

*SPEED UP YOUR BUSINESS*

08



Annual Report

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# NOTE in brief

## NOTE offers electronics production services right through the value chain, from development and production to after-sales.

NOTE is one of the Nordic region's leaders in manufacturing and logistics services for electronics-based products. NOTE is active on the EMS (electronics manufacturing services) market and offers electronics production services right through the value chain, from development and production to after-sales. Its customers are mainly in the Nordic region and the UK.

### Acyclical growth

Methodical activities have been rolled out through NOTE to realign operations—from the traditional role of a contract manufacturer of electronics to a unique services provider on the EMS market. The new unique business model, Nearsourcing™ has been enhanced and tailored to customer needs to get products to market fast. The aim is to increase growth and profitability, while reducing the risks of operations. Customers are now being offered the three components of the model:

- *Nearsourcing centres* close to customers, where cost-efficient development work is conducted close to the customer geographically, cutting time to market—the time from the original idea to a product reaching the final market.
- *Cost control through product lifecycles*, which includes:

- **NOTEfied**—an extensive preferred parts database that supports development processes, and has functionality including direct links to customers' design systems. The database has technical and commercial data, helping increase efficiency and cut product development lead-times.
- A PLM (product lifecycle management) tool for effective global documentation, version management and supporting sourcing processes. This tool accesses up-to-date information on component lifetimes from the NOTEfied preferred parts database. A range of players—internal and external—participating in product manufacture can access the system.
- Sourcing functions in Northern Europe, Central Europe and Asia that source components at competitive prices.

- **Cost-efficient production.** Production is located where it is optimal for the customer depending on factors including product lifecycles, volumes and final geographical markets.

NOTE offers a range of alternatives for volume production in cost-efficient countries, in Europe and Asia. For shorter production runs that require high flexibility, the most cost-efficient alternative may be to conduct production in a local Nearsourcing centre.

## Key facts

- Proprietary production capacity: Sweden, Norway, Finland, the UK, Estonia, Lithuania, Poland and China.
- **ems-ALLIANCE™**: participation in the multinational **ems-ALLIANCE™** enables NOTE to offer more volume production and production close to end-customers in Brazil, the Philippines, India and the US.
- Number of employees on 31 December 2008: 1,205.
- Sales in 2008: SEK 1,710 m.
- Share: quoted on NASDAQ OMX Sweden's Nordic Small Cap List in the Information Technology sector. At year-end, the share price was SEK 22.50. Market capitalisation was SEK 217 m, divided between 9,624,200 shares.

# The year in brief

## January—December

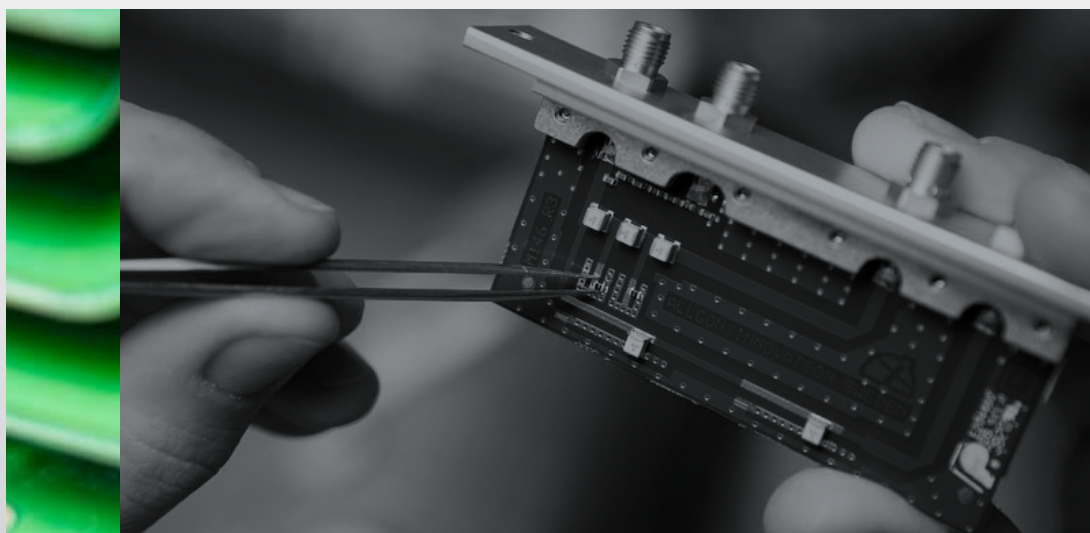
- Net revenue was SEK 1,709.5 (1,743.8) million.
- Operating profit/loss: SEK –3.8 (111.9) million. Profit was charged with restructuring costs of some SEK 80 million.
- Operating margin was –0.2% (6.4%).
- Profit/loss after financial items: SEK –14.4 (103.8) million.
- Profit/loss after tax: SEK –13.1 (78.2) million, or SEK –1.36 (8.13) per share.
- Cash flow was SEK 25.1 (–0.5) million, or SEK 2.61 (–0.05) per share.

## Highlights of the year

- NOTE takes measures to transfer labour-intensive production and sourcing services to cost-efficient countries, reducing the employee headcount in Sweden by some 400 people, or over 50%. Of the lay-offs, 130 people ended their employment during the year.
- Acquisition of a smaller-scale Swedish mechanical engineering enterprise, to enhance the sourcing function and add valuable skills close to the customer for developing prototypes and shorter production runs.
- Acquisitions of Nearsourcing centres for growth in the UK and Norway.
- Dispute with one of NOTE's customers concluded. The outcome of the arbitration process was fully in NOTE's favour.

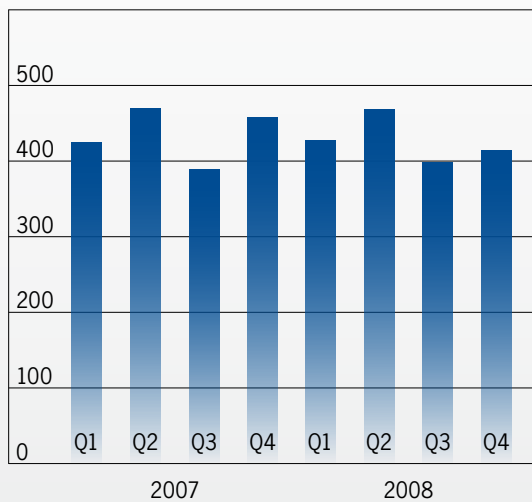
## Highlights after year-end

- Market breakthrough for Nearsourcing—Kongsberg Defence & Aerospace decides to use the NOTEfied preferred parts database for new product development.
- The Board of Directors proposes that no dividends are paid for the financial year 2008.

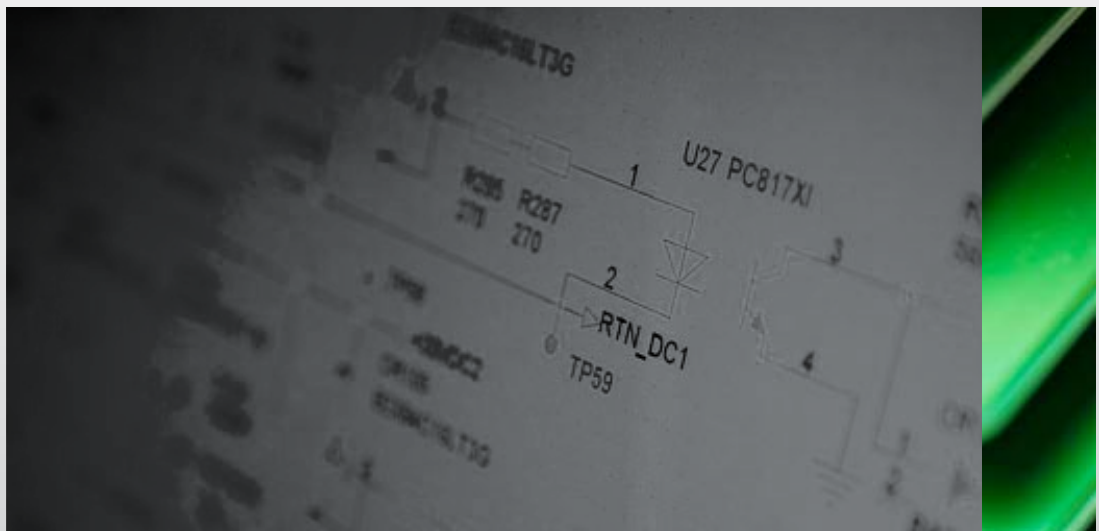
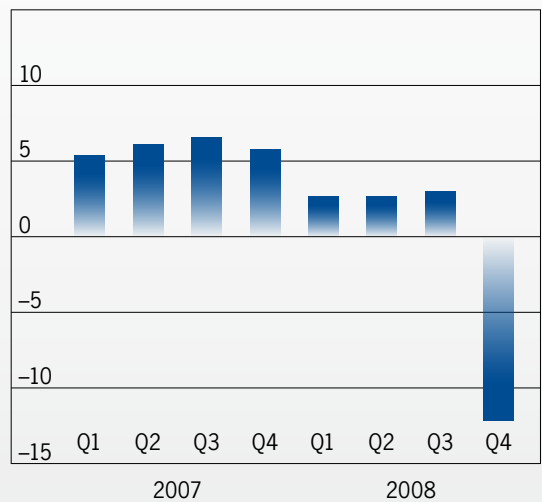


<b>Financial summary of 2008</b>	<b>Full year</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>
Net revenue, SEK m	1,709.5	427.3	469.2	398.5	414.5
Gross profit/loss, SEK m	123.0	41.6	48.9	44.3	-11.7
Operating profit/loss, SEK m	-3.8	13.8	16.2	14.2	-47.9
Profit/loss after financial items, SEK m	-14.4	11.5	12.5	12.0	-50.4
Profit/loss after tax, SEK m	-13.1	7.5	8.2	7.7	-36.6
Cash flow, SEK m	25.1	24.0	5.4	1.9	-6.2
Earnings per share, SEK	-1.36	0.78	0.85	0.80	-3.80
Cash flow per share, SEK	2.61	2.49	0.56	0.20	-0.64
Profit margin, %	-0.8	2.7	2.7	3.0	-12.2
Equity to assets ratio, %	31.1	35.2	32.2	33.7	31.1

**Net revenue, SEK m**



**Profit margin, %**



# CEO's statement

## **Adapting to our future**

We have worked methodically at NOTE to realign our business—from a traditional role as a contract manufacturer of electronics to a unique services provider on the EMS market. We have developed a completely new business model tailored to the customer's need to get products to market quickly. We can now offer product development close to our customers (Near sourcing centres), cost control through product lifecycles (NOTEfied, PLM tool, sourcing) and cost-efficient production.

This realignment process has taken a long time and cost money. As part of our business concept, we have transferred production to units whose cost base benefits our customers and ourselves, to plants including our joint ventures in China and Poland. As a result, we took a decision to downsize staff in our Swedish business by some 400 people. 130 of them left us in the year, and the remaining lay-offs are expected to take place on the first half-year 2009. Adapting to our future is very challenging, and I'm really sorry that many of our skilled staff have had to leave us.

**“NOTE's new business model—Near sourcing—is now in place. After a year of fundamental change in an increasingly challenging market, we have now laid the foundation of the new NOTE.”**

Through acquisitions, we have also built a new Near sourcing centre in the UK. We made another acquisition in Norway, now being operated in close collaboration with our Near sourcing centre in Oslo. In the year, we also re-formatted plants in Sweden and Finland as Near sourcing centres. By year-end, six of our nine selling units were pure-play Near sourcing centres, against three as of 1 January.

## **Market**

Growth on the EMS market in recent years has been driven partly by the business cycle and partly by the current outsourcing trend. Competition in the sector features small local and large global players, and price pressure has resulted in low margins. In autumn 2008, demand fell as a result of the economic downturn. We think outsourcing will continue to grow according to previous patterns through a downturn.

A high share of NOTE's sales come from our original business of traditional EMS services, while a smaller share is based on our new business model. Because the new model was not fully launched until late in the year, it exerted only a limited impact on our Income Statement for 2008.

We now have a sharp sales focus and are getting a very positive response from our customers. One example of how customers rate our business model is the collaboration we began with Kongsberg Defence & Aerospace. We were able to do this deal thanks to our Near sourcing centre in Oslo and our NOTEfied tool.

We experienced reduced demand from the industrial segment in 2008, but thanks to increased demand from the telecom segment and extra sales from our new companies, our overall sales were at an unchanged level until October inclusive, in year-on-year terms. In November and December, we saw demand drop sharply, resulting in overall sales falling by 2% in 2008.

Our objective eventually is to lift growth and profitability. Our new working methods reduce our cyclicity.

### **Profit performance**

Our profit performance in 2008 was far from satisfactory. The reduction in profits is primarily due to the change process that has been underway in the company. In total, profits were charged with restructuring-related costs of some SEK 80 m. A shift in sales from industrial to telecom volumes was another negative influence on profits in the year, causing our margins to deteriorate. Our new production facilities in Poland and China also reduced profits, because the volumes there remained too low.

### **Our future**

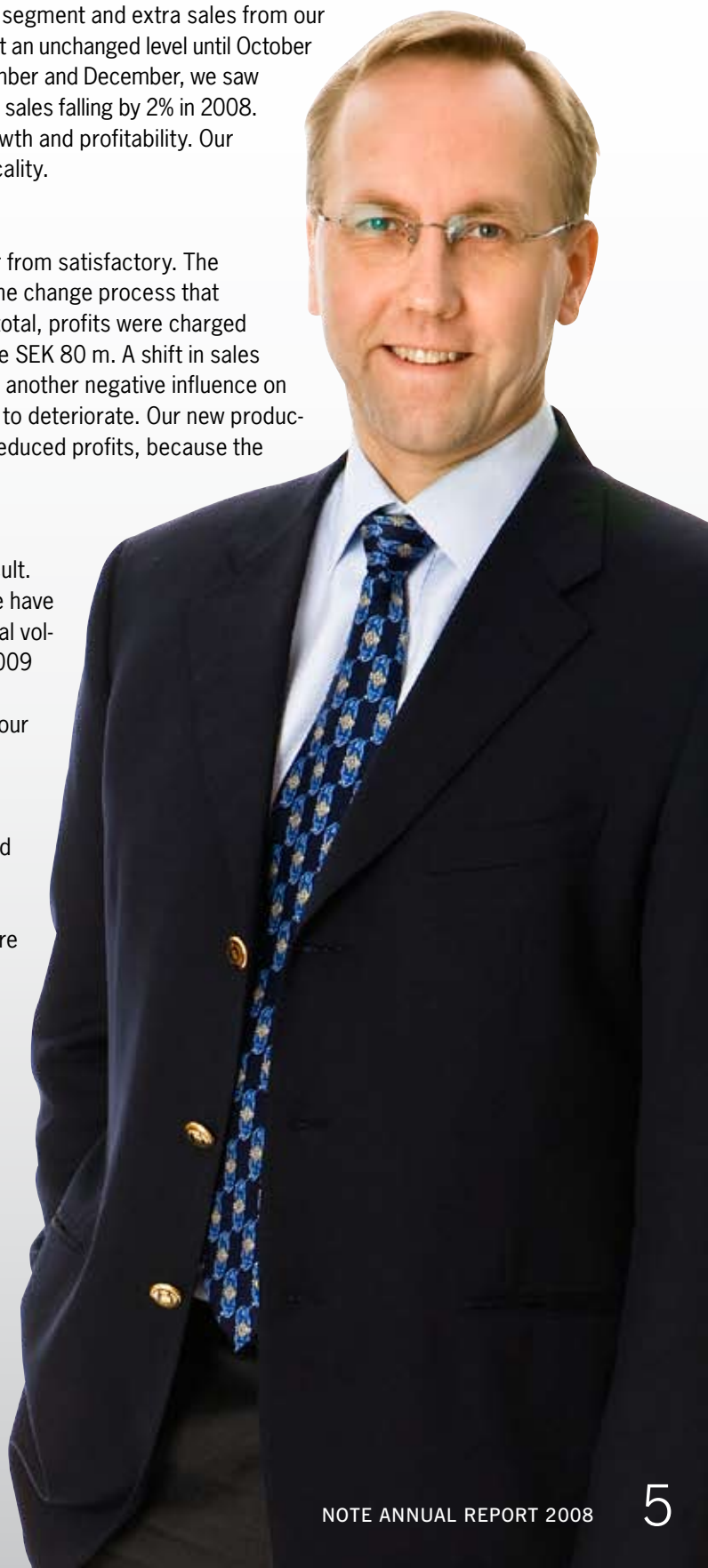
Predicting the future today is very difficult. Through our actions, we assess that we have created capacity to cope with a potential volume downturn of the order of 30% in 2009 while remaining profitable.

Our work in 2008 was about getting our Nearsourcing model in place, 2009 will see a total focus on offering it to customers.

We've put a laborious process behind us and now face a challenging period. With the measures taken and our new business model in place, I view our future with confidence.



Arne Forslund  
President and CEO



# Business concept, vision and goals

## **Business concept**

NOTE's business concept is to offer services in the production and logistics of electronics-based products.

## **Vision**

NOTE will be the customer's first choice, and through Nearsourcing, offer the best time to market.

## **Business goals**

NOTE will be the sector's most attractive collaboration partner, by possessing high skills levels, offering attractive total cost of ownership and professionalism in every activity.

To make the market's most competitive offering, NOTE will possess specialist skills in new products, and constantly focus its activities on reducing time to market, with the consistent aim of enhancing the customer's competitiveness.

NOTE will be an attractive employer, a good investment for shareholders and a professional customer for its suppliers.

## **Financial goals**

### *Growth goal*

NOTE will increase its market shares organically and through acquisitions.

### *Profitability goal*

NOTE will grow with profitability. For the long term and over a business cycle, the objective is that profitability should exceed 35% expressed as return on operating capital.

### *Capital structure goal*

The equity to assets ratio should be at least 30%.

### *Dividend goal*

Dividends should be adapted to average profit levels over a business cycle, and be 30–50% of profit after tax for the long term. Dividends should also be available to adapt the capital structure.





# From vision to reality

*Vision* We will be a services provider instead of a contract manufacturer.

*Reality* The new business model—Near sourcing—is in place.

*Vision* We will start up a series of new Near sourcing centres close to our customers.

*Reality* There are now Near sourcing centres in Sweden, Norway, Finland and the UK.

*Vision* We will cut our customers' time to market.

*Reality* Measures indicate that customers gain time savings of 50–70% thanks to NOTE.

*Vision* We will offer cost-efficient production alternatives in China for our customers.

*Reality* Joint venture with Ionics EMS in Tangxia, China. Several customers have already transferred production there.

*Vision* We will offer a range of cost-efficient production alternatives in Europe for our customers.

*Reality* Joint venture with Fideltronik in Krakow, Poland. Several customers have already transferred production there.

*Vision* We will offer competitive pricing on electronic components.

*Reality* NOTE currently has highly developed sourcing functions in northern Europe, Central Europe and China.

*Vision* The database and 'sourcing brain' NOTEfied will also be a tool for customers.

*Reality* NOTEfied is installed with many customers and has quickly become an important support to their development work. In some cases, development lead-times have been cut by nearly 50%.

*Vision* We will get even better at delivering box build products.

*Reality* Acquisitions and added skills in mechanical engineering have enhanced our ability in box build production.

