cash flow was SEK 45.6 (23.7) m, SEK 4.74 (2.47) per share
- Kaj Samlin was appointed new President and CEO on 15 February

Sales and profits

Sales grew by 7% to SEK 425.0 (398.6) m in the period. In seasonal terms, sales and profits are normally lower in the first quarter than the rest of the year. Growth was largely organic and primarily attributable to the Telecom customer segment. In autumn 2006, NOTE signed agreements relating to new deliveries to a number of key accounts in the Industrial and Telecom segments. Preparations for production start are underway and volume deliveries are expected to take off in the second half-year.

Gross margins grew by 2.0 percentage points to 12.5% (10.5%) in the first quarter. Margin growth resulted from increased volumes and rationalisations within production and sourcing. Higher volumes, improved coordination of group production units and the transfer of volume production to units outside Sweden contributed to progressively improved capacity utilisation.

Operating profit increased by 31% to SEK 24.8 (18.9) m and operating margin improved by 1.1 percentage points to 5.8% (4.7%). Sales and administration costs for the quarter were 7% down on the fourth quarter 2006, but 19% higher year on year. Overheads for the period include all costs for the resigning CEO of approximately SEK 2.0 m.

Profit after financial items increased by 40% to SEK 23.0 (16.4) m and profit margin improved to 5.4% (4.1%). Net financial income/expense improved slightly year on year. Profit after tax amounted to SEK 16.0 (12.1) m, corresponding to SEK 1.66 (1.25) per share.

Financial position and liquidity

Methodical rationalisation efforts were introduced at the end of the first half-year of 2006 in order to increase the efficiency of the group's working capital utilisation. As a result, cash flow for the past half-year amounted to SEK 87 m, corresponding to just over 9% of sales. In the first quarter, cash flow was SEK 45.6 (23.7) m, corresponding to SEK 4.74 (2.47) per share. Inventories, which declined by around 10% in the fourth quarter last year, have increased by close to 7% since year-end. The increase primarily derives from the conscious increase of finished product inventories ahead of anticipated major deliveries in the Telecom segment in the second quarter.

The equity ratio increased by 2.5 percentage points to 32.7% in the period. After proposed dividends of SEK 21.7 m (SEK 2.25 per share) for the previous financial year, the equity ratio amounted to 30.2%, within the consolidated equity ratio target interval of 25-35%. Liquidity was sufficient at the end of the period. Available liquid funds, including unutilised bank overdraft facilities, were SEK 123.9 (96.7) m.

Return on operating capital was 24.9% over the last twelve-month period and return on equity was 28.9%.

Investments in the period

Investments in tangible fixed assets amounted to SEK 8.2 (2.8) m, corresponding to 1.9% (0.7%) of sales. The majority of investments were in equipment for increased production capacity and IT systems to increase the efficiency of sourcing. Depreciation for the period amounted to SEK 6.5 (6.7) m. The rate of investment in the current year is forecast to be slightly higher than in 2006.

Highlights in the period

New President and CEO

Kaj Samlin replaced Arne Forslund as NOTE's President and CEO on 15 February. Kaj Samlin has a background in the Electrolux group and multinational speciality cable manufacturer Habia Cable AB. In recent years, he has been involved in establishing a Swedish-Chinese company for the international store fittings market.

New factory for NOTE Norrtelje

The construction of NOTE Norrtelje's new factory is underway and the facility is scheduled to become operational this summer. The purpose of a new factory is to apply lean principles at the development stage in order to create a state-of-the-art, cost-efficient high-tech production facility. The new facility will also house NOTE Academy's training operations.

Restructuring of NOTE Nyköping-Skänninge

NOTE Nyköping-Skänninge's PCB assembly was focused to the company's Skänninge factory last year. In order to improve efficiency further, at the end of the period, a decision was taken to start negotiating on the relocation of the remaining production from Nyköping to Skänninge. Notice has been issued to approximately 25 employees. The relocation is expected to conclude in the summer.

Parent company

The parent company is primarily focused on the management, coordination and development of the group. Parent company revenue was SEK 9.4 (6.8) m for the period and related to intra-group services sales. Profit after financial items was SEK -2.2 (-0.1) m.

Outlook

Sector commentator iSuppli expects demand for EMS services in Europe to grow by an average of some 9% annually over the coming years. The majority of growth is expected to be derived from customers in the Industrial segment.

The Board of Directors
NOTE AB (publ)

Danderyd, Sweden, 24 April 2007

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Next financial report

The Interim Report for January – June will be published on 18 July 2007.
The Interim Report for January – September will be published on 26 October 2007.

Audit review

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

Accounting and valuation principles

This report has been prepared pursuant to RR's (Redovisningsrådet, the Swedish Financial Accounting Standards Council) recommendation RR 31 Interim Reporting for Groups and IAS 34. The rates of return have been adapted to the Swedish Society of Financial Analysts' recommendations. Otherwise, the same accounting principles and calculation methods as in the latest Annual Report have been used in this Interim Report.

All amounts in SEK m (millions of Swedish kronor) unless indicated otherwise.

NOTE—one of the Nordic region's leading EMS providers

NOTE is one of the Nordic region's leading providers of Electronics Manufacturing Services, EMS, which is the market for the contract manufacture of electronics. Apart from PCB manufacture, EMS encompass a growing share of development, servicing and after-sales.

NOTE's Nearsourcing™ business model combines sophisticated EMS services geographically close to customers with volume production at NOTE's international units. NOTE can also offer close-to-market production via the ems-ALLIANCE™, an international network of electronics manufacturers with partners in Brazil, China, India and the US.

The group comprises a parent company and wholly owned subsidiaries in Sweden, Norway, Finland, The UK, Estonia, Lithuania and Poland and a representative office in China. Sourcing enterprise NOTE Components is responsible for strategic procurement for all the group's units.

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

High growth on the EMS market

Outsourcing in the electronics market remains in high growth, as product owners focus on core business and outsource production and associated services to contract manufacturers like NOTE. In addition to traditional manufacturing, EMS customers increasingly require assistance on services like manufacturability, PCB design, active support in component selection and fast prototyping. Accordingly, NOTE is gaining increasing responsibility for the production of more complete solutions. As part of this process, NOTE has developed know-how and services offerings in more specialized, knowledge-intensive segments. Examples include test development and completed functional tests, where NOTE has unique expertise. A growing share of customers are also demanding production of complete products—box build. Here, NOTE is accountable for the production and supply of complete products including documentation and packaging.



Income Statement

	2007 Q1	2006 Q1	APR 2006 - MAR 2007	2006 JAN - DEC
SALES	425.0	398.6	1,767.9	1,741.5
COSTS OF GOODS AND SERVICES SOLD	-371.7	-356.6	-1,550.0	-1,535.0
GROSS PROFIT	53.3	42.0	217.9	206.5
SALES COSTS	-10.1	-8.3	-41.3	-39.5
ADMINISTRATIVE COSTS	-18.2	-15.4	-69.7	-66.8
OTHER OPERATING INCOME/COSTS	-0.2	0.6	2.6	3.4
OPERATING PROFIT	24.8	18.9	109.5	103.6
NET FINANCIAL INCOME/EXPENSE	-1.8	-2.5	-6.7	-7.4
PROFIT AFTER NET FINANCIAL ITEMS	23.0	16.4	102.8	96.2
TAX	-7.0	-4.3	-30.3	-27.6
PROFIT AFTER TAX	16.0	12.1	72.5	68.6