# A new strategy for growth

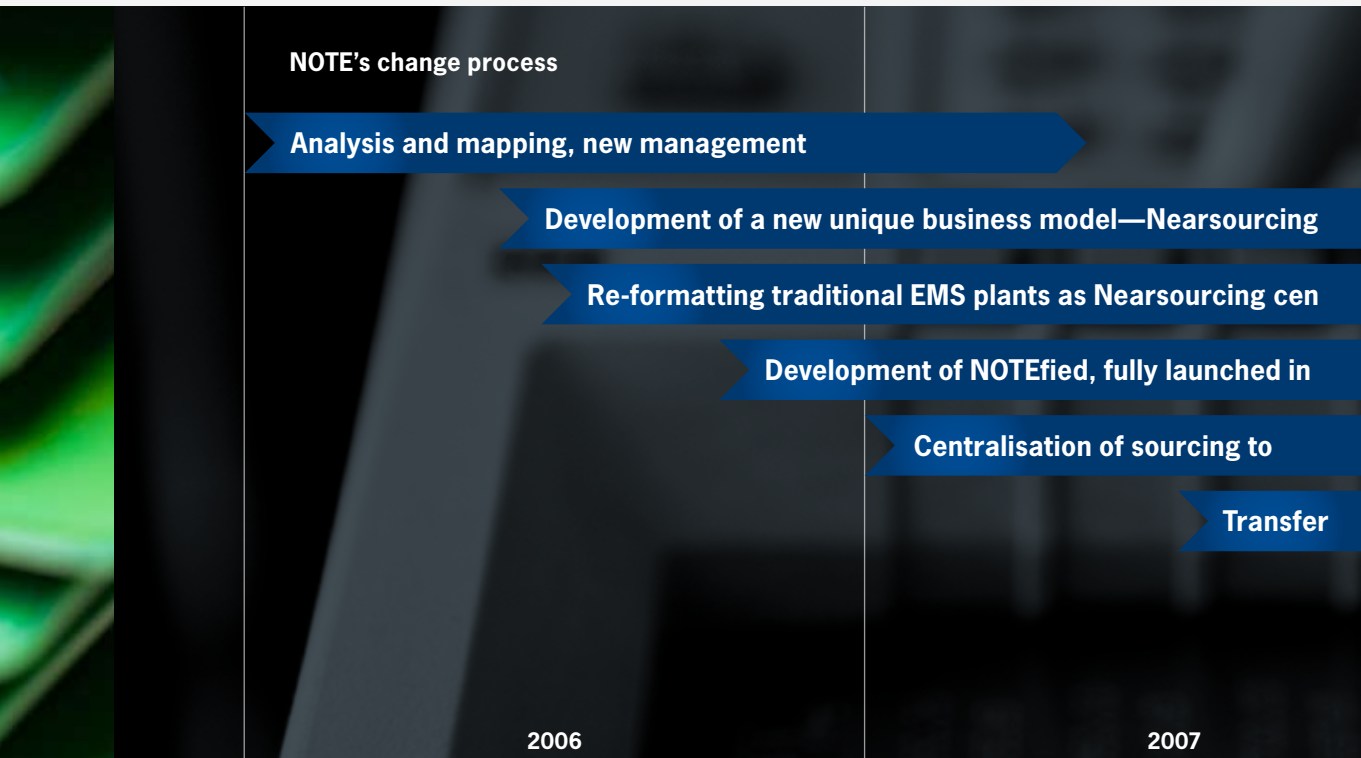
“Near sourcing means we can address a massive market with very limited risks. For customers, this means shorter time to market.”

Arne Forslund, NOTE's CEO and President

NOTE helps its customers stay a step ahead by offering the right technology, production and logistics in the right place at the right time. Methodical activities have been rolled out through NOTE to realign operations—from the traditional role of a contract manufacturer of electronics to a unique services provider on the EMS market. A new business model has been introduced, built from three components: starting up *Near sourcing centres* close to customers, *cost control through product lifecycles* and *cost-efficient production*.

## NOTE's change process

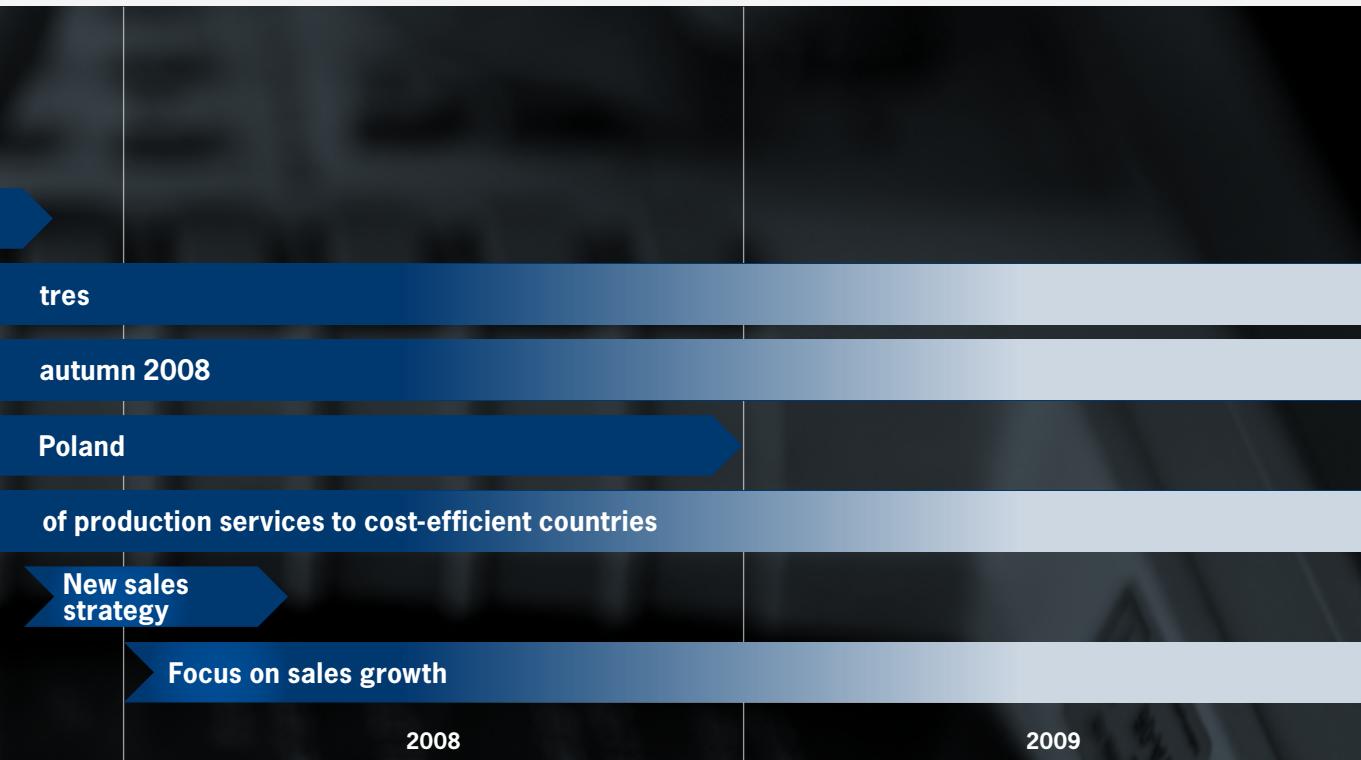
The first step was to start analysing and mapping the market, customer needs and NOTE's own business. Changes were made in NOTE's management. The preparation of a new business model started, intended to increase growth and profitability while minimizing the risks in NOTE's business. One key parameter was that the concept would be tailored to customer needs to



secure a competitive edge by getting products to the market fast. Once the new business model—Near sourcing—was complete, a new sales strategy linked to the model was introduced.

In tandem with the enhancement of NOTE's business model, the company began work on re-formatting traditional EMS plants as Near sourcing centres. Development of the NOTEfied preferred parts database started, with its launch in autumn

2008. The centralisation and transfer of sourcing functions started, as well as selected production services being transferred to units whose cost bases favour the customer and NOTE. The full services offering was made to the market in late-2008.



### **Nearsourcing—speed up your business**

Nearsourcing enables NOTE and its customers to interact closely in the development phase, while production is directed to the best cost alternative depending on product lifecycles, production volume and geographical final market. Closeness applies both to geographical distance and interaction with customers when projects require unique skills and extensive exchange of best practice. Overall, Nearsourcing enables short time to market for customers' products, creating the prospects for increased market shares and improved total cost of ownership.

#### **→ Nearsourcing centres**

Nearsourcing centres deliver services and development in close collaboration with customers. NOTE now has Nearsourcing centres in Sweden, Norway, Finland and the UK. The start-up in the UK was in 2008 through the acquisition of UK EMS provider Proqual, which was re-profiled as a Nearsourcing centre.

Nearsourcing centres increase flexibility for customers in their introductory phases, before the product and market are ready for series production. Design, development, CAD and prototyping are conducted at Nearsourcing centres alongside customers; components and production are tested in practice. In cost terms, the difference between a Nearsourcing centre and a complete production facility is sizeable—but from the customer's perspective, there is no difference at all because the Centre functions as a gateway to the NOTE group's total sourcing and production capacity.

#### **→ Cost control through product lifecycles**

NOTE offers unique ways to create effective industrial processes and fast product launches. Customers gain access to an extensive preferred parts database, NOTEfied (NOTE Fast Introduction Engineering Database), where customers can easily view components, enabling product developers and designers to select the right components from the start. This saves time and money instead of being forced to exchange components later in the process. NOTEfied was fully launched in 2008 and has been very positively received by customers.

With a new PLM tool offered to customers in early-2009, NOTE has created a platform for controlling product documentation right through lifecycles. The PLM tool also supports sourcing processes, accessing information on component lifetimes from the NOTEfied preferred parts database. It also supports efficient version management that can be done electronically worldwide. Other entities—internal and external—that participate in production can access the system. This combination of the preferred part database and PLM tool is unique. Customers gain efficient version management and improved control over their products' constituent components, cutting their costs.

NOTE has sourcing functions in Northern Europe, Central Europe and Asia and co-ordinates sourcing contracts group-wide. NOTE constantly searches for new sourcing channels, and by searching for alternative components, screening new suppliers and negotiating with existing suppliers, the cost of materials is progressively reduced.

Sourcing is also co-ordinated in the **ems-ALLIANCE**, further expanding sourcing volumes. This has strengthened NOTE's position on the market as a materials purchaser.

Because the cost of materials is over 60% of total product costs, component sourcing is of central significance.

Efficient management of the mechanical parts of products is also highly significant to final cost. NOTE advanced its positioning in mechanical engineering in 2008 through the acquisition of an enterprise in Järfälla, near Stockholm. This unit assists in the rapid development of mechanical components for prototypes.

#### → **Cost-efficient production**

Through teamwork with the customer, production is placed in the optimal location depending on factors like product lifecycle, volume and geographical final market.

NOTE offers its customers a range of alternatives for volume production in cost-efficient countries in Asia and Europe. Apart from units in the Baltic states, NOTE also has proprietary production in Krakow, Poland (through joint venture

NOTEFideltronik) and proprietary production in Tanxia, China (through joint venture IONOTE).

NOTE has developed flexible and quality-assured solutions to transfer production from one unit to another, called seamless transfer.

The plants in Krakow and Tanxia, started in autumn 2007, have enabled upscaled transfer of production to cost-efficient countries.

The multinational **ems-ALLIANCE** network is a supplement to NOTE's strategy. NOTE initiated this collaboration in 2001; its members include electronics manufacturers from four continents.

Many customers want global providers that can cope with high or low production volumes locally and globally. Through the **ems-ALLIANCE**, NOTE can satisfy customer needs for production close to final markets that is also cost-efficient. NOTE's collaboration partner Ionics EMS is a member of the network, whose other members are in Sweden, Brazil, the Philippines, India and the US.

When there are high demands on flexibility, for example in version management, the most cost-efficient alternative may be to produce in a local Nearsourcing centre.

**You'll be one step ahead with NOTE**

To become a world champion, you need talent, speed, technique, experience, a winning mind-set, a good trainer and the backing of a world-class team.

To win in the electronics sector, you need a business partner that offers all this. Find out more about NOTEfied, cost-efficient production and a lot more at [www.note.eu](http://www.note.eu). Speed up your business.

**NOTE**  
YOUR BUSINESS PARTNER

NOTE will continue communicating its new strategy as a business partner through 2009. The above ad is one of a series NOTE will be running in trade media.

# Market

In recent years, NOTE has adapted to new global market conditions, with customer needs for short time to market increasing. NOTE has developed a new business model and unique services. This offering is services-intensive with a big emphasis on partnerships with customers. The group has a sharp focus on delivering sourcing and production tailored to customers' markets and specific needs.

Thus NOTE's business differs from the pure-play contract production of electronics that many traditional EMS market players offer.

### Good outsourcing takes a reliable partner

Companies that want to focus on core business need strong and skilled partners that can support anything from development services and production to logistics and servicing.

By choosing NOTE as their partner, customers gain access to state-of-the-art technology and skills for a lower price because costs are shared

with other customers, contributing to attractive overall finances, and meanwhile, customers reduce their tied-up capital and free resources that can be used in core business instead.

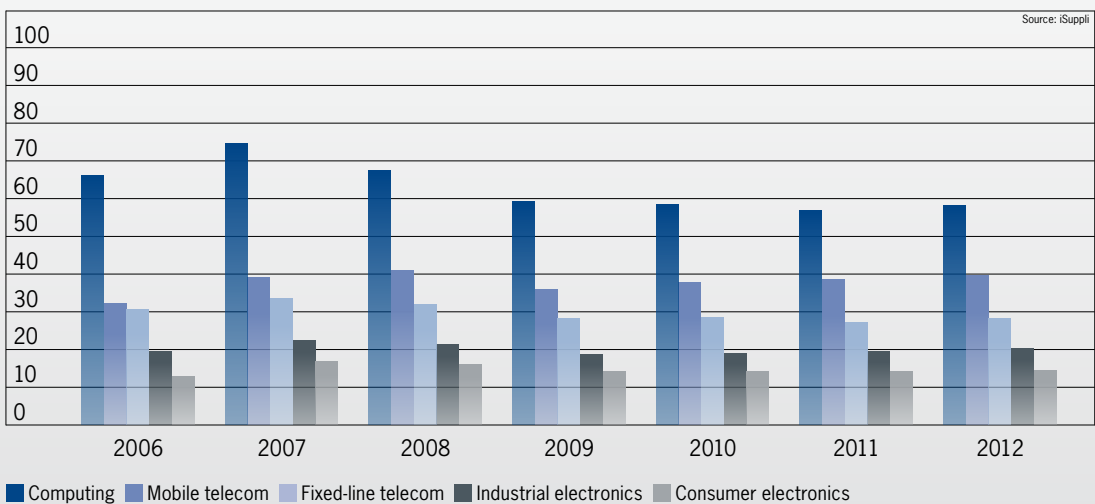
With the global economic slowdown, NOTE thinks that demand will generally be at a lower level for the immediate future. However, a down-trending market often triggers increased customer interest in outsourcing parts of their business. Accordingly, NOTE thinks that the outsourcing trend will remain strong, which eventually, should generate increased sales growth.

### Growing services share

By participating from an early stage, NOTE can offer cost-efficient and complete solutions that add value for the customer.

NOTE has built an extensive knowledge bank of production processes and technology over many years, and on seamless transfer between production units.

EMS global sales, USD m



NOTE also has unique sourcing skills, facilitating development in different production phases.

With the aid of NOTE's resources, customers boost their prospects of realigning quickly if their cost position changes and end-customer needs alter.

**The EMS market—strong change pressure**

The global EMS market remains in rapid and fundamental change. Price pressure and globalisation has unleashed an extensive migration of production capacity from the Nordic region and the rest of Europe to Central Europe and Asia.

Sector commentator iSuppli expects the turnover of the total EMS market to fall by over 7% in 2009. But regional differences are sizeable, and the geographical restructuring is expected to continue despite the downturn. For example, iSuppli expects continued growth for the Eastern European market. iSuppli thinks that the Chinese market—currently representing some one-third

of the total EMS market—still harbours growth potential, albeit at a slower rate than previously.

NOTE's business model is comprehensively tailored to the new way the market works. Product development and servicing, i.e. Nearsourcing centres, are located close to customers. Production is adapted to the product's geographical final market, volume and cost position.

By transferring parts of production and services to those units whose cost base favours the customer and NOTE, the fixed costs and risks of business are reduced.



# Growth-oriented customer offerings

Today's globalised market implies big challenges for cost-efficiency and short time to market.

In recent years, NOTE has developed a business model that helps its customers get their products to market quickly. NOTE's tools were in place in late 2008, when NOTE could offer them to customers. NOTE has a full-range services offering in electronics production right through the chain from development and production to servicing and after-sales. With its adaptable business model capturing anything from low-end products to complex services solutions, NOTE can satisfy customers' differing needs.

NOTE pursues continuous improvement in quality, delivery precision and cost base. Lean enables all parts of operations to be rationalised, generating increased productivity and reducing costs. In its role as business partner, NOTE works proactively to cut its customers' costs of production and materials. Customers get assistance on product re-designs, and with it, get access to low component pricing and state-of-the-art technology.

## 1

### Development

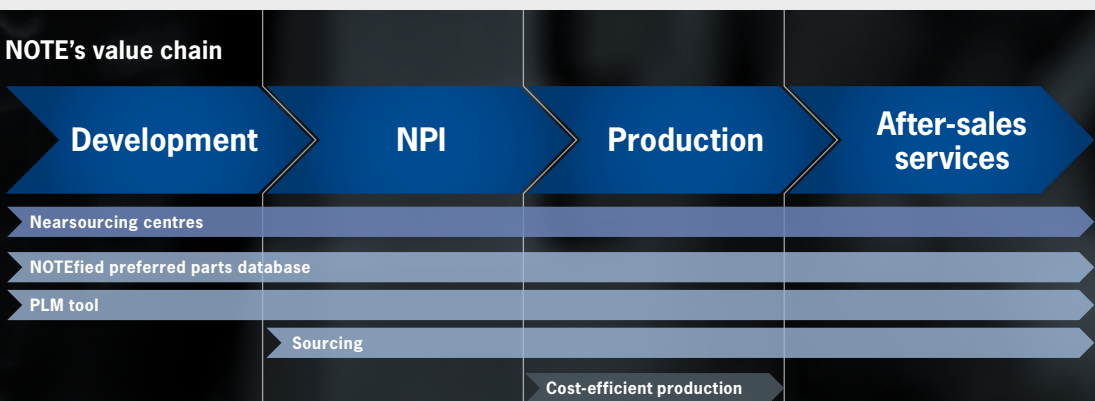
The development and design content of NOTE's assignments is growing, for reasons including more stringent product performance standards and a greater need for short time to market. This is why NOTE offers product development, PCB layout, prototyping, test development, cost optimisation, technology development services, and active support on component selection. These services are intimately linked to production environments. They are targeted at companies at the start of series production and those that need development services only. Design for Manufacturing, developing products that can be produced simply and cost-efficiently, is a distinctive feature of NOTE.

Through its acquisition of a Swedish mechanical engineering enterprise in 2008, NOTE increased its capacity for developing sophisticated mechanical prototypes quickly.

## 2

### NPI

Building production considerations in early, at the product development stage, is becoming more important for keeping TCO down. The NPI concept—NOTE Product Introduction—is a comprehensive business process in technology, marketing and development for companies about to launch new products. NOTE brings experience and know-how in development, design, testing, production, logistics and after-sales.



The new business model Nearsourcing: ■ Nearsourcing centres ■ Cost control through product lifecycle ■ Cost-efficient production

NOTE's value chain has four links, which when put together, form a comprehensive electronics production and sourcing services offering. Customers can get help on selected parts or let NOTE do everything from development to after-sales.



**NOTE has developed a business model that helps its customers get their products to market quickly.**

# 3

## **Production**

Production is planned on the basis of technology, logistics and cost to optimise every stage of the process. NOTE has production capacity for all kinds of project from hi-tech offerings close to development and the market, to efficient high-volume production. NOTE has proprietary production capacity in Europe and Asia, and through global contacts in the EMS-ALLIANCE, also offers capacity in Brazil, the Philippines, India and the US.

Thus NOTE offers high-quality, cost-efficient and flexible production in the optimal geographical location for the customer.

The demand for complete box build products is steadily increasing. This is particularly well suited to customers that need to focus on core business. NOTE's box build services satisfy the market's increasing demands for efficient logistics, short time to market and total cost of ownership.

In 2008, NOTE extended its capacity to deliver box build solutions by acquiring a mechanical engineering enterprise with sophisticated technological equipment and specialist know-how in cutting machining.

# 4

## **After-sales services**

NOTE offers services throughout product life-cycles, including customer-specific services and servicing directly for end-customers. After-sales services are not just a part of the production chain but can also be used separately, such as distribution, repair, spare parts management, re-design and maintenance.

# Organisation

NOTE's organisation is 100% focused on customers getting the right services in the right place and at the right time. When things go well for customers, they go well for NOTE.

### Organisational structure

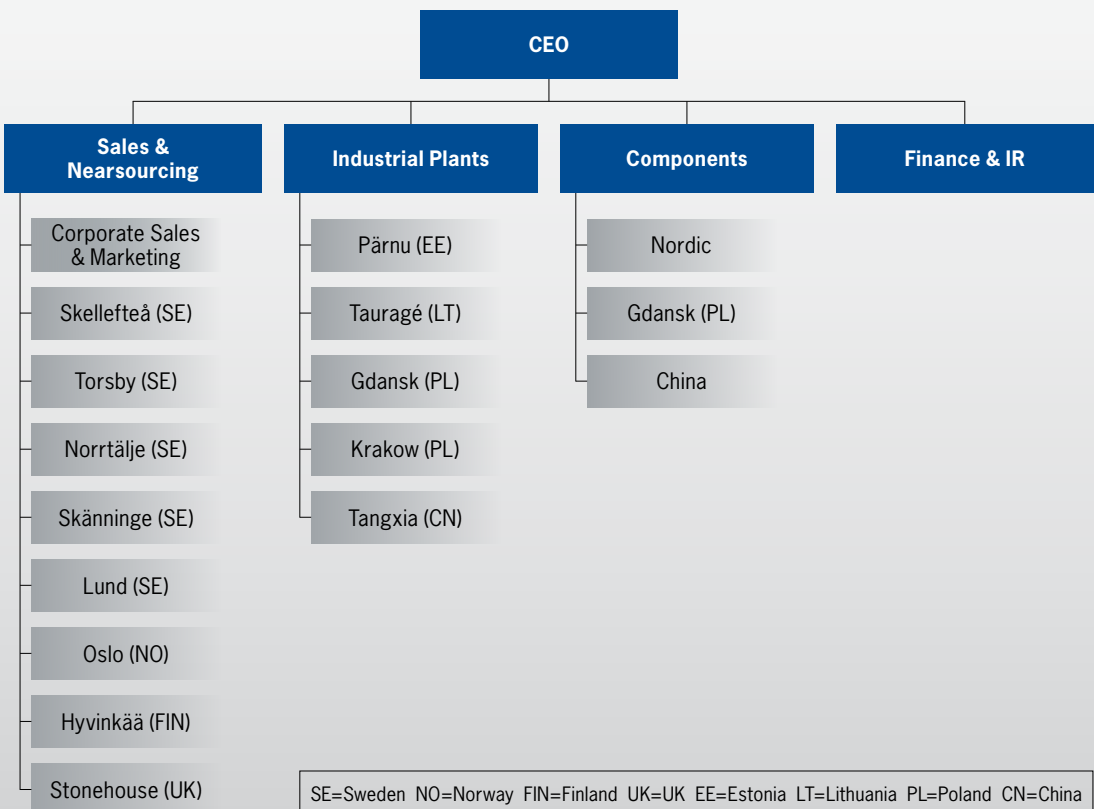
The NOTE group's parent company is in Danderyd outside Stockholm, Sweden, which has its management and central functions. This structure is tailored to the company's strategy with a sharp focus on sales, efficient production and sourcing issues. After re-organisation in 2008, the group management consists of the Chief Executive Officer and Vice Presidents of Nearsourcing, Sales & Marketing, Industrial Plants, Components and Finance & IR.

### Customer focus

NOTE's sales resources are decentralised, according to the Nearsourcing strategy. This means that each Nearsourcing centre is responsible for sales to new and existing customers.

To make things easier for the customer, NOTE has a central sales function that co-ordinates business when several NOTE units are involved.

Another task of this central sales function is to co-ordinate and improve its sales resources.



# Employees

## NOTE encourages:

- a strong corporate culture where everyone feels and takes responsibility
- an open climate that creates security
- an environment where all staff are stimulated and take responsibility for continuous development
- high service standards that focus on the customer.

## Training

All training is conducted by NOTE Academy. By centralizing skills enhancement, the group achieves consistent high training quality, while purchasing training packages becomes more efficient.

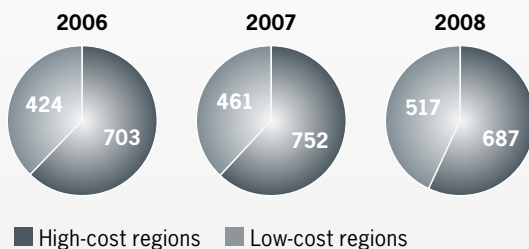
NOTE Academy provides staff with training packages in leadership, production and technology. A selection of larger-scale programmes were conducted in 2008, including “NOTE’s Culture”, a three-day package for all employees in Sweden and the UK, and all the managements of NOTE’s foreign companies. Different language versions of this programme will be produced in 2009, and

then rolled out for all employees. An “Entrepreneurship” package was conducted for all salespeople and “Quality and Entrepreneurship” was started for other staff. The “Management Team Development” programme was run for several subsidiaries and NOTE’s group management.

## NOTE’s leaders

High rates of change mean good leadership is imperative. NOTE’s fundamental view of leadership is to delegate responsibility and ownership as far as possible, while creating the right conditions for taking greater responsibility. NOTE’s leaders all take an extensive leadership development programme.

## Human resources at year-end



## Human resources

	2008	2007
Average number of employees	1,201	1,171
Number of women	604	550
Number of men	597	621
Attendance, %	95.7	95.8
Staff turnover, %	11.1	12.0

# Quality and environment

**NOTE helps its customers choose the right components from the start and make products close to their final markets so that the negative environmental impact of transportation is minimised.**

NOTE's quality and environmental activities have several dimensions. The most important are about offering customers high quality and environmental alternatives so, for example, they can select the right components from the start and build their products close to final markets, so the negative environmental impact of transportation is minimised. Another side of NOTE's quality and environmental work is about the company's own impact. In 2008, NOTE started an in-house project to map and prioritise development initiatives to minimise its impact on climate change.

## **Quality**

NOTE creates competitiveness for its customers by delivering the right quality at the right time and at the right price. To achieve this, NOTE develops and enhances its services constantly to always satisfy the customer's current standards and expectations. Improvement work is conducted through flexible organisational resources with the right skills. The organisational resources work towards shared measurable objectives that can be tailored quickly to customer needs.

## **Environment**

NOTE promotes long-term sustainable development by producing with the minimum possible environmental impact from economically viable means. NOTE complies with, or exceeds, applicable environmental legislation and works on continuous improvement.

## **Quality and environmental activities**

To quality-assure the group's production, NOTE uses several quality-assurance tools and methodologies based on the automotive and medical industry's quality assurance systems. Combined with many years' experience of electronic



production, this quality-assures NOTE's deliveries to the customer. Environmental awareness features in all parts of NOTE. The goal is to create substantial customer benefit with little environmental impact. Apart from NOTE promoting long-term sustainable development itself, it also applies these standards to its subcontractors. This work ensures environmental consideration interweaves the whole production process.

NOTE's production plants strive for continuous improvement to alleviate NOTE's environmental impact. The plants source their waste at source and measure environmentally significant factors like power consumption and consumables.

Environmental awareness is also a natural part of other operational segments, such as sourcing, waste management and transportation, for example.

## **Certification**

All Swedish production units have ISO 9001 and ISO 14001 certification. The group's other accreditations are uploaded at [www.note.eu](http://www.note.eu).

# The NOTE share

In 2008, 1,038,900 NOTE shares were traded, equivalent to a turnover of 10.8% of the free float. At year-end 2008, NOTE's share capital was SEK 4,812,100, divided between 9,624,200 shares. Market capitalisation at year-end was SEK 217 (698) m. NOTE had 1,954 (2,246) shareholders at year-end.

## Share price performance

At year-end 2008, the closing price of NOTE's share was SEK 22.50 (73.00), a 69.2% fall. In the same period, the OMXSSCPI fell 46.2%. In the year, the share traded at a low of SEK 21.20 and a high of SEK 73.00.

## Dividend

NOTE considers that the growth and profitability potential of the extensive change process underway in the company at present is substantial. Against the background of the current realignment of the company and difficulties in assessing future demand, the Board of Directors will be proposing to the AGM that no dividends are paid for the financial year 2008. This diverges from NOTE's stated financial goal of dividends adapted to the average profit level during a business cycle, and will be 30–50% of profit after tax for the long term.

Dividends in the previous year were SEK 2.75 per share, or SEK 26.5 million.

## History

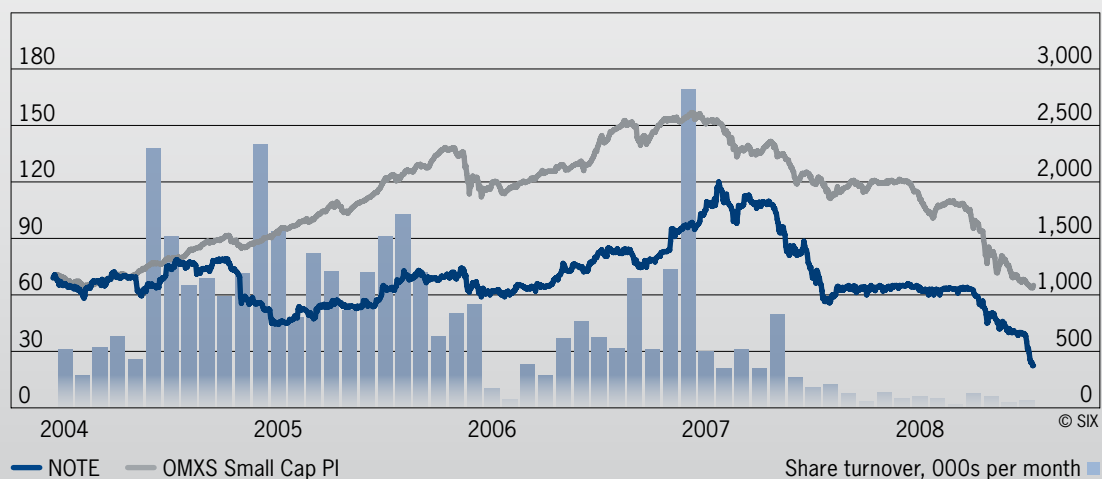
NOTE was floated on the Stockholm Stock Exchange O-list in June 2004. The share has been quoted on NASDAQ OMX Sweden's Nordic list in the Small Cap segment and Information Technology sector since October 2006.

## Ten largest shareholders as of 30 Dec 2008, by holding

Name	No. of shares	Holding, %
Catella Fondförvaltning	2,401,642	24.95
Kjell-Åke Andersson with family	694,104	7.21
Banque Carnegie Luxembourg S A	645,850	6.71
ODIN fonder	586,842	6.10
Swedbank Robur fonder	551,271	5.73
Livförsäkrings AB Skandia	518,800	5.39
Garden Growth Capital LLC	487,500	5.07
MGA Invest AB	451,100	4.69
The Church of Sweden	289,100	3.00
Senior executives	225,900	2.35
<b>Total</b>	<b>6,852,109</b>	<b>71.20</b>

## Ownership by size of shareholding as of 30 Dec 2008

Size of holding	No. of shareholders	No. of shares	Holding, %
1–500	1,484	265,188	2.76
501–1,000	217	188,303	1.96
1,001–2,000	101	170,158	1.77
2,001–5,000	66	230,873	2.40
5,001–10,000	22	167,184	1.74
10,001–20,000	18	266,672	2.77
20,001–50,000	16	500,481	5.20
50,001–100,000	13	859,514	8.93
100,001–500,000	12	3,550,064	36.89
500,001–1,000,000	4	2,290,524	23.80
1,000,001–5,000,000	1	1,135,239	11.80
<b>Total</b>	<b>1,954</b>	<b>9,624,200</b>	<b>100.00</b>



# Five-year summary

SEK m	2008	2007	2006	2005	2004
<b>Summary Consolidated Income Statement</b>					
Net revenue	1,709.5	1,743.8	1,741.5	1,504.1	1,103.1
Gross profit/loss	123.0	224.6	206.5	54.2	126.0
Operating profit/loss	-3.8	111.9	103.6	-64.3	29.3
Profit/loss after financial items	-14.4	103.8	96.2	-73.1	19.5
Profit/loss after tax	-13.1	78.2	68.6	-55.7	13.6
<b>Summary Consolidated Balance Sheet</b>					
<b>Assets</b>					
Fixed assets	247.1	200.6	167.7	184.5	144.6
Current assets	701.2	747.5	720.5	627.3	592.3
<b>Total assets</b>	<b>948.3</b>	<b>948.1</b>	<b>888.2</b>	<b>811.7</b>	<b>736.9</b>
<b>Shareholders' equity and liabilities</b>					
Shareholders' equity	294.9	327.4	268.1	205.1	265.7
Long-term liabilities	98.4	140.1	157.9	107.9	149.8
Current liabilities	555.0	480.6	462.2	498.7	321.4
<b>Total shareholders' equity and liabilities</b>	<b>948.3</b>	<b>948.1</b>	<b>888.2</b>	<b>811.7</b>	<b>736.9</b>
<b>Cash flow, group</b>					
Cash flow from operating activities	83.2	48.3	46.8	69.9	19.5
Cash flow from investing activities	-58.1	-48.8	-22.0	-79.5	-33.9
<b>Cash flow before financing activities</b>	<b>25.1</b>	<b>-0.5</b>	<b>24.8</b>	<b>-9.6</b>	<b>-14.4</b>
Cash equivalents at the beginning of the period	38.5	18.8	9.1	20.1	8.0
Cash flow before financing activities	25.1	-0.5	24.8	-9.6	-14.4
Cash flow from financing activities	-30.1	19.8	-15.0	-1.5	26.5
Exchange rate differences in cash and cash equivalents	2.4	0.4	-0.1	0.0	0.0
<b>Cash equivalents at the end of the period</b>	<b>35.9</b>	<b>38.5</b>	<b>18.8</b>	<b>9.1</b>	<b>20.1</b>
<b>Consolidated key figures</b>					
<i>Margins</i>					
Operating margin, %	-0.2	6.4	5.9	-4.3	2.7
Profit margin, %	-0.8	6.0	5.5	-4.9	1.8
<i>Returns</i>					
Return on operating capital, %	-0.7	21.4	22.5	-14.3	6.6
Return on equity, %	-4.2	26.3	29.0	-23.7	6.6
<i>Capital structure</i>					
Operating capital (average)	548.7	521.9	459.9	449.1	445.4
Interest-bearing net debt	251.8	246.3	223.4	233.7	194.8
Equity to assets ratio, %	31.1	34.5	30.2	25.3	36.1
Net debt/equity ratio, multiple	0.9	0.8	0.8	1.1	0.7
Interest coverage ratio, multiple	-0.1	7.1	12.3	-6.1	2.7
Capital turnover rate (operating capital), multiple	3.1	3.3	3.8	3.3	2.5
<i>Market capitalisation</i>					
Market capitalisation at year-end	217	698	808	614	724
<i>Employees</i>					
Sales per employee	1,423	1,489	1,545	1,371	1,239



NOTE in figures



# Report of the Directors

## OPERATIONS

NOTE is one of the Nordic region's leaders in manufacturing and logistics services for electronics-based products. NOTE is active on the EMS (Electronics Manufacturing Services) market and offers services in electronics production right through the value chain, from development and production to after-sales. The group comprises the parent company, wholly owned subsidiaries in Sweden, Norway, Finland, the UK, Estonia, Lithuania and Poland as well as joint ventures in China and Poland. The group's central sourcing entity NOTE Components co-ordinates group-wide purchasing agreements. NOTE is also able to offer close-to-market production through the EMS-ALLIANCE, an international network of electronics producers with partners in Brazil, India, the Philippines, Sweden and the US.

## OPERATIONS IN 2008

### Adapting to the future

As a result of recently acquired Nearsourcing centres, in the first three quarters, NOTE succeeded in maintaining sales above the previous year—despite somewhat weaker market conditions. Early in the fourth quarter, sales also made positive progress. However, rapid deterioration of the manufacturing cycle and inventory reduction by several customers meant that fourth-quarter sales were down 10% year on year. In full-year terms, sales were down 2%.

Profit growth in 2008 was far from satisfactory. Apart from lower volumes, NOTE experienced price pressure, mainly from USD-dependent customers. Sales have also shifted more towards the telecom segment, which has inherently lower margins than the industrial segment.

Initially, NOTE charged the costs for realignment to profits on an ongoing basis. As a result of reducing demand in the fourth quarter, in December, NOTE was forced into further, large-scale rationalisation and savings measures. The cost for these actions was charged fully to fourth-quarter profits. Accordingly, the costs associated with NOTE's realignment amounted to nearly SEK 80 m in total, all of which were the expensed to profits in 2008.

### Significant events in the financial year

#### *Strategic change continues*

As part of realising the Nearsourcing strategy, production capacity in cost-efficient countries was increased in 2007 by starting up joint venture plants in China and Poland. Thus NOTE has accumulated the skills and capacity for future growth, and to transfer more labour-intensive production and sourcing services to units whose cost structure favours customers and NOTE.

Against this background, 200 staff in Sweden were issued with redundancy notices in the first half-year. The notices affected staff at NOTE's operations at Skellefteå, Norrtälje, Skänninge and Lund.

A new, forward-looking organisational structure was implemented in the autumn. Key central management functions were moved close to NOTE's business, while creating clear responsibility for sales, production and sourcing. As a result of the measures resolved in the

year, NOTE expects its employee headcount in Sweden to reduce by some 400, or over 50%. There were 130 staff terminations in Sweden in the year.

Essentially, the remaining lay-offs are expected in the first half-year 2009. These measures are part of enhancing efficiency, while simultaneously alleviating the risks and cyclicity of operations.

#### *An acquisition for growth in the UK*

NOTE acquired the operations of Proqual located near Bristol, Gloucestershire, UK in the first quarter. The acquisition brought technically skilled, flexible organisational resources focused on services early in product life-cycles. Sales were SEK 32 m and staffing was reduced by some 15% to 33 at year-end. By bringing in additional know-how, NOTE started its first Nearsourcing centre in the UK. The customer base this company has accumulated offers healthy growth potential on the UK market. NOTE invested in new surface mounting capacity in the autumn and this operation relocated to contemporary and suitable premises.

#### *Acquisition of Swedish mechanical engineering services company*

NOTE acquired all the shares of a mechanical engineering production services company in Järfälla outside Stockholm at the end of March. The company has advanced technology equipment and specialist know-how in cutting machining. Its products and associated services are supplied to sectors including the nuclear and telecom industries. This acquisition is a step in improving NOTE's offering to customers by reducing their time to market further. Annualised sales are some SEK 25 m and there are 20 employees. The company's name has been changed to NOTE Components Järfälla AB.

#### *AGM 2008*

The AGM in April 2008 authorised the Board of Directors to take decisions on non-cash and set-off issues of shares and the acquisition and transfer of treasury shares, subject to certain conditions. The purpose is to facilitate funding of acquisitions as NOTE rolls out the Nearsourcing business model on new markets. These authorisations were not used in the year.

#### *Acquisition for more growth in Norway*

NOTE acquired all the shares of Norwegian electronics producer Norteam Electronics in December. This company focuses on services early in product lifecycles like producing prototypes and small-scale electronics production. Sales are some SEK 60 m and the company has 40 staff. Norteam has established a position on the Norwegian market, and will be run in close collaboration with the Oslo Nearsourcing centre.

#### *Management skills enhancement*

NOTE's Board and management has largely been replaced in recent years. In tandem with the current restructuring, NOTE has reviewed its current senior executives.



As a result, new Presidents took up positions in subsidiaries in NOTE's Swedish operations at Norrtälje, Skänninge, Lund and Skellefteå, at Tauragė, Lithuania and IONOTE, China in the past year. A new management team has also been appointed for the group-wide sourcing entity NOTE Components Gdansk.

#### *New share-based incentive scheme*

In November 2007, in consultation with the Board of Directors, NOTE's main shareholder Catella Kapitalförvaltning decided to issue a maximum of 500,000 call options as part of a new incentive scheme. 50 senior executives are eligible for the scheme. The valuation and sale of these call options is on market terms. Because the scheme is based on currently outstanding shares, the scheme does not imply any dilution of the number of shares. The options have a term of just over three years until August 2011 and the exercise price is SEK 125 per share. Subscription and payment was according to plan early in the year.

#### *Dispute in arbitration resolved*

As previously reported, NOTE has been conducting extended discussions with a customer of one of its Swedish subsidiaries regarding the processing of input components in this customer's product. With the backing of several external advisers, NOTE contested all the claims in this case. However, in late-2007, the customer invoked arbitration of this dispute at the Stockholm Chamber of Commerce Arbitration Institute.

The outcome of the arbitration process was announced in December 2008, and was fully in NOTE's favour. This dispute is now concluded.

## SALES AND PROFIT

### **Group**

Sales in the year reduced by 2% to SEK 1,709.5 (1,743.8) m, the reduction attributable to the sharp demand slowdown in the fourth quarter. Extra sales from recently acquired businesses in the UK, China and Järfälla, near Stockholm, amounted to SEK 61.1 m, or 4% of total sales. Thus sales for other comparable units decreased by 6%.

Sales in NOTE's largest customer segment, industrial, usually feature stability and relatively long product life-cycles. Back at the end of the second quarter this year, NOTE experienced some demand slowdown, mainly from customers in the Swedish engineering sector. Including the demand slowdown in the fourth quarter of the year, in like-for-like terms, sales in the industrial business segment were down by 9% year on year.