Key ratios

	2007 Q1	2006 Q1	APR 2006 - MAR 2007	2006 JAN - DEC
DATA PER SHARE*				
AVERAGE NUMBER OF SHARES (THOUSANDS)	9,624	9,624	9,624	9,624
EARNINGS PER SHARE AFTER FULL TAX, SEK	1.66	1.25	7.54	7.13
EQUITY PER SHARE, SEK	29.59	22.56	29.58	27.86
CASH FLOW PER SHARE, SEK	4.74	2.47	4.85	2.58
OTHER KEY RATIOS				
GROSS MARGIN	12.5%	10.5%	12.3%	11.9%
OPERATING MARGIN	5.8%	4.7%	6.2%	5.9%
PROFIT MARGIN	5.4%	4.1%	5.8%	5.5%
RETURN ON OPERATING CAPITAL	-	-	24.9%	22.5%
RETURN ON EQUITY	-	-	28.9%	29.0%
EQUITY RATIO, END OF PERIOD	32.7%	26.9%	32.7%	30.2%
AVERAGE NUMBER OF EMPLOYEES	1,179	1,096	1,152	1,127
SALES PER EMPLOYEE, SEK 000	360	364	1,534	1,545

*DATA PER SHARE IS CALCULATED ON THE BASIS OF THE ACTUAL NUMBER OF OUTSTANDING SHARES. THE AGM 2006 RESOLVED ON THE ISSUE OF WARRANTS CORRESPONDING TO 200,000 SHARES.

Balance Sheet

	2007 31 Mar	2006 31 Mar	2006 31 Dec
ASSETS			
GOODWILL	49.1	46.4	49.1
OTHER INTANGIBLE FIXED ASSETS	2.3	2.0	2.2
TANGIBLE FIXED ASSETS	118.2	118.0	115.5
DEFERRED TAX RECEIVABLES	0.7	13.9	0.9
OTHER FINANCIAL FIXED ASSETS	0.3	0.2	0.0
FIXED ASSETS	170.6	180.5	167.7
STOCK	330.1	312.0	307.6
TRADE RECEIVABLES	325.0	268.7	363.5
OTHER CURRENT RECEIVABLES	18.9	25.0	30.6
LIQUID FUNDS	24.7	21.9	18.8
CURRENT ASSETS	698.7	627.6	720.5
TOTAL ASSETS	869.3	808.1	888.2
EQUITY AND LIABILITIES			
EQUITY	284.6	217.2	268.1
LONG-TERM INTEREST-BEARING LIABILITIES	130.2	82.6	132.4
DEFERRED TAX LIABILITIES	13.3	8.9	13.3
OTHER LONG-TERM PROVISIONS	11.9	12.7	12.2
LONG-TERM LIABILITIES	155.4	104.2	157.9
CURRENT INTEREST-BEARING LIABILITIES	62.5	149.3	99.4
TRADE PAYABLES	255.3	238.7	259.2
OTHER CURRENT LIABILITIES	109.4	91.3	99.5
SHORT-TERM PROVISIONS	2.1	7.4	4.1
CURRENT LIABILITIES	429.3	486.7	462.2
TOTAL EQUITY AND LIABILITIES	869.3	808.1	888.2

Change in equity

	2007 Q1	2006 Q1	APR 2006 - MAR 2007	2006 JAN - DEC
OPENING EQUITY	268.1	205.1	217.2	205.1
PROFIT AFTER TAX	16.0	12.1	72.5	68.6
DIVIDENDS PAID	-	-	-4.8	-4.8
PAYMENT, WARRANTS	-0.2	-	0.4	0.6
TRANSLATION DIFFERENCE	0.7	0.0	-0.7	-1.4
CLOSING EQUITY	284.6	217.2	284.6	268.1