Demand from customers in the telecom business segment is inherently more unstable over time than some other segments. In the first three quarters of 2008, demand in telecom was robust, but then slowed significantly in the fourth quarter. However, for the full year, sales were up 2% year on year.

Costs associated with NOTE's ongoing change process had a negative impact on net profit. In the first three quarters of the year, these costs were some SEK 30 m. The costs relate mainly to staff downsizing in Sweden, costs relating to temporary surplus capacity in new acquisitions—mainly in cost-efficient countries—and a temporary increase to project management capacity for change initiatives.

Against the background of declining industrial demand, in December, NOTE decided to take additional rationalization and savings measures to adapt its cost structure. These measures mean the transfer of more labour-intensive production and sourcing services to NOTE's foreign units in cost-efficient countries in tandem with modifying

capacity and cost structures across all business segments. The costs of these measures were fully charged to fourth-quarter profits. In total, costs relating to the realignment of operations amount to some SEK 80 m, or 4.7% of sales, all of which has been charged to net profit.

The majority of these realignment costs had a negative impact on gross profit. Gross margins were 7.2 (12.9)%. Adjusted for the extra costs for the change and restructuring measures, gross margins were 11.6 (12.9)%. Thus, rationalisation so far and cost-cutting on electronics components and production materials in the year did not fully offset increasing price pressure from international customers, and an altered product mix—an increased share of telecom, with comparatively lower gross margins than industrial products.

As part of the Nearsourcing initiative, NOTE is migrating skills to more value-added services close to the customer. As part of the initiative to expand and enhance the skills of our sales resources, sales costs increased year on year. But including expenses relating to staff downsizing and newly acquired operations, overheads for the year were approximately unchanged compared to the previous year.

Mainly as a result of the costs of the change package and altered product mix, NOTE posted an operating loss of SEK -3.8 (111.9) m, corresponding to an operating margin of -0.2 (6.4)%.

Higher average interest rates over the year and increased net debt, largely relating to newly acquired operations, resulted in a net financial income/expense of SEK -10.6 (-8.1) m.

Due to an increased share of value-added being generated in foreign units and basically all sourcing of electronic components and production materials being denominated in foreign currencies (EUR/USD), NOTE has fairly extensive currency management. With the aim of limiting currency risks, NOTE utilises trading in currency forwards and currency options. As new expedient processes for currency risk management were introduced, during the fourth quarter, NOTE adopted hedge accounting pursuant to IAS 39. This has implications including the market-valued currency forward contracts of forecast cash flows being reported directly to equity.

The exchange fluctuations of the EUR and USD were significant, particularly in the second half-year 2008. Other operating income includes positive currency effects of over SEK 5 m. The loss after financial items was SEK -14.4 (103.8) m, equivalent to a profit margin of -0.8 (6.0)%.

The loss after tax was SEK -13.1 (78.2) m, or SEK -1.36 (8.13) per share.

### **Parent company**

Parent company NOTE AB (publ) is primarily focused on the management, coordination and development of the group. In the period, revenue was SEK 64.9 (34.9) m and primarily related to intra-group services. The loss after financial items was SEK -5.7 (-13.8) m. transactions with related parties are stated in note 31, close relations.

## FINANCIAL POSITION AND LIQUIDITY

### **Cash flow**

Like other medium-sized companies on the EMS market, NOTE is facing a big challenge in the continued development of its business models, in terms of stock control and logistics. This challenge is particularly clear in rapid demand fluctuations and is mainly associated with the complexity of electronics production and the long lead-times for electronics components.

Thus NOTE is focusing sharply on progressively improving consolidated cash flow. Its primary aim is to enhance efficiency and balance business risks in operations.

The current transfer of production to NOTE's units to cost-efficient countries places additional demands on capital tied-up, for example in the form of increased buffer inventories to ensure high delivery capacity. Considering the long lead-times for electronics components, declining demand in the fourth quarter presented major challenges to adjust inventory levels to match expected lower sales. Nevertheless, NOTE was able to reduce inventories by 2% in the fourth quarter of the year in like-for-like terms. However, inventory levels at year-end were 6% higher than one year previously.

Mainly due to lower sales in November and December, accounts receivable at the end of the period were down 21% on the previous year-end. Despite increased market demand for extended credit terms, the average number of outstanding days of credit was largely unchanged since 1 January.

Following large-scale inventory reduction conducted in late 2007, accounts payable—trade have moved to more normal levels. Accordingly, accounts payable—trade increased by over 12% since 1 January.

For the fourth quarter, cash flow after investments was SEK -6.2 (-34.8) m. For the full year, cash flow after investments was SEK 25.1 (-0.5) m, or SEK 2.61 (-0.05) per share.

#### **Equity to assets ratio**

The equity to assets ratio was 31.1 (34.5)% at the end of the year, a reduction of 3.4 percentage points since year-end 2007.

#### **Liquidity**

Liquidity was healthy at the end of the year. Available cash and cash equivalents, including unutilised overdraft facilities, were SEK 84.6 (94.4) m.

#### **INVESTMENTS**

As a result of NOTE's aggressive focus on Nearsourcing, the rate of investment increased in the year.

Total net investments amounted to SEK 58.1 (48.8) m in the year, corresponding to 3.4 (2.8)% of sales. Investments related largely to an additional purchase price for the IONOTE plant in China (based on achieved profit), the acquisition of Nearsourcing centres in the UK, Norway and Järfälla, and new IT systems for production and logistics.

Investments in tangible fixed assets were SEK 32.7 (36.8) m. These investments were mainly intended to increase production capacity at the plant in Estonia. Depreciation and amortisation was SEK 32.3 (27.7) m.

#### **RESEARCH AND DEVELOPMENT ACTIVITIES**

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 electronics manufacturing skills. These activities are continuous and not reported separately in the accounts.

No development expenses for production processes were capitalised in the year.

#### **THE NOTE SHARE**

There is a total of 9,624,200 shares of the company, with all shares of the same class and having a quotient value of SEK 0.50 per share.

There are no limitations on transferring shares in the form of pre-emption clauses or similar that the company is aware of. As of the balance sheet date there was one shareholder with a shareholding of more than 10%, Catella Fondförvaltning with 24.95% of the voting rights.

The company's Board members are elected annually by the AGM, which also approves amendments to the Articles of Association.

Otherwise, there are no known circumstances that could affect possibilities to acquire the company through a public offering for the shares of NOTE.

#### **HUMAN RESOURCES**

The average number of full-time employees was 1,201 (1,171) in the year, 604 (550) of them being women and 597 (621) men. At year-end 2008, NOTE had 1,205 (1,213) employees.

Work attendance was 97.0 (97.0)% of regular working-hours in NOTE's Swedish operations and staff turnover was 6.0 (7.8)%. Total group work attendance was 95.7 (95.8)% of scheduled working-hours and staff turnover was 11.1 (12.0)%.

#### **Diversity and equal opportunities**

All NOTE employees should feel that they are unique, are equally valuable and have the opportunity to make progress according to their circumstances.

Diversity and equal opportunities are not merely internal issues, but feature in all activities and relationships with the customers. All employees at NOTE share responsibility for diversity and equal opportunities issues becoming a natural part of operations.

A good working environment is fundamental for positive working results and a prerequisite for the productivity, efficiency and quality of operations. Working environment activities are conducted locally in all NOTE units.

All NOTE employees will be offered a working environment that:

- is safe and stimulating
- features trust in the individual
- is based on mutual respect
- complies with laws and ordinances in the sector.

All employees will have the opportunity to influence their working situation.

#### **Training**

NOTE's skills enhancement and organizational development is co-ordinated into the NOTE Academy. Internal and external training programmes are tailored to satisfy differing needs and staff groups. The purpose of the Academy is to develop the whole operation.

NOTE Academy offers training in:

- Leadership
- Quality and environment
- Technology and finance
- CSR (corporate social responsibility).

#### **GUIDELINES FOR REMUNERATING SENIOR EXECUTIVES**

Senior executives mean the President and members of NOTE AB's management team.

Fees are payable to the Chairman of the Board and board members pursuant to the AGM resolution. For 2009, the following guidelines for remunerating the management are proposed:

Basic salary will consider individual responsibilities, experience and performance and will be subject to annual review.

Performance-related pay is dependent on individual satisfaction of quantitative and qualitative goals and may be a maximum of 100% of basic salary.

Pensionable age is 65. NOTE offers benefits similar to the ITP scheme (supplementary pensions for salaried employees).

The dismissal pay and severance pay for an executive may not exceed an aggregate maximum of remuneration over 24 months.

The Board is entitled to diverge from these guidelines if there are special circumstances in individual cases.

Remuneration to the management of NOTE in 2008 was decided in accordance with the adopted guidelines formulated by the Board of Directors, which were then approved by the AGM 2008. In 2008, the same guidelines as the aforementioned proposal to the AGM 2009 were adopted. For more information on remuneration to senior executives, see note 7.

## ENVIRONMENT

### Environmental Policy

NOTE will promote long-term sustainable development by manufacturing with the least possible environmental impact. NOTE will comply with, or exceed, applicable environmental legislation, work on continuous improvement and maintain its current environmental policy.

### Reporting obligation and accreditation

The group conducts business in a Swedish subsidiary holding permits pursuant to the Swedish ordinance on environmentally hazardous activities and health (reference SFS 1998:899), two facilities subject to permits and one Swedish facility partially subject to permit.

Seven of the group's facilities have ISO 14001 environmental accreditation.

### EU directives

The RoHS directive was revised in 2008, suspending the exemption for the flame retardant dekaBDE. The EU Court findings mean that dekaBDE is prohibited in electrical and electronic components from 1 July 2000 date. The WEEE directive regulates the processing of electronics waste.

Because NOTE does not have producer liability, no provisioning for processing electronic waste from consumer electronics has been made pursuant to IFRIC 6. This responsibility rests with the product owners.

The REACH regulation formalizes the usage of chemicals. This regulation came into effect EU wide on 1 June 2007, but its stipulations are now starting to apply progressively.

REACH must be adopted immediately by companies in member states, and only applies to chemical products, i.e. compounds and preparations. NOTE is classed as a downstream user and/or end-user of chemicals, and is only subject to the obligation to register substances and prepare risk assessments in those cases where the company uses what are known as SVCH materials.

There may be future demands for a cleaner production environment. This could require investments in clean rooms and increased ESD security.

## SIGNIFICANT OPERATIONAL RISKS

### Operational risks

NOTE provides manufacturing and logistics services for electronics-based products. NOTE's role includes being a collaboration partner for its customers, but not a product owner.

NOTE's main customer groups are industrial and telecom corporations. Because the telecom market has been especially volatile historically, with rapid fluctuations in demand, this can be considered a significant risk in operations.

Like other medium-sized EMS enterprises, NOTE faces a sizeable challenge in enhancing its inventory control and logistics to minimize these business risks.

The electronics manufacturing services (EMS) market is relatively young and usually considered fairly cyclical. Historically, many EMS companies have encountered difficulty maintaining profitability in recessions. This fact has been important in NOTE's choice of future strategy. NOTE's forward-looking emphasis on Nearsourcing, intended to promote the combination of volume growth and low investment costs and overheads, is one way of reducing its operational risk.

Because about 60% of sales are of materials, access to such materials is a risk for the company. Increased lead-times and larger component reserves to reduce lead-times increase risk exposure on the materials side.

### Financial risks

The group's currency risk is mainly due to purchasing of production material, where the majority of the group's invoicing is denominated in Swedish kronor. Expenses denominated in foreign currency are hedged partly through binding agreements, where the customer bears the currency risks, and partly through cash flow hedges. The hedged currencies are USD and EUR. The group's customers are diversified across several sectors, limiting exposure to credit risks in accounts receivable—trade. Other group financial risks are reviewed in more detail in note 28, Financial risks and finance policy.

## EVENTS AFTER THE END OF THE FINANCIAL YEAR

The group's significant events after the end of the financial year are reviewed in note 37, events after the end of the financial year. There are no significant events to report for the parent company.

## EXPECTATIONS OF FUTURE PROGRESS

As a result of NOTE's realignment, its cost base will improve radically. In a fairly short time, NOTE is being recreated with a unique, competitive customer offering.

NOTE expects to continue to be able to increase new business sales. Prevailing global economic uncertainty means future sales to current customers are unpredictable. With the measures it has taken, NOTE considers that it has created scope to be able to cope with potential volume downturns of a range of 30% in 2009 while remaining profitable.

From its secure positioning in the sector and with its new business model, NOTE is retaining its ambition to increase sales growth and profitability for the long term.

## PROPOSED APPROPRIATION OF PROFITS

The Board of Directors and Chief Executive Officer propose that profit be appropriated as follows (SEK):

Carried forward	121,249,582
Loss for the year	-14,203,104
<b>Total</b>	<b>107,046,478</b>
Carried forward	107,046,478
<b>Total</b>	<b>107,046,478</b>

Regarding NOTE's profits and position otherwise, the reader is referred to the following Income Statement and Balance Sheet with the associated notes to the accounts. NOTE's financial year is 1 January–31 December inclusive. All amounts are in SEK 000 unless otherwise indicated.

# Corporate Governance Report

## Introduction

The NOTE share is listed on NASDAQ OMX Sweden's Nordic list in the Small Cap segment and Information Technology sector. The regulatory structure applied for controlling the company is primarily the Swedish Companies Act, accounting law including the Swedish Book-keeping Act and the Swedish Annual Accounts Act, the Stock Exchange's rules for issuers, the Swedish Code of Corporate Governance (the Code), the Articles of Association and internal guidelines and policies.

NOTE observes the code with the following exceptions:

- independence of the Remuneration Committee
- composition of the Audit Committee.

These instances of non-compliance are reviewed and explained in the relevant sections of the Corporate Governance Report.

## Annual General Meeting

The Annual General Meeting (AGM) is NOTE's ultimate decision-making body and the forum where shareholders exert their influence. The AGM is held within six months of the end of the financial year. Shareholders' take decisions on matters including discharging the Board of Directors and President from liability for the past year, adopting Income Statements and Balance Sheets, appropriation of profits and the election and remuneration of the Board of Directors and Auditors. The AGM was held on 18 April 2008 in Stockholm, Sweden.

The AGM resolved on:

- adopting Income Statements and Balance Sheets of the parent company and group
- approving the appropriation of profits implying dividends of SEK 2.75 per share
- discharging the Board of Directors and President from liability
- re-election of the incumbent Board of Directors and remuneration
- election of new Auditor and remuneration
- instructions for the Nomination Committee
- authorising the Board of Directors to decide on new share issue
- authorising the Board of Directors to decide on the acquisition and transfer of treasury shares
- remuneration guidelines for senior executives.

## Nomination Committee

The Nomination Committee is the AGM's body for preparing the AGM's resolutions on nominations whose purpose is to create good supporting information for the AGM's consideration of these matters.

Pursuant to a resolution by the AGM 2008, a Nomination Committee was constituted ahead of the next AGM by the four largest shareholders that wish to participate each appointing a representative including the Chairman of the company's Board of Directors, serving as convener,

at least six months before the AGM. If one or more of the shareholders waives its right when Nomination Committee members are to be appointed, the next largest shareholder is then offered the corresponding opportunity.

Coincident with some unit trusts of Carnegie Fonder being taken over by Swedbank Robur Fonder AB in late-November, Carnegie Fonder was no longer one of the four largest shareholders.

Swedbank Robur Fonder AB chose to waive its right on membership of the Nomination Committee, implying that the Nomination Committee ahead of the AGM 2009 consists of three representatives: Ulf Strömsten, who is Chairman and represents Catella Fonder AB, Tomas Ramsålv representing Odin Fonder and Kjell-Åke Andersson representing his own holdings. This group represents shareholders with some 50% of the share capital and vote.

The Nomination Committee's task is to consider and submit proposals to the AGM regarding:

- electing a Chairman of the Meeting
- electing a Chairman of the Board and Board members
- directors' fees for the Chairman, other Board members and potential remuneration for committee work
- where applicable, election and remuneration of external Auditor
- decision on principles of composition of the Nomination Committee for the next AGM.

On demand from the Nomination Committee, the company will provide human resources and secretarial function to facilitate the Nomination Committee's work. Where necessary, the company will also bear reasonable costs for external consultants that the Nomination Committee considers necessary for the Nomination Committee to complete its tasks.

More information on the Nomination Committee is available at [www.note.eu](http://www.note.eu).

## Board of Directors

The overall task of the Board of Directors is to manage the company's affairs on behalf of the shareholders in the best way possible. The Board of Directors considers the group's financial situation on an ongoing basis, prepares budgets and annual financial statements. The Board of Directors is also responsible for formulating and monitoring the company's strategies, plans and objectives, decisions on acquisitions and divestments of operations, major investments, appointments and replacements of the President and senior executives and ongoing monitoring of operations in the year.

Each year, the Board of Directors adopts an approvals list, finance policy, instructions for financial reporting and for the Board of Directors, and rules of procedure, which formalize matters including the division of responsibilities between the Board of Directors and the President, alongside the Instructions for the President.

The chairman of the Board leads the Board of Directors' work and ensures that it is conducted pursuant to the Swedish Companies Act and other relevant legislation. The Chairman is also responsible for maintaining contact with

Board member, position	Fees for		Attendance, 2008		Independence	
	Direc- tor's fee, SEK	commit- tee work, SEK	Board meet- ings	Commit- tee meet- ings	In relation to the company and copper management	In relation to the company's major share- holders
Bruce Grant, Chairman since 2007	200,000	–	11	3	Yes	Yes
Göran Jansson, member since 2007, Deputy Chairman since 2008	150,000	60,000	11	6	Yes	Yes
Arne Forslund, member since 2005	–	–	11	3	No, President of the company	Yes
Kjell-Åke Andersson, member since 2007	100,000	–	10	–	Yes	Yes
Håkan Gellerstedt, member since 2007	100,000	–	11	–	Yes	Yes
Hans Johansson, member since 2007	100,000	–	9	–	Yes	Yes
Per-Arne Sandström, member since 2007	100,000	–	11	–	Yes	Yes

Fees are for the mandate period May 2008 to April 2009, resolved by the AGM 2008.

the group management, and for ensuring that the Board's decisions are implemented appropriately.

Each Board meeting includes a review of current business conditions, the group's profits and financial position, outlook for the remainder of the year and selected themes such as strategy, marketing and sales, budget and long-term business plans.

NOTE's Board of Directors has seven members elected by the AGM. The Board of Directors has a general composition with sector knowledge and skills from Board activities and management of listed companies as well as finance, accounting, structural matters and strategic development.

The AGM 2008 re-elected Bruce Grant, Kjell-Åke Andersson, Arne Forslund, Håkan Gellerstedt, Göran Jansson, Hans Johansson and Per-Arne Sandström as Board members for the period until the next AGM. Bruce Grant was elected as Chairman of the Board. Göran Jansson was elected as Deputy Chairman with the special duty of supporting the Board of Directors and management on issues relating to the company's future structure.

### Board activities in 2008

The Board of Directors held 11 Board meetings at which minutes were taken in the year, one being the Board meeting following election. The company's Chief Financial Officer served as secretary in the year. Other employees of the company attend Board meetings to submit reports.

Apart from the scheduled agenda, matters relating to the group's financing were considered in the autumn.

### Remuneration Committee

The Remuneration Committee submits proposals regarding the salary and other employment terms of the President and managers reporting directly to the President, to the Board of Directors. The Remuneration Committee is appointed annually by the Board of Directors. At the Board meeting following election in 2008, Bruce Grant, Göran Jansson and Arne Forslund were appointed as

members of the Remuneration Committee. The President does not participate in consideration of his salary and employment terms.

The President, Arne Forslund, is a member of the group management, and accordingly pursuant to the Code, is regarded as dependent of the company and the group management. Accordingly, NOTE has not complied with the Code in respect of the members of the Remuneration Committee being independent of the company and the group management. However, the Board of Directors considers it important to have one member with particularly extensive experience of NOTE's operations as a member of the Committee.

The Remuneration Committee held three meetings at which minutes were taken in the year.

### Audit Committee

The tasks of the audit committee are to:

- support the Board of Directors in its work to quality-assure financial reporting
- discuss the audit and view of the company's risks with the Auditor
- monitor the external Auditors' audit process and evaluate their work
- adopt guidelines for services in addition to auditing that the company may purchase from the Auditor
- assist the Nomination Committee in preparing proposals for auditors and remuneration for auditors
- ensure that the company has systems for internal controls.

The Audit Committee consists of Göran Jansson, thus NOTE does not comply with the Code in the respect that the Board should establish an audit committee that should consist of at least three Board members. The Board judges that one member of the Audit Committee is sufficient considering the size of the company and the Board of Directors.

Göran Jansson has a regular (at least quarterly) and close collaboration with the group's central accounting function regarding internal and external reporting of financial information. There is also a collaboration developed on matters of internal and external control, election and evaluation of auditing principles and models.

In the year, Göran Jansson held three meetings with the company's Auditor to discuss audit issues and internal controls. The Auditors' written reports were distributed to the whole Board after review and comments from the company.

### **Internal controls and risk management**

The Board of Directors is responsible for internal controls of the company pursuant to the Swedish Companies Act.

#### *Control environment*

The division of roles and responsibilities for internal control between the Board of Directors and President is determined annually at the Board meeting following election via the rules of procedure for the Board of Directors and President and instructions for financial reporting. Ongoing activities to maintain effective internal controls have been delegated to, and are managed primarily by, the President and the group's central accounting function. The fundamental guidelines for internal control are managed via policies, instructions and similar control documents. The content of these documents is updated and evaluated where necessary. The Board of Directors is responsible for over-arching control documents, and the group's central accounting function is responsible for other documents. Note has also developed an internal reporting package for financial information, which is distributed and monitored monthly by each legal entity within the group.

#### *Risk assessment*

Through its operations, the company is exposed to a number of market risks. NOTE's finance policy states the limits within which financial risks should be managed. The finance policy is updated annually and adopted by the Board of Directors. In 2008, NOTE started a project to formalise management of the biggest risks in operations. The risks are evaluated from a matrix of probability and degree of financial effect. Existing control measures for the biggest risks in this matrix have been documented and additional controls introduced where required. Updating guidelines and limits regarding risk assessment is conducted at least yearly. More on risks and risk management is in note 28, financial risks and finance policy.

#### *Monitoring control activities*

To rationalise the monitoring of internal controls, in 2008, a new business process based on self-assessment of the group's companies was introduced. The aim was to create collective tools and methods to monitor potential shortcomings and weaknesses in internal controls on an ongoing basis. Based on the new process, the Board and management gained the opportunity to identify potential needs for measures.

Each unit within NOTE is monitored in a monthly review by the CEO, CFO and Vice President of QA. The matters considered at these meetings are financial information and controlling key ratios and monitoring of goal-oriented activities relating to quality, cost, delivery and growth.

The need for an internal audit function is evaluated yearly. Considering the group's limited size and scope, the Board of Directors considers that NOTE does not need a separate internal audit function. The practical management of internal controls is conducted by NOTE's central accounting function.

### **President and group management**

The president, Arne Forslund, also the CEO, is responsible for ongoing administration pursuant to the instructions and guidelines of the Board of Directors. This responsibility includes accounting matters, monitoring the group's strategies and business development, and ensuring that the Board gains the information necessary to be able to reach well-founded decisions. The President reports to the Board of Directors.

The President has appointed a management team responsible for formulating and implementing the group's over-arching strategies. These activities are reviewed on page 8 and onwards. Apart from the President, the group management consists of the Vice Presidents of Nearsourcing, Sales & Marketing, Industrial Plants, Components and Finance & IR.

### **Auditors**

The AGM appoints the Auditors who have a four-year mandate period. The task of the Auditors is to audit NOTE's annual accounts and accounting records and the administration by the Board of Directors and President. The Senior Auditor also submits an Audit Report to the AGM.

Öhrlings PricewaterhouseCoopers AB was elected by the AGM 2008 as audit firm for the period until the AGM 2012. The senior auditor is Authorised Public Accountant Magnus Brändström.

# Board of Directors



## 1 Bruce Grant

Born in 1959.  
Chairman since 2007.  
*Main employment:* Executive Chairman and main shareholder of Garden Growth Capital LLC and Applied Value LLC.  
*Other directorships:* Chairman of Human Care and Board member of Stille and the Swedish-American Chamber of Commerce in New York.  
*Professional experience:* Board member and adviser on profitability improvements and more efficient capital structures for Kinnevik, Korsnäs, Metro, Transcom and Tele2 (Chairman).  
*Education:* Licentiate of Technology, B.Sc. (Econ.)  
*NOTE holdings:* 487,500 shares.

## 2 Göran Jansson

Born in 1958.  
Deputy Chairman since 2008.  
Board member since 2007.  
*Main employment:* financial adviser and management consultant, self-employed.  
*Other directorships:* Board member of companies including Axis Communications, Bankit, Boss Media and Human Care.  
*Professional experience:* acting President and CFO of Assa Abloy, also head of Sourcing and R&D.  
*Education:* B.Sc. (Econ.)  
*NOTE holdings:* 50,000 shares.

## 3 Arne Forslund

Born in 1963.  
Board member since 2005.  
*Main employment:* President and CEO of NOTE.

*Other directorships:* none.  
*Professional experience:* senior executive positions in companies including Danaher Motion, Ortivus, Siemens-Elema and Teleflex.  
*Education:* Senior high school technology graduate.  
*NOTE holdings:* 10,000 shares and 152,000 options.

## 4 Kjell-Åke Andersson

Born in 1946.  
Board member since 2007.  
*Main employment:* President and Board member of development companies NOMIX and Imita.  
*Other directorships:* Chairman of MedicPen.  
*Professional experience:* 17 years' manufacturing experience from Facit/ADDO at Electrolux. Former founder of Xperi, which merged with NOTE in 2002; Board member and CEO of NOTE.  
*Education:* B.Sc. (Eng.)  
*NOTE holdings:* 694,104 shares.

## 5 Håkan Gellerstedt

Born in 1947.  
Board member since 2007.  
*Main employment:* management consultant, President and proprietor of SARL MTL Consultants, France, partner of Rotationer Ltd.  
*Other directorships:* none.  
*Professional experience:* management consultant at Indevo and Interpares, assignments including global production strategies, profitability enhancement packages, business and development

strategies for Swedish and international companies.  
*Education:* B.Sc. (Eng.)  
*NOTE holdings:* 4,000 shares.

## 6 Hans Johansson

Born in 1955.  
Board member since 2007.  
*Main employment:* entrepreneur.  
*Other directorships:* Chairman of Emotron, Goovinn, REAB Data and West International. Board member of Chalmers Institute of Technology, Human Care, Safe at Sea, Sportmanship Invest and own companies.  
*Professional experience:* founding entrepreneur of Semcon, CEO and President in 1983–2006.  
*Education:* mechanical and chemical processing engineer.  
*NOTE holdings:* 12,500 shares.

## 7 Per-Arne Sandström

Born in 1947.  
Board member since 2008.  
Deputy Chairman since 2007.  
*Main employment:* company director.  
*Other directorships:* Chairman of Infocare, P-A Sandström Consult and Spring Mobil. Board member of Applied Invest, Cellmax, Human Care, KTH Executive School, One Phone Holding and Saab.  
*Professional experience:* Deputy Group Chief Executive and COO of Ericsson.  
*Education:* Senior high school technology graduate.  
*NOTE holdings:* 20,000 shares.

Stated holdings include related parties.

# Consolidated Income Statement

SEK 000	NOTE	2008	2007
Net revenue	2, 3	1,709,450	1,743,790
Cost of sold goods and services		-1,586,439	-1,519,175
<b>Gross profit/loss</b>		<b>123,011</b>	<b>224,615</b>
Selling expenses		-56,799	-42,568
Administrative expenses		-75,673	-69,678
Other operating revenue	5	25,808	7,606
Other operating expenses	6	-20,170	-8,093
<b>Operating profit/loss</b>	3, 7, 8, 9, 29	<b>-3,823</b>	<b>111,882</b>
Financial income		2,275	1,783
Financial expenses		-12,838	-9,838
<b>Net financial income/expense</b>	10	<b>-10,563</b>	<b>-8,055</b>
<b>Profit/loss before tax</b>		<b>-14,386</b>	<b>103,827</b>
Tax	12	1,250	-25,585
<b>Profit/loss after tax</b>		<b>-13,136</b>	<b>78,242</b>
Basic and diluted earnings per share (SEK)	21	-1.36	8.13



# Consolidated Balance Sheet

SEK 000	NOTE	31 Dec 2008	31 Dec 2007
<b>ASSETS</b>	4, 5, 15		
Intangible fixed assets	13	76,357	60,468
Tangible fixed assets	14	141,859	131,165
Long-term receivables	17	4,849	1,571
Deferred tax assets	12	23,992	7,374
<b>Total fixed assets</b>		<b>247,057</b>	<b>200,578</b>
Inventories	18	342,898	324,557
Accounts receivable—trade	27, 28	272,686	346,997
Prepaid expenses and accrued income	19	14,033	16,759
Tax receivables		8,669	11,972
Other receivables	17	26,997	8,704
Cash and cash equivalents	35	35,941	38,546
<b>Total current assets</b>		<b>701,224</b>	<b>747,535</b>
<b>TOTAL ASSETS</b>		<b>948,281</b>	<b>948,113</b>
<b>Equity</b>	20		
Share capital (9,624,200 class A shares)		4,812	4,812
Other paid-up capital		148,100	148,100
Provisions		9,772	2,515
Retained profit including profit/loss for the period		132,250	171,987
<b>Equity</b>		<b>294,934</b>	<b>327,414</b>
<b>LIABILITIES</b>	4, 5, 15		
Long-term interest-bearing liabilities	22, 27, 28	62,073	108,441
Pension commitments	23, 24	11,961	10,964
Other provisions	24	128	700
Deferred tax liabilities	12	19,581	19,991
Other long-term liabilities	15	4,608	–
<b>Total long-term liabilities</b>		<b>98,351</b>	<b>140,096</b>
Current interest-bearing liabilities	22, 27, 28	209,049	165,380
Accounts payable—trade	27	208,630	186,016
Tax liabilities		2,835	18,794
Other liabilities	25	30,475	31,583
Accrued expenses and deferred income	26	62,767	66,529
Other provisions	24	41,240	12,301
<b>Total current liabilities</b>		<b>554,996</b>	<b>480,603</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>948,281</b>	<b>948,113</b>

For information on the group's pledged assets and contingent liabilities see note 30.

# Consolidated Statement of Changes in Equity

SEK 000	Share capital	Other paid-up capital	Provisions	Retained profit incl. profit/loss for the period	Total equity
Opening balance equity, 1 Jan 2007	4,812	148,100	-51	115,274	268,135
Change in translation reserve for the year	-	-	2,566	-	2,566
<b>Total changes in net worth reported direct to equity excluding transactions with the company's shareholders</b>	-	-	<b>2,566</b>	-	<b>2,566</b>
Profit/loss for the period	-	-	-	78,242	78,242
<b>Total changes in net worth excluding transactions with the company's shareholders</b>	-	-	<b>2,566</b>	<b>78,242</b>	<b>80,808</b>
Dividends	-	-	-	-21,654	-21,654
Payment, warrants	-	-	-	125	125
<b>Closing balance equity, 31 Dec 2007</b>	<b>4,812</b>	<b>148,100</b>	<b>2,515</b>	<b>171,987</b>	<b>327,414</b>

SEK 000	Share capital	Other paid-up capital	Provisions	Retained profit incl. profit/loss for the period	Total equity
Opening balance equity, 1 Jan 2008	4,812	148,100	2,515	171,987	327,414
Change in translation reserve for the year	-	-	6,944	-	6,944
Change in hedging provision for the year	-	-	313	-	313
<b>Total changes in net worth reported direct to equity excluding transactions with the company's shareholders</b>	-	-	<b>7,257</b>	-	<b>7,257</b>
Profit/loss for the period	-	-	-	-13,136	-13,136
<b>Total changes in net worth excluding transactions with the company's shareholders</b>	-	-	<b>7,257</b>	<b>-13,136</b>	<b>-5,879</b>
Dividends	-	-	-	-26,467	-26,467
Profit/loss from divested warrants	-	-	-	-134	-134
<b>Closing balance equity, 31 Dec 2008</b>	<b>4,812</b>	<b>148,100</b>	<b>9,772</b>	<b>132,250</b>	<b>294,934</b>

# Consolidated Cash Flow Statement

SEK 000	NOTE	2008	2007
	35		
<b>Operating activities</b>			
Pre-tax profit		-14,386	103,827
Reversed depreciation		32,252	27,724
Other items not included in cash flow		35,737	3,905
Tax paid		-25,836	-24,260
		<b>27,767</b>	<b>111,196</b>
<b>Change in working capital</b>			
Increase (-)/decrease (+) in inventories		-6,715	-11,441
Increase (-)/decrease (+) in trade receivables		63,134	24,849
Increase (+)/decrease (-) in trade liabilities		-1,035	-76,257
		<b>55,384</b>	<b>-62,849</b>
<b>Cash flow from operating activities</b>		<b>83,151</b>	<b>48,347</b>
<b>Investing activities</b>			
Acquisition of tangible fixed assets		-38,961	-38,564
Divestment of tangible fixed assets		6,231	1,770
Acquisition of intangible fixed assets		-7,569	-1,695
Acquisition of joint venture, net liquidity influence		-7,180	-10,299
Acquisition of subsidiaries/operations net liquidity influence		-10,640	-
Divestment of financial assets		41	-
<b>Cash flow from investing activities</b>		<b>-58,078</b>	<b>-48,788</b>
<b>Cash flow before financing activities</b>		<b>25,073</b>	<b>-441</b>
<b>Financing activities</b>			
Borrowings		16,371	69,612
Amortisation of loans		-20,004	-28,295
Payment warrants		-	125
Dividends paid		-26,467	-21,654
<b>Cash flow from financing activities</b>		<b>-30,100</b>	<b>19,788</b>
<b>Cash flow for the year</b>		<b>-5,027</b>	<b>19,347</b>
<b>Cash and cash equivalents</b>			
At the beginning of the period		38,546	18,767
Cash flow before financing activities		25,073	-441
Cash flow from financing activities		-30,100	19,788
Exchange rate differences in cash and cash equivalents		2,422	432
<b>Cash and cash equivalents at the end of the period</b>		<b>35,941</b>	<b>38,546</b>

# Parent Company Income Statement

SEK 000	NOTE	2008	2007
Net revenue	2	64,904	34,867
Cost of sold services		-30,891	-10,398
<b>Gross profit/loss</b>		<b>34,013</b>	<b>24,469</b>
Selling expenses		-22,905	-19,125
Administrative expenses		-26,463	-22,903
Other operating revenue	5	1,397	17
Other operating expenses	6	-181	-53
<b>Operating profit/loss</b>	7, 8, 23, 29	<b>-14,139</b>	<b>-17,595</b>
<i>Profit/loss from financial items</i>	10		
Profit/loss from participations in group companies		5,095	-
Other interest income, etc.		15,640	6,506
Interest expenses, etc.		-12,258	-2,743
<b>Profit/loss after financial items</b>		<b>-5,662</b>	<b>-13,832</b>
Appropriations	11	-15,500	-22,400
<b>Profit/loss before tax</b>		<b>-21,162</b>	<b>-36,232</b>
Tax	12	6,959	9,968
<b>Profit/loss after tax</b>		<b>-14,203</b>	<b>-26,264</b>

# Parent Company Balance Sheet

SEK 000	NOTE	31 Dec 2008	31 Dec 2007
<b>ASSETS</b>			
<b>Fixed assets</b>			
Intangible fixed assets	13	3,800	–
Tangible fixed assets	14	2,551	188
Financial fixed assets			
Participations in group companies	4, 32	201,428	174,275
Participations in joint ventures	33	37,698	18,648
Receivables from group companies	17	44,832	188,646
Receivables from joint ventures	17	9,109	2,489
<i>Total financial fixed assets</i>		293,067	384,058
<b>Total fixed assets</b>		<b>299,418</b>	<b>384,246</b>
<b>Current assets</b>			
Current receivables			
Accounts receivable—trade	27	–	8
Receivables from group companies	16	276,005	177,018
Receivables from joint ventures	16	452	–
Other receivables		2,422	7,707
Prepaid expenses and accrued income	19	295	2,539
<i>Total current receivables</i>		279,174	187,272
Cash and bank balances	35	12,990	7,618
<b>Total current assets</b>		<b>292,164</b>	<b>194,890</b>
<b>TOTAL ASSETS</b>		<b>591,582</b>	<b>579,136</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
	20		
Restricted equity			
Share capital (9,624,200 class A shares)		4,812	4,812
Statutory reserve		148,161	148,161
Non-restricted equity			
Profit/loss brought forward		121,248	122,059
Profit/loss for the period		–14,203	–26,264
<b>Total equity</b>		<b>260,018</b>	<b>248,768</b>
<b>Untaxed reserves</b>	34	<b>48,108</b>	<b>32,608</b>
<b>Provisions</b>	24	<b>–</b>	<b>8,051</b>
<b>Long-term liabilities</b>			
Liabilities to credit institutions	22, 27, 28	34,997	82,330
Liabilities to group companies		6,487	6,900
<b>Total long-term liabilities</b>		<b>41,484</b>	<b>89,230</b>
<b>Current liabilities</b>			
Liabilities to credit institutions	22, 27, 28	179,094	140,933
Accounts payable—trade		1,165	1,085
Liabilities to group companies		48,833	34,652
Current tax liabilities		1,251	16,954
Other liabilities	25	1,386	589
Accrued expenses and deferred income	26	10,243	6,266
<b>Total current liabilities</b>		<b>241,972</b>	<b>200,479</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>591,582</b>	<b>579,136</b>
<b>Pledged assets and contingent liabilities for parent company</b>			
Pledged assets	30	–	600
Contingent liabilities	30	17,429	35,676

# Statement of Changes in Parent Company's Equity

SEK 000	Restricted equity		Non-restricted equity		Total equity
	Share capital	Statutory reserve	Profit/loss brought forward	Profit/loss for the period	
Opening balance equity, 1 Jan 2007	4,812	148,161	78,162	-9,184	<b>221,951</b>
Appropriation of profits	-	-	-9,184	9,184	-
Group contribution received	-	-	103,800	-	<b>103,800</b>
Tax attributable to items posted directly to equity	-	-	-29,064	-	<b>-29,064</b>
Profit/loss for the period	-	-	-	-26,264	<b>-26,264</b>
<b>Total changes in net worth excluding transactions with the company's shareholders</b>	-	-	<b>65,551</b>	<b>-17,080</b>	<b>48,471</b>
Dividends	-	-	-21,654	-	<b>-21,654</b>
<b>Closing balance equity, 31 Dec 2007</b>	<b>4,812</b>	<b>148,161</b>	<b>122,059</b>	<b>-26,264</b>	<b>248,768</b>

SEK 000	Restricted equity		Non-restricted equity		Total equity
	Share capital	Statutory reserve	Profit/loss brought forward	Profit/loss for the period	
Opening balance equity, 1 Jan 2008	4,812	148,161	122,059	-26,264	<b>248,768</b>
Appropriation of profits	-	-	-26,264	26,264	-
Group contribution received	-	-	82,312	-	<b>82,312</b>
Group contribution paid	-	-	-10,200	-	<b>-10,200</b>
Tax attributable to items posted directly to equity	-	-	-20,192	-	<b>-20,192</b>
Profit/loss for the period	-	-	-	-14,203	<b>-14,203</b>
<b>Total changes in net worth excluding transactions with the company's shareholders</b>	-	-	<b>25,656</b>	<b>-14,203</b>	<b>11,453</b>
Dividends	-	-	-26,467	-	<b>-26,467</b>
<b>Closing balance equity, 31 Dec 2008</b>	<b>4,812</b>	<b>148,161</b>	<b>121,248</b>	<b>-14,203</b>	<b>260,018</b>

# Parent Company Cash Flow Statement

SEK 000	NOTE	2008	2007
<b>Operating activities</b>	35		
Profit/loss after financial items		-5,662	-13,832
Reversed depreciation		772	102
Other non-cash items		-	7,602
Tax paid		-21,595	-16,532
		<b>-26,485</b>	<b>-22,660</b>
<b>Cash flow from changes in working capital</b>			
Increase (-)/decrease (+) of trade receivables		-23,552	-43,875
Increase (+)/decrease (-) of trade liabilities		15,323	17,957
		<b>-8,229</b>	<b>-25,918</b>
<b>Cash flow from operating activities</b>		<b>-34,714</b>	<b>-48,578</b>
<b>Investing activities</b>			
Acquisitions of tangible fixed assets		-2,593	-61
Acquisitions of intangible fixed assets		-4,342	-
Investments in subsidiaries		-23,606	-9,785
Acquisitions of joint ventures		-26,229	-11,037
Acquisitions of other financial assets		-18,905	-13,632
<b>Cash flow from investing activities</b>		<b>-75,675</b>	<b>-34,515</b>
<b>Cash flow before financing activities</b>		<b>-110,389</b>	<b>-83,093</b>
<b>Financing activities</b>			
Borrowings		3,932	128,971
Group contributions received		158,300	-
Amortisation of loans		-20,004	-17,444
Dividends paid		-26,467	-21,654
<b>Cash flow from financing activities</b>		<b>115,761</b>	<b>89,873</b>
<b>Cash flow for the year</b>		<b>5,372</b>	<b>6,780</b>
<b>Cash and cash equivalents</b>			
At the beginning of the period		7,618	838
Cash flow before financing activities		-110,389	-83,093
Cash flow from financing activities		115,761	89,873
<b>Cash and cash equivalents at the end of the period</b>		<b>12,990</b>	<b>7,618</b>

# Notes on the financial statements

## Note 1 Significant accounting principles

### Consistency with standards and law

The consolidated accounts 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. RFR's (Rådet för finansiell rapportering, the Swedish Financial Reporting Board) recommendation RFR 1.1, Supplementary Accounting Rules for Groups, has been applied.