Cash Flow Statement

	2007 Q1	2006 Q1	APR 2006 - MAR 2007	2006 JAN - DEC
PROFIT AFTER FINANCIAL ITEMS	23.0	16.4	102.8	96.2
REVERSED DEPRECIATION AND AMORTISATION	6.5	6.7	30.3	30.5
OTHER NON-CASH ITEMS	-2.7	-6.7	-3.3	-7.3
TAX PAID	-6.9	-4.2	0.9	3.6
CHANGE IN WORKING CAPITAL	34.0	14.3	-56.4	-76.1
INVESTMENT BUSINESS	-8.3	-2.8	-27.6	-22.1
CASH FLOW	45.6	23.7	46.7	24.8
LIQUID FUNDS				
AT START OF PERIOD	18.8	9.1	21.9	9.1
CASH FLOW	45.6	23.7	46.7	24.8
FINANCING BUSINESS	-39.9	-10.9	-44.0	-15.0
EXCHANGE RATE DIFFERENCE IN LIQUID FUNDS	0.2	0.0	0.1	-0.1
LIQUID FUNDS AT END OF PERIOD	24.7	21.9	24.7	18.8
UNUSED CREDITS	99.2	74.8	99.2	62.6
AVAILABLE LIQUID FUNDS	123.9	96.7	123.9	81.4

Quarterly summary

	Q1 2007	Q4 2006	Q3 2006	Q2 2006	Q1 2006	Q4 2005	Q3 2005	Q2 2005
SALES	425.0	488.5	421.4	433.1	398.6	428.2	347.2	403.7
GROSS PROFIT	53.3	62.7	51.9	50.0	42.0	51.0	44.1	-11.9
OPERATING PROFIT	24.8	33.8	26.8	24.1	18.9	23.4	21.3	-47.6
PROFIT AFTER FINANCIAL ITEMS	23.0	32.4	25.1	22.3	16.4	21.8	18.1	-49.4
PROFIT AFTER TAX	16.0	22.7	18.0	15.8	12.1	13.5	12.6	-35.8
CASH FLOW	45.6	41.4	-24.9	-15.4	23.7	23.5	-8.2	10.9
EARNINGS PER SHARE AFTER FULL TAX, SEK	1.66	2.36	1.87	1.64	1.25	1.40	1.31	-3.72
CASH FLOW/SHARE, SEK	4.74	4.30	-2.59	-1.60	2.47	2.44	-0.85	1.13
PROFIT MARGIN	5.4%	6.6%	6.0%	5.2%	4.1%	5.1%	5.2%	-12.2%
EQUITY RATIO	32.7%	30.2%	27.2%	26.5%	26.9%	25.3%	23.2%	21.0%

Five-year summary*

	APR 2006 - MAR 2007	2006	2005	2004	2003	2002
SALES	1,767.9	1,741.5	1,504.1	1 103.1	859.2	636.8
GROSS PROFIT	217.9	206.5	54.2	126.0	94.1	92.3
OPERATING PROFIT	109.5	103.6	-64.3	29.3	74.4	39.4
PROFIT AFTER FINANCIAL ITEMS	102.8	96.2	-73.1	19.5	63.0	30.9
PROFIT AFTER TAX	72.5	68.6	-55.7	13.6	44.2	21.4
CASH FLOW	46.7	24.8	-9.7	-14.4	-63.6	-8.4
EARNINGS PER SHARE AFTER FULL TAX, SEK	7.54	7.13	-5.78	1.50	5.41	3.13
CASH FLOW/SHARE, SEK	4.85	2.58	-1.01	-1.60	-7.79	-1.24
PROFIT MARGIN	5.8%	5.5%	-4.9%	1.8%	7.3%	4.8%
RETURN ON OPERATING CAPITAL	24.9%	22.5%	-14.3%	6.6%	21.0%	18.9%
RETURN ON EQUITY	28.9%	29.0%	-23.7%	6.6%	37.0%	33.4%
EQUITY RATIO	32.7%	30.2%	25.3%	36.1%	22.0%	20.8%
NUMBER OF EMPLOYEES	1,152	1,127	1,097	887	681	425

* 2004-2007 ACCORDING TO IFRS; 2002-2003 ACCORDING TO SWEDISH GAAP.