The parent company applies the same accounting principles as the group apart from the cases stated below in the 'parent company accounting principles' section.

### Basis of preparation of the Parent Company and consolidated accounts

The parent company's functional currency is the Swedish krona, which is also the presentation currency for the parent company and group. Unless otherwise stated, all amounts are rounded to the nearest thousand.

Judgements made by the corporate management when applying IFRS that have a significant impact on the financial statements and estimates made that may imply significant adjustments to ensuing years' financial statements are reviewed in more detail in note 36.

The following accounting principles for the group have been applied consistently for all periods presented in the consolidated accounts, unless stated otherwise below. The group's accounting principles have been applied consistently on reporting and consolidating the parent company and subsidiaries.

The annual accounts and consolidated accounts were approved by the Board for issuance on 27 March 2009. The Consolidated Income Statement and Balance Sheet and the Parent Company's Income Statement and Balance Sheet will be subject to adoption at the AGM (Annual General Meeting) on 21 April 2009.

### GROUP

#### Revised accounting principles

The following new standards and interpretation statements were adopted when preparing these financial statements:

IFRIC 11 IFRS 2: Group and Treasury Share Transactions, this interpretation statement clarifies how transactions settled with equity instruments should be classified in the company that receives services from employees. The interpretation statement should be applied to the consolidated accounts for 2008. This statement did not have any effect on the consolidated accounts.

IFRIC 12 Service Concession Arrangements, this interpretation statement deals with the matter of how the party managing a service concession arrangement should report the plant and the rights and obligations ensuing from the arrangement. The interpretation statement should be applied to the consolidated accounts for 2008. This statement did not have any effect on the consolidated accounts.

IFRIC 14 IAS 19—The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction, this interpretation statement deals with how requirements for a certain level of unit-linking interacts with IAS 19's ceiling for a defined benefit asset. The interpretation statement should be applied to the consolidated accounts for 2008. This statement did not have any effect on the consolidated accounts.

#### New IFRS and interpretation statements that have not yet been adopted

The following new standards, amendments to standards and interpretation statements come into effect from the financial year 2009 onwards and have not been adopted when preparing these financial statements.

IFRS 8, Operating Segments replaces IAS 14 Segment Reporting and adapts segment reporting to the requirements of the US standard SFAS 131, Disclosures about Segments of an Enterprise and Related Information. The new standard requires that segment information is presented on the basis of the management's perspective, which means that it is presented in the manner used in internal reporting. The standard is to be adopted for financial years starting 1 January 2009 or later. From the first quarter 2009 onwards, additional information on segment reporting pursuant to IFRS 8 will be added to NOTE's external reporting. Work on determining which segments these are was not complete at the time of issuance of the annual accounts.

IAS 1 (Revised), Presentation of Financial Statements (applies from 1 January 2009). The revised standard will prohibit the presentation of income and cost items of (i.e. "changes in equity excluding transactions with shareholders") in the statement of changes in equity without requiring that "changes in equity excluding transactions with shareholders" is reported separately from changes in equity relating to transactions with shareholders. It will require that all changes in equity that do not relate to shareholders are reported in an account (statement of total profit/loss) or in two accounts (separate income statement and report of total profit/loss). If a company conducts retroactive restatement or revises the classification of comparative information, it will have to present the restated balance sheet

as of the beginning of the comparative period in addition to the current requirement to present balance sheets at the end of the current period and the comparative period. The group will adopt IAS 1 (Amendment) from 1 January 2009. Probably, both separate income statements and reports of total profit/loss will be presented as accounts.

IFRS 2 (Amendment), Share-based Payment (applies from 1 January 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are only service conditions and performance conditions. The group will adopt IFRS 2 (Amendment) from 1 January 2009, but it is not expected have any significant effect on the consolidated accounts.

IAS 27 (Revised), Consolidated and Separate Financial Statements (applies from 1 July 2009). The revised standard requires that the effect of all transactions with minority shareholders is reported in equity if they do not imply any change to the controlling influence and the transactions no longer give rise to goodwill or gains or losses. The group will apply IAS 27 (Revised) in advance for transactions with minority shareholders from 1 January 2010.

IFRS 3 (revised), Business Combinations (applies from 1 July 2009). The revised standard continues to stipulate that acquisition accounting is applied for business combinations, albeit with some significant amendments. For example, all payments to acquire an operation are reported at actual value on the acquisition date, while subsequent conditional payments are classified as liabilities, which are then restated via the Income Statement.

The revised standard allows a free choice between the minority interest in the acquired operation being reported at fair value or at the minority shareholders' proportional share of the acquired operation's net assets. All transaction costs relating to the acquisition must be expensed. The group will apply IFRS 3 (Revised) in advance for all business combinations from 1 January 2010.

#### New IFRS and interpretation statements that have not started to apply and are not relevant to the group's operations.

IFRIC 13 Customer Loyalty Programmes, the interpretation statement applies to financial years beginning 1 July 2008 or later.

IFRS 5 (Amendment), Non-current Assets Held for Sale and Discontinued Operations (and the ensuing amendment of IFRS 1, First-time Adoption of IFRS) (applies from 1 July 2009).

Amendments of IAS 23 Borrowing Costs. This amendment applies for financial years beginning 1 January 2009 or later.

IAS 32 (Amendment), Financial Instruments: Presentation and IAS 1 (Amendment), Presentation of Financial Statements—Puttable Financial Instruments and Obligations Arising in Liquidation (applies from 1 January 2009).

IAS 28 (Amendment), Interests in Associates (and the ensuing amendments to IAS 32, Financial Instruments: Presentation and IFRS 7, Financial Instruments: Disclosures) (applies from 1 January 2009).

IAS 38 (Amendment), Intangible assets (applied from 1 January 2009). IFRIC 16, Hedges of a Net Investment in a Foreign Operation (applies from 1 October 2008). IFRIC 16 clarifies the accounting treatment of hedging a net investment.

IAS 16 (Amendment), Property, Plant and Equipment (and the ensuing amendment to IAS 7, Cash Flow Statements) applies from 1 January 2009.

IAS 27 (Amendment), Consolidated and Separate Financial Statements (applies from 1 January 2009).

IAS 29 (Amendment), Financial Reporting in Hyperinflationary Economies (applies from 1 January 2009).

IAS 40 (Amendment), Investment Property (and the ensuing amendments to IAS 16) (applies from 1 January 2009).

IAS 41 (Amendment), Agriculture (applies from 1 January 2009).

IAS 20 (Amendment), Accounting for Government Grants and Disclosure of Government Assistance (applies from 1 January 2009).

IFRIC 15, Agreements for the Construction of Real Estate (applies from 1 January 2009).

IFRIC 17, Distributions of Non-cash Assets to Owners (applies to financial years that start on 1 July 2009 or later).

#### 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 within a delineated financial environment (geographical region), which is exposed to risks and opportunities that differ from other segments. Segment information is presented 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 only 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. A controlling influence implies the direct or indirect right to formulate a company's financial and operational strategies with the aim of receiving economic benefits. When judging whether a controlling influence applies, potential shares conferring voting rights that can be exercised or converted without delay are considered.

The group comprises the parent company and 17 wholly owned companies. Subsidiaries are reported pursuant to acquisition accounting.

Acquisition accounting means that acquisition of a subsidiary is considered as a transaction whereby the group indirectly acquires the subsidiary's assets and takes over its liabilities and contingent liabilities. The consolidated cost is determined using an acquisition analysis relating to the acquisition. This analysis determines partly the cost of participations or operation, and partly the fair value of acquired identifiable assets and liabilities and contingent liabilities taken over on the acquisition date. The cost of subsidiary shares and operations is the total of the fair value of assets paid, liabilities arising or taken over, and for equity instruments issued that are submitted as payment in exchange for the acquired net assets, and transaction expenses directly attributable to the acquisition, on the acquisition date. In business combinations where the acquisition cost exceeds the fair value of acquired assets and liabilities and contingent liabilities taken over that are reported separately, the difference is reported as goodwill.

When the difference is negative, this is reported directly in the Income Statement. Subsidiary financial statements are consolidated from the acquisition date until the date the controlling influence ceases.

### Joint ventures

In accounting terms, joint ventures are the companies where the group has a joint controlling influence over operational and financial controls through collaboration agreements with one or more parties. In the consolidated accounts, holdings in joint ventures are reported using the proportional method. The proportional method means that the group's participating interest in the companies' revenue and expenses, assets and liabilities respectively are reported in the Consolidated Income Statement and Balance Sheet. This is effected by the joint owners' share of assets and liabilities, revenues and expenses in a joint venture being aggregated item by item with the corresponding item in the joint owner's consolidated accounts. Only equity accrued after the acquisition is reported in consolidated equity. The method applies from the time when the joint controlling influence is attained and until the time when the joint controlling influence ceases.

### Transactions to be eliminated upon consolidation

Intra-group receivables and liabilities, revenues or costs and un-realised profits or losses arising from intra-group transactions are eliminated wholly when the consolidated accounts are prepared. Un-realised gains that arise from transactions with joint ventures are eliminated to the extent corresponding to the group's participating interest in the company. Un-realised losses are eliminated in the same way as un-realised gains, but only to the extent there is no value impairment.

## Foreign currency

### Foreign currency transactions

Foreign currency transactions are translated to the functional currency (SEK) at the rate of exchange ruling on the transaction date. Foreign currency monetary assets and liabilities are translated to the functional currency at the rates of exchange ruling at the reporting date. The exchange rate differences arising upon conversion are reported in the Income Statement.

### Financial statements of foreign operations

The assets and liabilities of foreign operations including goodwill and other consolidated surpluses and deficits are translated to Swedish krona at the rates of exchange ruling at the reporting date. The revenues and expenses of foreign operations are translated to Swedish krona at an average rate of exchange, which is an approximation of the rates of exchange ruling at each transaction date. Translation differences arising from the currency translation of foreign operations are reported directly against equity as a translation reserve.

## Revenues

### Sales of goods and conducting services assignments

Revenues from the sale of manufacturing goods and services are reported to the Income Statement when the significant risks and benefits associated with ownership of the product have been transferred to the buyer and when it is probable that the future economic benefits will occur for the company and these benefits can be measured reliably. If there is significant uncertainty regarding payment, associated expenses or the risk of returns, and if NOTE retains a commitment in the ongoing management usually associated with ownership, no revenues are recognised. Revenues only include the gross inflows of economic benefits the company receives, or may receive, on its own behalf. Revenues are reported at the actual value of what is received, or will be received, less deductions for discounting. Revenues for consulting services are reported according to the percentage of completion method provided that the labour hours incurred are measurable.

### Central government support

Central government subsidies are reported in the Income Statement and Balance Sheet when they have been received. Central government subsidies received as remuneration for expenses that have already reduced profits in previous periods are reported in the Income Statement in the period when the receivable from central government arises. Central government subsidies for investments are reported as a reduction of the carrying amount of the asset.

## Lease arrangements and financial income and expenses

In the consolidated accounts, leases are classified as finance or operating leases. Finance leases occur when essentially, the financial risks and benefits associated with ownership transfer to the lessee. If this is not the case, the arrangement is an operating lease.

### Operating leases

Payments for operating lease arrangements are reported in the Income Statement on a straight-line basis over the lease term. Benefits received on signing a contract are reported as a portion of the total lease expense in the Income Statement.

### Finance leases

Assets held through finance lease agreements are reported as assets in the Consolidated Balance Sheet pursuant to the principles for owned assets. The obligation to pay future lease charges is reported as long-term and current liabilities. Minimum lease charges are allocated between interest expenses and amortisation of the outstanding liability. Interest expenses are allocated over the lease term so that each accounting period is subject to an amount corresponding to a fixed interest rate for the liability reported in each period. Variable expenditure is expensed in the periods it occurs.

## Financial income and expenses

Financial income and expenses comprise interest income on bank balances and receivables, interest expenses on loans, exchange rate differences and un-realised and realised gains on financial investments and derivative instruments used in financing activities. Interest income/expenses are reported according to the effective interest method. Effective interest is the interest that discounts estimated future payments received and made during the expected term of a financial instrument, at the financial asset's or liability's reported net value. The calculation includes all expenditure paid or received from contract counterparties that is a part of effective interest, transaction expenses and all other premiums and discounts.

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

## Financial instruments

In the group, financial instruments are measured and reported pursuant to the stipulations of IAS 39.

On the assets side, financial instruments reported in the Balance Sheet include cash and cash equivalents, accounts receivable—trade and loans receivable. Accounts payable—trade and borrowings are reported under liabilities and equity.

A financial asset or financial liability is reported in the Balance Sheet when the company becomes party to the instrument's contracted terms. Accounts receivable—trade are reported in the Balance Sheet when invoices are sent. Liabilities are reported when the counterparty has delivered and there is a contracted obligation to pay, even if no invoice has been received. Accounts payable—trade are reported when invoices are received.

A financial asset is removed from the Balance Sheet when the contracted rights are realised, mature or the company relinquishes control over them. The same applies to part of a financial asset. A financial liability is removed from the Balance Sheet when the contracted commitment is satisfied or otherwise extinguished. The same applies to part of a financial liability. A financial asset and financial liability is offset and reported at a net amount in the Balance Sheet only when there is a legal right to offset the amount and there is an intention to settle the items at a net amount or to simultaneously realise the asset and settle the liability.

Acquisitions and divestments of financial assets are reported on transaction date, which is the date the company undertakes to acquire or divest the asset.

Financial instruments are initially reported at cost corresponding to the instruments' fair value plus transaction expenses for all financial instruments. Subsequent reporting depends on the following classification.

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

### Loans receivable and accounts receivable—trade

'Loans receivable 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 occur when the company supplies funds, goods or services directly to the borrower without the intention of conducting trade in the claim. This category also includes acquired receivables.

These assets are initially reported at fair value, and then at cumulative cost by applying the effective interest method, less potential deductions for depreciation.

### Other financial liabilities

Loans and other financial liabilities such as accounts payable—trade are included in this category. The liabilities are initially reported at fair value and then at cumulative cost by applying the effective interest method, less potential deductions for depreciation.

### Financial assets reported at fair value via the Income Statement

Financial instruments in this category are reported continuously at fair value with value changes reported in the Income Statement. Financial assets measured at fair value via the Income Statement are financial assets held for trading. A financial asset is classified in this category if the main purpose of acquisition is for sale in the short term. Derivatives are classified as held for trading unless they are identified as hedges. Assets in this category are classified as current assets.

In some cases, the group utilises currency forward contracts for the financial hedging of currency transactions. Initially, derivatives are reported at fair value, implying that transaction costs are charged to profit for the period. After initial reporting, derivative instruments are reported at fair value, with value changes reported in the Income Statement.

#### Cash Flow Hedging

Currency exposure regarding future forecast flows is partly hedged through currency forwards. Currency forwards that hedge future flows are reported in the Balance Sheet at fair value. Accumulated amounts in equity are reversed to the Income Statement in those periods when the hedged item affects profits (for example when the forecast sale that is hedged takes place).

When a hedging instrument matures or is sold, or when the hedge no longer satisfies the criteria for hedge accounting and accumulated gains or losses relating to the hedge are in equity, these gains/losses remain in equity and are recognised as income simultaneous with the forecast transaction finally being reported in the Income Statement. When a forecast transaction is no longer expected to occur, the accumulated profit or loss reported in shareholders' equity is immediately reported in the Income Statement.

#### Cash and cash equivalents

Cash and cash equivalents consist of cash funds and immediately available balances with banks and corresponding institutions.

#### Tangible fixed assets

Tangible fixed assets are reported in the group at cost less deductions for accumulated depreciation and potential impairment losses. The cost 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. Borrowing cost is not included in costs for fixed assets produced by the company. The accounting principles for impairment losses are reported below.

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

The carrying amount of a tangible fixed asset is removed from the Balance Sheet on disposal or divestment, or when no future economic benefits are expected from using or divesting/disposing of the asset.

Profits or losses arising upon disposal or divestment of an asset comprise the difference between the sales price and the asset carrying amount less direct selling expenses. Profits and losses are reported as other operating income/expenses.

#### Additional expenditure

Additional expenditure is added to cost only if it is likely that the future economic benefits associated with the asset will arise for the company, and the cost can be measured reliably. All other additional expenditure is reported as a cost in the period it occurs. Additional expenditure is added to cost 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 reported as a cost in the period it occurs.

Whether expenditure relates to the exchange of identifiable components, or parts thereof, is decisive to evaluation of when additional expenditure is added to cost, whereupon such expenditure is capitalised.

Even in those cases where new components are added, expenditure is added to cost. Potential carrying amounts not expensed on exchanged components, or parts of components, are made obsolete and expensed at exchange. Repairs are expensed on an ongoing basis.

#### Depreciation principles

Depreciation is on a straight-line basis over the estimated useful lives of assets. 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	see below
→ Expenditure on other party's property—permanent equipment, servicing facilities etc. in buildings	5 or 20 years
→ Expenditure on other party's property—permanent installation, buildings	20 years
→ Permanent equipment, servicing facilities etc. in buildings	see below
→ 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. 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	100 years
→ Additions to framework, interior walls, etc.	20–40 years
→ Fixtures and fittings, heating, electricity, ventilation and sanitation, etc.	20–40 years
→ Exterior surfaces, frontage, external roofing, etc.	20–30 years
→ Interior surfaces, mechanical equipment, etc.	10–15 years

The depreciation methods applied and residual values and useful lives of assets are re-evaluated at each reporting date.

#### 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.

Goodwill is reported at cost less potential accumulated impairment losses. Goodwill acquired in a business combination is allocated between cash-generating units or groups of cash generating units that are expected to benefit from the synergies of the business combination. Goodwill is subject to impairment tests at least yearly.

##### Research and development

Expenditure for development, where research results or other knowledge are used to achieve new or improved products or processes, is reported 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 carrying amount 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 reported in the Income Statement as an expense when it occurs. Development expenses reported in the Balance Sheet are reported at cost less accumulated amortisation and potential impairment losses.

##### Other intangible assets

Other intangible assets acquired by the group are reported at cost less accumulated amortisation (see below).

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

##### Additional expenditure

Additional expenditure for capitalised intangible assets is reported as an asset in the Balance Sheet only when it increases the future economic benefits for the specific asset to which it is attributable. All other expenditure is expensed as it occurs.

##### Amortisation

Amortisation is reported in the Income Statement on a straight-line basis over the estimated useful lives of intangible assets, providing such useful lives are not indefinite. Goodwill is subject to impairment tests annually or as soon as indications that the relevant asset's value is impaired arise. Other intangible assets are amortised 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 reported at the lower of cost 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 cost of producing finished goods and work in progress includes a reasonable proportion of indirect expenses based on normal capacity utilisation. The cost of finished and semi-finished goods produced by the company includes direct production expenses and a reasonable proportion of indirect production expenses. Valuations consider normal capacity utilisation.

Inventories are reported net of deductions for individually judged risk of obsolescence.

#### Impairment

With the exception of inventories and deferred tax assets, the carrying amounts of the group's assets are subject to impairment tests at each year-end. 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.

An impairment loss is reported when an asset or cash-generating unit's carrying amount exceeds its recoverable value. An impairment loss is posted to the Income Statement. Impairment losses on assets attributable to cash-generating units (group of units) are primarily assigned to goodwill. A proportional impairment loss of the unit's other constituent assets (group of units) is effected subsequently.

#### Calculating recoverable values

Recoverable values on accounts receivable—trade are calculated as the original receivable less the amounts not expected to be received.

The recoverable value of accounts receivable—trade are measured as original other assets at the greater of fair value less selling expenses and value in use.

#### Reversal of impairment losses

Impairment losses of accounts receivable—trade are reversed if a subsequent increase in recoverable value can be objectively attributed to an event that has occurred after the impairment loss was effected. Goodwill impairment losses are not reversed. Impairment losses on other assets are reversed if changes to the assumptions forming the basis for calculating the recoverable value have occurred. An impairment loss is only reversed to the extent the asset's carrying amount after reversal does not exceed the carrying amount the asset would have had if no impairment loss had been effected, considering the depreciation or amortisation that would then have been effected.

## Share capital

### Dividends

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

## Employee benefits

### Defined-contribution pension plans

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

### Defined-benefit pension plans

The group has a traditional assurance defined-benefit plan. The net commitment is calculated 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.

The discount rate is set at expected future funding costs. The corridor rule applies. The corridor rule implies that the portion of the accrued actuarial gains and losses exceeding 10% of the commitment's present value is reported 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.

When there is a difference between how the pension expense is determined for a legal entity and a group, a provision or receivable relating to a liability for special employer's contribution based on this difference is reported. The present value of the provision or receivable is not calculated.

The parent company has no defined-benefit pension plans.

### Remuneration on notice of termination

A cost for remuneration coincident with the notices of termination to staff is reported only if the company has demonstrably committed to terminate employment before the normal time, without the realistic possibility of withdrawing its decision, by a formal detailed plan. When remuneration is disbursed as an offering to encourage voluntary redundancies, a cost is reported if it is probable that the offer will be accepted and that the number of employees who will accept the offer can be reliably estimated.

## Provisions

Provisions are reported in the Balance Sheet when the group has a commitment, and it is likely that an outflow of financial resources will be necessary to settle the commitment and the amount can be reliably measured.

### Restructuring

A restructuring provision is reported when the group has determined an executable and formal restructuring plan, and the restructuring has either begun or been publicly disclosed.

## Tax

Income tax comprises current tax and deferred tax. Income tax is reported in the Income Statement apart from when the underlying transaction is reported directly against equity, whereupon the associated tax effect is reported in equity.

Current tax is tax paid or received for the current year, applying the tax rates enacted or substantively enacted 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 carrying amounts and taxable values of assets and liabilities. The following temporary differences are not considered; for temporary differences arising in the first-time accounting of goodwill, the first-time accounting of assets and liabilities that are not business combinations, and that at the time of the transaction neither influence reported 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 carrying amounts 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 enacted or substantively enacted at year-end.

Deferred tax assets on taxable temporary differences and loss carry-forwards are only reported 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.

## Earnings per share

The calculation of earnings per share is based on the consolidated profit for the group for the year and on the weighted average number of shares outstanding in the year. When calculating earnings per share after dilution, the average number of shares is adjusted to take into account effects of any diluting ordinary shares, which, in the relevant reporting period, derive from options issued to senior executives.

## Contingent liabilities

A contingent liability is reported 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 reported as a liability or provision because it is not likely that an outflow of resources will be necessary.

## PARENT COMPANY

### Parent company accounting principles

The parent company has prepared its annual accounts pursuant to the Swedish Annual Accounts Act (1995:1554) and RFR's (Rådet för finansiell rapportering, the Swedish Financial Reporting Board) recommendation RFR 2:1, Accounting for Legal Entities. RFR's statements for listed companies have also been adopted. RFR 2:1 stipulates that in its annual accounts as a legal entity, the parent company should adopt all IFRS and statements adopted by the EU, providing this is possible within the framework of the Swedish Annual Accounts Act, The Swedish Pension Obligations Vesting Act (Tryggandelagen) and with consideration to the relationship between accounting and taxation. This recommendation states the exemptions and supplements to be made from and to IFRS.

## Subsidiaries and joint ventures

Participations in subsidiaries and joint ventures are reported in the parent company pursuant to the cost method. Dividends received are only recognised as revenues if they are sourced from earnings accrued after the acquisition. Dividends exceeding these accrued earnings are considered as a re-payment of the investment and reduce the value of the participations.

## Revised accounting principles

The parent company's revised accounting principles have been reported pursuant to the stipulations of IAS 8, but considering the special transition rules of RFR 2:1.

## Financial guarantees

The parent company's financial guarantee agreements are mainly sureties in favour of subsidiaries, joint ventures and associated companies. Financial guarantees mean that the company has a commitment to reimburse the holder of a debt instrument for losses incurred due to the designated debtor not making payments due pursuant to the contract terms. To report its financial guarantee agreements, the parent company utilises a relaxation of the stipulations of IAS 39 permitted by RFR. This rule relates to financial guarantee agreements and is issued in favour of subsidiaries, associated companies and joint ventures. The parent company reports financial guarantee agreements as a provision in the Balance Sheet, when the company has a commitment for which payment will probably be required to settle a commitment.

## Revenues

### Sales of goods and conducting services assignments

The revenue of services assignments in the parent company is recognised pursuant to Chap. 2 §4 of the Swedish Annual Accounts Act when the services are complete. All parent company sales are to other group companies.

## Tangible fixed assets

Tangible fixed assets in the parent company are reported at cost less deductions for accumulated depreciation and potential impairment losses in the same manner as for the group, but with a supplement for potential revaluations.

### Leased assets

All lease arrangements in the parent company are reported pursuant to the rules for operating leases.

## Tax

In the parent company, untaxed reserves are reported including deferred tax liabilities. However, the consolidated accounts divide untaxed reserves between deferred tax liabilities and equity.

## Group contributions and shareholders' contributions for legal entities

The company reports group contributions and shareholders' contributions pursuant to statements from the RR Emerging Issues Task Force. Shareholders' contributions are reported directly to the recipient's equity and capitalised in shares and participations of the issuer, to the extent no impairment losses are necessary.

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

## Note 2 Division of revenue

All group sales are derived from EMS operations, i.e. contract manufacture services for electronics products. Parent company sales largely consist of intra-group services.

## Note 3 Segment reporting

Segment reporting is prepared for the group's business segments and geographical regions. The group's financial controls are structured on the basis of monitoring the returns on 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 product/services are exposed to risks and opportunities that do not differ notably. Moreover, the product/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 reported in the Consolidated Income Statement, Consolidated Balance Sheet and Consolidated Cash Flow Statement.

## Geographical regions

The electronics production business segment is mainly conducted in a single geographical region, the Nordic region. Approximately 83% of the group's services are provided in the Nordic region. The risks and opportunities in this region do not differ significantly.

## Note 4 Acquisition of business operation/business segment

### 2008

In February 2008, NOTE AB's subsidiary in the UK acquired the business operations of Proqual.

#### The acquired business segment's net assets at the time of acquisition

	Carrying amount, Proqual before acquisition	Fair value, adjustment	Fair value reported in group
Tangible fixed assets	543	–	543
Inventories	935	–	935
Accounts receivable—trade and other receivables	88	–	88
Accounts payable—trade and other liabilities	–1,411	–	–1,411
<b>Net identifiable assets and liabilities</b>	<b>155</b>	<b>–</b>	<b>155</b>
Consolidated goodwill			2,927
<b>Net cash outflow/purchase price</b>			<b>3,082</b>
—of which transaction costs paid			556

The goodwill value includes the value of customer relations.

In April 2008, NOTE AB acquired all the shares of Kjell Tengmo AB, a mechanical engineering enterprise based in Järfälla, near Stockholm, Sweden. The company's corporate name was changed to NOTE Components Järfälla AB.

#### The acquired company's net assets at the time of acquisition:

	Carrying amount, NCO Järfälla before acquisition	Fair value, adjustment	Fair value reported in group
Intangible fixed assets	3,453	–	3,453
Tangible fixed assets	960	–	960
Deferred tax asset	–	77	77
Inventories	3,467	–	3,467
Accounts receivable—trade and other receivables	1,443	–	1,443
Interest-bearing liabilities	–201	–	–201
Accounts payable—trade and other liabilities	–9,297	–	–9,297
<b>Net identifiable assets and liabilities</b>	<b>–175</b>	<b>77</b>	<b>–98</b>
Consolidated goodwill			198
<b>Net cash outflow/purchase price</b>			<b>100</b>

The goodwill value includes the value of customer relations and supplements to NOTE's customer offering.

The acquisition affected consolidated net sales by SEK 22.0 m and profit before tax by SEK –1.1 m. If the acquisition of NCO Järfälla had been conducted at the beginning of the financial year, consolidated net sales would have increased by approximately SEK 1.1 m and consolidated profit before tax would have reduced by approximately SEK –0.3 m.

In December 2008, NOTE AB's subsidiary in Norway acquired all the shares of Norteam Electronics AS, an electronics manufacturer focusing on services early in product lifecycles and based in Oslo.

#### The acquired company's net assets at the time of acquisition:

	Carrying amount, Norteam before acquisition	Fair value, adjustment	Fair value reported in group
Tangible fixed assets	1,641	1,315	2,956
Deferred tax asset	2,315	–	2,315
Inventories	7,522	116	7,638
Accounts receivable—trade and other receivables	6,668	–	6,668
Cash and bank balances	776	–	776
Interest-bearing liabilities	–3,951	–	–3,951
Accounts payable—trade and other liabilities	–12,387	–	–12,387
Deferred tax liability	–	–376	–376
<b>Net identifiable assets and liabilities</b>	<b>2,584</b>	<b>1,055</b>	<b>3,639</b>
Consolidated goodwill			2,894
<b>Purchase price</b>			<b>6,533</b>
Cash (acquired)			776
<b>Net cash outflow</b>			<b>5,757</b>

The goodwill value includes the value of customer relations and market position.

The acquisition did not affect profits in 2008, if the acquisition of Norteam had been conducted at the beginning of the financial year, consolidated net sales would have increased by approximately SEK 62.8 m and consolidated profit before tax would have reduced by approximately SEK –5.4 m.

#### Other investments

SEK 7.2 m of supplementary purchase price for participations of IONOTE was paid in 2008, and final payment for the acquisition of NOTE Hyvinkää/NOTE Pärnu of SEK 1.7 m was made in 2008.

#### 2007

In 2007, NOTE AB acquired half of the shares of Ionics EMS Ltd. in China. The corporate name was changed to IONOTE Ltd. As NOTE and the other joint venture owner, Ionics EMS Inc., have a joint controlling influence over IONOTE Ltd, the company is reported as a joint venture.

#### The acquired company's net assets at the time of acquisition:

	Carrying amount, IONOTE Ltd before acquisition	Fair value, adjustment	Fair value reported in group
Tangible fixed assets	6,034	1,685	7,719
Inventories	2,838	–	2,838
Accounts receivable—trade and other receivables	3,291	–	3,291
Cash and cash equivalents	737	–	737
Interest-bearing liabilities	–555	–	–555
Accounts payable—trade and other liabilities	–3,477	–	–3,477
Deferred tax liabilities	–	–472	–472
<b>Net identifiable assets and liabilities</b>	<b>8,868</b>	<b>1,213</b>	<b>10,081</b>
Consolidated goodwill			8,567
Estimated additional purchase price, unpaid			7,612
Purchase price paid, cash			11,036
<b>Purchase price</b>			<b>18,648</b>
Cash (acquired)			737
<b>Net cash outflow</b>			<b>10,299</b>

Goodwill includes the value assigned to local market expertise and geographical presence.

If the acquisition of IONOTE Ltd. had been conducted at the beginning of the financial year, consolidated net sales would have increased by approximately SEK 7.2 m and consolidated profit before tax would have reduced by approximately SEK –9.8 m.

## Note 5 Other operating income

	Group		Parent company	
	2008	2007	2008	2007
Exchange gains on trading receivables/liabilities	25,333	7,338	1,397	17
Other	475	268	–	–
	<b>25,808</b>	<b>7,606</b>	<b>1,397</b>	<b>17</b>

#### Government assistance

Investment subsidies of 11,894 were granted in the financial year, of which paid 0. Total pledged assets for investment subsidies received were 8,050 for 2008 and previous years.

There is a repayment obligation for investment subsidies in the event of terms not being fulfilled.

## Note 6 Other operating expenses

	Group		Parent company	
	2008	2007	2007	2007
Exchange losses on trading receivables/liabilities	–20,204	–6,835	–181	–53
Other	34	–1,258	–	–
	<b>–20,170</b>	<b>–8,093</b>	<b>–181</b>	<b>–53</b>

## Note 7 Employees, personnel expenses and remuneration to senior executives

### Expenses for employee benefits

Group	2008	2007
Salaries and benefits	-294,151	-260,648
Pension expenses, defined-benefit plans (more information in note 24)	-998	-566
Pension expenses, defined-contribution plans	-18,759	-19,483
Social security contributions	-90,140	-74,816
	<b>-404,048</b>	<b>-355,513</b>

### Restructuring costs

Salaries and benefits include restructuring costs of SEK 34,200 (-) m for NOTE's current restructuring package.

### Average number of employees

	2008		2007	
	Of which men		Of which men	
<b>Parent company</b>				
Sweden	19	62%	16	63%
	<b>19</b>	<b>62%</b>	<b>16</b>	<b>63%</b>
<b>Subsidiaries</b>				
Sweden	581	64%	648	67%
Norway	21	61%	15	80%
UK	34	52%	1	100%
Finland	32	48%	36	47%
Estonia	264	31%	335	31%
China	3	33%	8	75%
Poland	89	56%	54	63%
Lithuania	158	24%	169	24%
	<b>1,182</b>	<b>49%</b>	<b>1,155</b>	<b>53%</b>
<b>Group total</b>	<b>1,201</b>	<b>50%</b>	<b>1,171</b>	<b>53%</b>

### Division between the sexes in the corporate management

	2008, share of women	2007, share of women
<b>Parent company</b>		
Board of Directors	0%	0%
Other senior executives, 4 people (4)	25%	25%
<b>Group</b>		
Board of Directors	4%	4%
Other senior executives, 4 people (4)	25%	25%

### Salaries, other remuneration and social security contributions

Parent company	2008		2007	
	Salaries & Social security benefits	Salaries & Social security contributions	Salaries & Social security benefits	Salaries & Social security contributions
Sweden	-20,010	-12,167	-15,441	-9,904
(of which pension expense)		-4,681 <sup>1</sup>		-3,828 <sup>1</sup>

Of salaries and benefits, 892 will be paid in 2009.

<sup>1</sup> Of parent company pension expenses, 2,192 (1,537) are for the corporate management, 4 people (3).

### Salaries and other benefits divided between corporate management and other employees

Parent company	2008		2007	
	Corporate management (10 people)	Other employees	Corporate management (9 people)	Other employees
Sweden	-6,895	-13,905	-5,598	-9,843
(of which bonus, etc.)	-	-	-638	-335
<b>Group</b>	<b>-21,809</b>	<b>n/a</b>	<b>-13,666</b>	<b>n/a</b>
(of which bonus, etc.)	-1,380	n/a	-1,026	n/a

### Comments on the table:

The corporate management means the Board of Directors and President and the parent company management team.

### Senior executives' remuneration

Remuneration and other benefits 2008	Basic salary, Directors' fees	Basic salary, performance-related pay	Other benefits	Pension expense	Total
Chairman of the Board: Bruce Grant	217	-	-	-	217
Board members: Kjell Åke Andersson	100	-	-	-	100
Håkan Gellerstedt	100	-	-	-	100
Göran Jansson	173	-	-	-	173
Hans Johansson	100	-	-	-	100
Per-Arne Sandström	100	-	-	-	100
President: Arne Forslund	1,876	-	305	1,050	3,231
Other senior executives (4 people)	6,485	-	381	1,142	8,008
	<b>9,151</b>	<b>-</b>	<b>686</b>	<b>2,192</b>	<b>12,029</b>

### Comments on the table:

Salary, benefits and Directors' fees are remuneration charged to consolidated profits for 2008. Consulting fees for senior executives not employed by the group are in the other senior executives line. The Report of the Directors states details of guidelines for remunerating senior executives.

Remuneration and other benefits 2007	Basic salary, Directors' fees	Basic salary, performance-related pay	Other benefits	Pension expense	Total
Chairman of the Board: Bruce Grant	167	-	-	-	167
Sten Dybeck	75	-	-	-	75
Board members: Kjell Åke Andersson	67	-	-	-	67
Håkan Gellerstedt	67	-	-	-	67
Göran Jansson	67	-	-	-	67
Hans Johansson	67	-	-	-	67
Per-Arne Sandström	67	-	-	-	67
Curt Lönnström	40	-	-	-	40
Ulf Mikaelsson	40	-	-	-	40
Lennart Svensson	40	-	-	-	40
Presidents: Arne Forslund	1,470	454	282	543	2,749
Kaj Samlin	1,074	-	-	400	1,474
Other senior executives (3 people)	4,729	184	82	594	5,589
	<b>7,970</b>	<b>638</b>	<b>364</b>	<b>1,537</b>	<b>10,509</b>

### Comments on the table:

Basic salary for other senior executives include consulting fees for senior executives not employed by the group. Directors' fees are remuneration for that portion of the mandate period occurring in 2007, May–December 2007, and for that portion of the previous mandate period occurring in 2007, January–April 2007.

### Share-based payment

At the beginning of the financial year, there was one share-related stock option plan. Options corresponding to 200,000 shares were offered to, and subscribed by, the corporate management. Granting was in May 2006. The price of options was set at market value. The exercise price of the share was set at SEK 92.89, with the closing date for exercise being 30 June 2009. In consultation with the Board of Directors, in November 2007 NOTE's main shareholder Catella decided to issue a maximum of 500,000 call options in NOTE to over 50 senior executives under the auspices of a new incentive scheme. The valuation and sale of the call options was on market terms. This plan does not imply any dilution of the number of shares. The options have a term of just over three years until August 2011 and the exercise price is SEK 125 per share.

### Severance pay

In addition to salary during the notice period of 12 months, severance pay of 12 months' salary is payable to the President of the parent company coincident with termination initiated by the company. Other senior executives of the parent company have corresponding terms within the framework set by the guidelines resolved by the AGM.

### Loans to senior executives

There are no loans to senior executives in the group.

### Parent company sickness absence

Parent company sickness absence is 0.2 (0.2)%. Information by sex and age-group is not presented because it could be related to particular individuals.

## Note 8 Auditors' fees and reimbursement

	Group		Parent company	
	2008	2007	2008	2007
<b>PwC</b>				
Auditing assignments	-945	-	-330	-
Other assignments	-248	-	-178	-
<b>Other auditors</b>				
Auditing assignments	-509	-1,687	-150	-718
Other assignments	-429	-330	-26	-140

Auditing assignments means auditing the annual accounts and accounting records and the Board of Directors' and President's administration, other tasks incumbent on the company's auditors and advisory or other services resulting from observations from such audit, or the performance of other similar tasks. Everything else is classified as other assignments.

## Note 9 Operating expenses by type

Group	2008	2007
Cost of goods and materials	-1,047,195	-1,056,786
Personnel expenses	-404,048	-355,513
Depreciation	-32,252	-27,724
Other	-255,586	-199,491
	<b>-1,739,081</b>	<b>-1,639,514</b>

## Note 10 Net financial income/expenses

Group	2008	2007
Interest income on bank balances	307	1,104
Exchange rate gains	1,943	183
Other	25	496
<b>Financial income</b>	<b>2,275</b>	<b>1,783</b>
Interest costs on financial liabilities valued at cumulative cost	-12,116	-9,115
Exchange rate losses	-532	-65
Other	-190	-658
<b>Financial expenses</b>	<b>-12,838</b>	<b>-9,838</b>
<b>Net financial income/expenses</b>	<b>-10,563</b>	<b>-8,055</b>
<b>Parent company</b>	<b>2008</b>	<b>2007</b>
<b>Profit from participations in group companies</b>		
Dividend from group companies	5,095	-
	<b>5,095</b>	<b>-</b>
<b>Interest income, etc.</b>		
Interest income, group companies	8,686	4,981
Exchange rate differences	6,643	1,409
Interest income, other	311	116
	<b>15,640</b>	<b>6,506</b>
<b>Interest expenses, etc.</b>		
Interest expenses, group companies	-1,579	-648
Interest expenses, other	-10,671	-2,095
Other	-8	-
	<b>-12,258</b>	<b>-2,743</b>

## Note 11 Appropriations

Parent company	2008	2007
Tax allocation reserve, provision in the year	-15,500	-22,400
	<b>-15,500</b>	<b>-22,400</b>

## Note 12 Tax

### Reported in Income Statement

Group	2008	2007
<b>Current tax expense (-)/tax revenue (+)</b>		
Tax expense in the period	-14,283	-26,234
Adjustment of tax attributable to previous year	105	252
<b>Deferred tax expense (-)/tax revenue (+)</b>		
Deferred tax regarding temporary differences/appropriations	8,731	-3,451
Deferred tax revenue/expense in capitalised/utilised tax value of loss carry-forward	6,322	3,848
Effect of change in the Swedish tax rate	375	-
<b>Total reported tax in the group</b>	<b>1,250</b>	<b>-25,585</b>

Parent company	2008	2007
<b>Current tax expense (-)/tax revenue (+)</b>		
Tax expense/tax revenue in the period	6,959	9,971
Adjustment of tax attributable to previous year	-	-3
	<b>6,959</b>	<b>9,968</b>

### Reconciliation of effective tax

Group	%	2008	%	2007
Profit/loss before tax		-14,386		103,827
Tax at applicable tax rate for parent company	28.0	4,028	28.0	-29,072
Effect of other tax rates for foreign subsidiaries	-13.4	-1,925	0.3	-274
Non-deductible expenses	-9.8	-1,403	0.1	-78
Non-taxable revenues	3.4	491	-1.8	1,861
Tax attributable to previous year	0.7	105	-0.3	252
Utilised loss carry-forwards	0.1	5	-2.1	2,213
Non-reported tax revenue on loss for the year	-	-	0.2	-245
Standard interest on tax allocation reserve	-3.0	-429	0.2	-208
Effect of change in Swedish tax rate	2.6	375	-	-
Other	0.1	3	0.0	-34
	<b>8.7</b>	<b>1,250</b>	<b>24.6</b>	<b>-25,585</b>

Parent company	%	2008	%	2007
Profit/loss before tax		-21,162		-36,232
Tax at applicable tax rate for parent company	28.0	5,925	28.0	10,145
Non-deductible expenses	-0.6	-126	-0.3	-120
Non-taxable revenue	6.8	1,434	0.0	18
Standard interest on tax allocation reserve	-1.3	-274	0.0	0
Tax attributable to previous year	-	-	0.0	-3
Other	-	-	-0.2	-72
	<b>32.9</b>	<b>6,959</b>	<b>27.5</b>	<b>9,968</b>

### Tax items reported directly against equity

Parent company	2008	2007
Current tax in group contributions received/paid	-20,192	-29,064
	<b>-20,192</b>	<b>-29,064</b>

## Reported in Balance Sheet

Group	Deferred tax asset		Deferred tax liability		Net	
	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007
Tangible fixed assets	80	177	3,089	2,707	-3,009	-2,530
Pension provisions	393	419	330	610	63	-191
Assets reported at fair value	-	-	269	-	-269	-
Loss carries-forward	9,868	3,911	-	-	9,868	3,911
Untaxed reserves	-	-	15,893	16,674	-15,893	-16,674
Provisions	13,651	2,867	-	-	13,651	2,867
<b>Tax assets/liabilities</b>	<b>23,992</b>	<b>7,374</b>	<b>19,581</b>	<b>19,991</b>	<b>4,411</b>	<b>-12,617</b>
Set-off	-	-	-	-	-	-
<b>Tax assets/liabilities, net</b>	<b>23,992</b>	<b>7,374</b>	<b>19,581</b>	<b>19,991</b>	<b>4,411</b>	<b>-12,617</b>

## Other provisions for tax

	31 Dec 2008	31 Dec 2007
Carrying amount at beginning of period	19,991	13,293
Amount provisioned in the period	5,209	6,787
Amount utilised in the period	-5,619	-89
	<b>19,581</b>	<b>19,991</b>

## Non-reported deferred tax assets

Deductible temporary differences and taxable loss-carry forwards for which deferred tax assets have not been reported 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 2007	Reported in Income Statement	Reported against equity	Acquisition/divestment of operations	Balance as of 31 Dec 2007
Tangible fixed assets	-1,456	-602	-	-472	-2,530
Pension provisions	457	-611	-37	-	-191
Appropriations	-11,569	-5,105	-	-	-16,674
Loss carry-forwards	133	3,848	-70	-	3,911
Provisions	-	2,867	-	-	2,867
	<b>-12,435</b>	<b>397</b>	<b>-107</b>	<b>-472</b>	<b>-12,617</b>

Group	Balance as of 1 Jan 2008	Reported in Income Statement	Reported against equity	Acquisition/divestment of operations	Balance as of 31 Dec 2008
Tangible fixed assets	-2,530	-102	-	-377	-3,009
Pension provisions	-191	254	-	-	63
Appropriations	-16,674	781	-	-	-15,893
Assets reported at fair value	-	-269	-	-	-269
Loss carry-forwards	3,911	6,295	-338	-	9,868
Provisions	2,867	8,469	-	2,315	13,651
	<b>-12,617</b>	<b>15,428</b>	<b>-338</b>	<b>1,938</b>	<b>4,411</b>

## Note 13 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 amortised on a straight-line basis over their useful lives.

Group	Goodwill, acquired	Capitalised expenditure for software, acquired	Capitalised expenditure for process development, internally accrued	Trademarks and brands etc., acquired	Total
<b>Cumulative cost</b>					
Opening balance, 1 Jan 2007	51,007	1,615	773	1,304	54,699
Business combinations	8,568	-	-	-	8,568
Re-classification and exchange rate effects	-	67	-746	720	41
Other investments	-	1,684	-	11	1,695
Divestments and disposals	-	-	-27	-1,047	-1,074
<b>Closing balance, 31 Dec 2007</b>	<b>59,575</b>	<b>3,366</b>	<b>-</b>	<b>988</b>	<b>63,929</b>
Opening balance, 1 Jan 2008	59,575	3,366	-	988	63,929
Business combinations	9,786	-	-	-	9,786
Re-classification and exchange rate effects	-322	-174	-	190	-306
Other investments	-	8,648	-	279	8,927
Divestments and disposals	-	-3	-	-	-3
<b>Closing balance, 31 Dec 2008</b>	<b>69,039</b>	<b>11,837</b>	<b>-</b>	<b>1,457</b>	<b>82,333</b>
<b>Accumulated amortisation and impairment losses</b>					
Opening balance, 1 Jan 2007	-1,880	-261	-370	-837	-3,348
Re-classification and exchange rate effects	-	-33	370	-335	2
Impairment loss for the year	-	-	-	-	-
Amortisation for the year	-	-547	-	-361	-908
Divestments and disposals	-	-	-	793	793
<b>Closing balance, 31 Dec 2007</b>	<b>-1,880</b>	<b>-841</b>	<b>-</b>	<b>-740</b>	<b>-3,461</b>

Group	Goodwill, acquired	Capitalised expenditure for software, acquired	Capitalised expenditure for process development, internally accrued	Trademarks and brands etc., acquired	Total
Opening balance, 1 Jan 2008	-1,880	-841	-	-740	-3,461
Re-classification and exchange rate effects	-44	-417	-	-146	-607
Impairment loss for the year	-	-	-	-	-
Amortisation for the year	-	-1,632	-	-279	-1,911
Divestments and disposals	-	3	-	-	3
<b>Closing balance, 31 Dec 2008</b>	<b>-1,924</b>	<b>-2,887</b>	<b>-</b>	<b>-1,165</b>	<b>-5,976</b>

#### Carrying amounts

As of 1 Jan 2007	49,127	1,354	403	467	51,351
As of 31 Dec 2007	57,695	2,525	-	248	60,468
As of 1 Jan 2008	57,695	2,525	-	248	60,468
As of 31 Dec 2008	67,115	8,950	-	292	76,357

#### Parent company

	Capitalised expenditure for software, acquired
<b>Cumulative cost</b>	
Opening balance, 1 Jan 2007	-
Divestments and disposals	-
Closing balance, 31 Dec 2007	-
Opening balance, 1 Jan 2008	-
Investments	4,342
Divestments and disposals	-
<b>Closing balance, 31 Dec 2008</b>	<b>4,342</b>

#### Accumulated amortisation

Opening balance, 1 Jan 2007	-
Impairment loss for the year	-
Amortisation for the year	-
Divestments and disposals	-
<b>Closing balance, 31 Dec 2007</b>	<b>-</b>

Opening balance, 1 Jan 2008	-
Impairment loss for the year	-
Amortisation for the year	-542
Divestments and disposals	-
<b>Closing balance, 31 Dec 2008</b>	<b>-542</b>

#### Carrying amounts

As of 1 Jan 2007	-
As of 31 Dec 2007	-
As of 1 Jan 2008	-
As of 31 Dec 2008	3,800

#### Amortisation and impairment losses

##### Amortisation is included in the following income statement lines

	Group		Parent company	
	2008	2007	2008	2007
Cost of sold goods and services	-1,900	-896	-542	-
Administrative expenses	-8	-12	-	-
Selling expenses	-3	-	-	-
	<b>-1,911</b>	<b>-908</b>	<b>-542</b>	<b>-</b>

#### Impairment losses

There were no significant impairment losses in the year.

#### Impairment test of goodwill

The following cash-generating units have significant reported goodwill values in relation to the group's total reported goodwill values:

	31 Dec 2008	31 Dec 2007
NOTE Pärnu/NOTE Hyvinkää	19,904	19,592
NOTE Nyköping-Skänninge	11,319	11,319
NOTE Lund	8,740	8,740
IONOTE	8,568	8,568
NOTE Torsby	6,833	6,833
NOTE Components Järfälla	3,606	-
Norteam Electronics*	2,894	-
NOTE UK	2,606	-
	<b>64,470</b>	<b>55,052</b>
Units without significant goodwill values, total	2,645	2,643
	<b>67,115</b>	<b>57,695</b>

\*Norteam was acquired in December 2008 and was not subject to an impairment test by year-end, because such a short time had passed between the acquisition date and year-end.

#### All units

The recoverable value of units is based on the same basic assumptions. Impairment tests for all units are based on calculations of value in use, a value based on cash flow forecasts totalling 10 years, based on forecasts made by NOTE.

The present value of forecast cash flows has been calculated with a discount rate based on risk-free interest and the risk associated with operations. NOTE mainly has a joint funding facility. Accordingly, the same discount rate, 10%, has been used for all units:

Important variables	Method for estimating values
Market share and growth	Market growth has been estimated as negative in 2009. In 2010–2018, market growth has been estimated at 6–10% yearly.
Component prices	Component prices are expected to decline mainly because of increased procurement volumes and more efficient procurement processes.
Personnel expenses	Payroll overheads are estimated 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.
EUR and USD exchange rates	Estimated with the aid of external long-term forecasts.
Recoverable values for all units exceed carrying amount.	

#### Goodwill impairment tests

Several assumptions regarding future circumstances and estimates of parameters were made when calculating the recoverable value of cash-generating units for evaluating the potential need for goodwill impairment.

#### Sensitivity analysis of goodwill impairment test

With the calculation conditions stated above and considering NOTE's estimated growth and profitability potential of its new Near-sourcing business model, there is a satisfactory margin above impairment of goodwill values.



## Note 14 Tangible fixed assets

Group	Buildings and land (real estate used in business operations)	Disbursed ex- penses on other party's property	Machinery and other plant	Equipment, tools, fixtures and fittings	Total
<b>Cost</b>					
Opening balance, 1 Jan 2007	60,024	6,140	170,300	59,125	<b>295,589</b>
Acquisition of subsidiaries	–	946	4,830	311	<b>6,087</b>
Other investments	3,046	1,283	32,883	3,037	<b>40,249</b>
Divestments	–1,291	–4,185	–37,580	–13,652	<b>–56,708</b>
Reclassification and exchange rate effects	5,021	–1,593	2,556	–2,202	<b>3,782</b>
<b>Closing balance, 31 Dec 2007</b>	<b>66,800</b>	<b>2,591</b>	<b>172,989</b>	<b>46,619</b>	<b>288,999</b>
Opening balance, 1 Jan 2008	<b>66,800</b>	<b>2,591</b>	<b>172,989</b>	<b>46,619</b>	<b>288,999</b>
Acquisition of subsidiaries	–	109	3,275	1,075	<b>4,459</b>
Other investments	–	4,074	29,071	7,045	<b>40,190</b>
Divestments	–	–	–23,402	–292	<b>–23,694</b>
Reclassification and exchange rate effects	4,674	158	–1,505	6,785	<b>10,112</b>
<b>Closing balance, 31 Dec 2008</b>	<b>71,474</b>	<b>6,932</b>	<b>180,428</b>	<b>61,232</b>	<b>320,066</b>
<b>Depreciation and impairment losses</b>					
Opening balance, 1 Jan 2007	–14,932	–3,827	–113,415	–47,875	<b>–180,049</b>
Depreciation for the year	–2,056	773	–21,442	–4,091	<b>–26,816</b>
Divestment	688	2,475	35,334	12,698	<b>51,195</b>
Reclassification and exchange rate effects	–2,843	425	–1,869	2,123	<b>–2,164</b>
<b>Closing balance, 31 Dec 2007</b>	<b>–19,143</b>	<b>–154</b>	<b>–101,392</b>	<b>–37,145</b>	<b>–157,834</b>
Opening balance, 1 Jan 2008	<b>–19,143</b>	<b>–154</b>	<b>–101,392</b>	<b>–37,145</b>	<b>–157,834</b>
Depreciation for the year	–1,693	–706	–23,123	–4,774	<b>–30,296</b>
Divestment	–	–	16,100	159	<b>16,259</b>
Reclassification and exchange rate effects	–1,411	–131	2,236	–7,030	<b>–6,336</b>
<b>Closing balance, 31 Dec 2008</b>	<b>–22,247</b>	<b>–991</b>	<b>–106,179</b>	<b>–48,790</b>	<b>–178,207</b>
<b>Carrying amounts</b>					
As of 1 Jan 2007	45,092	2,313	56,885	11,250	<b>115,540</b>
As of 31 Dec 2007	47,657	2,437	71,597	9,474	<b>131,165</b>
As of 1 Jan 2008	47,657	2,437	71,597	9,474	<b>131,165</b>
As of 31 Dec 2008	49,227	5,941	74,249	12,442	<b>141,859</b>

### Taxable values

Group	31 Dec 2008	31 Dec 2007
Taxable values, buildings in Sweden	14,556	8,742
Taxable values, land in Sweden	5,231	4,416

### Information on central government support in the group

The aggregate cost of the assets the support is intended to cover amounted to 1,174 in the period. The cost reduced by SEK 177,000 for receiving government support.

Parent company	Machinery and other plant	Equipment, tools, fixtures and fittings	Total
<b>Cost</b>			
Opening balance, 1 Jan 2007	255	332	<b>587</b>
Investments	–	67	<b>67</b>
Divestments and disposals	–	–25	<b>–25</b>
Reclassification	–255	255	–
<b>Closing balance, 31 Dec 2007</b>	<b>–</b>	<b>629</b>	<b>629</b>
Opening balance, 1 Jan 2008	–	<b>629</b>	<b>629</b>
Investments	–	2,593	<b>2,593</b>
Divestments and disposals	–	–	–
Reclassification	–	–3	<b>–3</b>
<b>Closing balance, 31 Dec 2008</b>	<b>–</b>	<b>3,219</b>	<b>3,219</b>
<b>Depreciation</b>			
Opening balance, 1 Jan 2007	–106	–252	<b>–358</b>
Depreciation for the year	–	–102	<b>–102</b>
Divestments and disposals	–	19	<b>19</b>
Reclassification	106	–106	–
<b>Closing balance, 31 Dec 2007</b>	<b>–</b>	<b>–441</b>	<b>–441</b>
Opening balance, 1 Jan 2008	–	<b>–441</b>	<b>–441</b>
Depreciation for the year	–	–230	<b>–230</b>
Divestments and disposals	–	–	–
Reclassification	–	–3	<b>–3</b>
<b>Closing balance, 31 Dec 2008</b>	<b>–</b>	<b>–668</b>	<b>–668</b>
<b>Carrying amounts</b>			
1 Jan 2007	149	80	<b>229</b>
31 Dec 2007	–	188	<b>188</b>
1 Jan 2008	–	188	<b>188</b>
31 Dec 2008	–	2,551	<b>2,551</b>

#### Depreciation and impairment losses

Depreciation is included in the following lines of the Income Statement

	Group		Parent company	
	2008	2007	2008	2007
Cost of sold goods/services	–27,347	–22,314	–91	–34
Administrative expenses	–1,195	–1,375	–70	–34
Selling expenses	–1,754	–3,127	–69	–34
	<b>–30,296</b>	<b>–26,816</b>	<b>–230</b>	<b>–102</b>

#### GROUP

##### Finance leases (leased production equipment)

The group leases production equipment through several different finance lease arrangements. As of 31 December 2008, the value of leased assets was 43,668 (36,461).

##### Collateral

As of 31 December 2008, property with a carrying amount of 49,227 (47,657) was pledged as collateral for bank borrowings.

## Note 15 Participations in joint ventures

### Group

The group has 50% holdings in joint ventures IONOTE Ltd. and NOTE-Fideltronik SA, whose main business is the contract manufacturer of electronics.

The consolidated accounts include the following items that are the group's participating interests in the joint venture's assets, liabilities, revenue and expenses.

	2008	2007
Revenue	26,392	1,543
Expenses	–34,244	–2,399
<b>Profit</b>	<b>–7,852</b>	<b>–856</b>
Fixed assets	8,931	6,034
Current assets	40,204	6,815
<b>Total assets</b>	<b>49,135</b>	<b>12,849</b>
Long-term liabilities	4,608	–
Current liabilities	20,768	4,451
<b>Total liabilities</b>	<b>25,376</b>	<b>4,451</b>
<b>Net assets/net liabilities</b>	<b>23,759</b>	<b>8,398</b>

## Note 16 Current receivables from group companies and joint ventures

Parent company	Receivables from group companies		Receivables from joint ventures	
	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007
<b>Cumulative cost</b>				
At beginning of year	177,018	115,385	–	–
Loans	118,916	12,023	–	–
Overdraft facility	130,876	160,489	–	–
Accounts receivable—trade, current receivables	26,213	4,506	452	–
Amortised liabilities	–177,018	–115,385	–	–
	<b>276,005</b>	<b>177,018</b>	<b>452</b>	<b>–</b>

## Note 17 Long-term receivables and other receivables

Group	31 Dec 2008	31 Dec 2007
<b>Long-term receivables</b>		
Receivables from joint ventures	4,555	1,245
Other long-term receivables	294	326
	<b>4,849</b>	<b>1,571</b>
<b>Other receivables that are current assets</b>		
Sales tax	11,792	5,182
Loans	7,481	–
Fair value, derivatives	1,335	–
Other	6,389	3,522
	<b>26,997</b>	<b>8,704</b>
<b>Parent company</b>	<b>31 Dec 2008</b>	<b>31 Dec 2007</b>
<b>Long-term receivables</b>		
Receivables from joint ventures	9,109	2,489
Receivables from group companies	44,832	188,646
	<b>53,941</b>	<b>191,135</b>
<b>Cumulative cost</b>		
<b>Long-term receivables</b>		
At the beginning of the period	191,135	101,027
Acquisition	6,620	100,965
Repayment	–143,814	–10,857
	<b>53,941</b>	<b>191,135</b>

## Note 18 Inventories

Group	31 Dec 2008		31 Dec 2007	
	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007
Raw materials and consumables	250,620		225,265	
Products in process	74,396		87,383	
Finished goods and goods for re-sale	42,965		30,943	
Obsolescence provision	-25,083		-19,034	
	<b>342,898</b>		<b>324,557</b>	

## Note 19 Prepaid expenses and accrued income

	Group		Parent company	
	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007
Accrued revenues	5,795	6,246	-	-
Prepaid rent	2,809	3,159	64	189
Prepaid consulting fees	-	2,823	-	1,875
Prepaid insurance	1,423	512	14	14
Prepaid lease charges	805	621	134	180
Other prepaid expenses	3,200	3,398	83	281
	<b>14,033</b>	<b>16,759</b>	<b>295</b>	<b>2,539</b>

## Note 20 Equity

Group	Share class A	
	31 Dec 2008	31 Dec 2007
Share capital (thousands of shares)		
Issued as of 1 Jan	9,624	9,624
Issued as of 31 Dec—paid up	<b>9,624</b>	<b>9,624</b>

As of 31 December 2008, registered share capital comprised 9,624,200 shares with a quotient value of SEK 0.50. Within the framework of an incentive plan for senior executives, warrants corresponding to 200,000 shares were issued in May 2006.

Shareholders possess rights to dividends, and shareholdings confer the voting rights of one vote per share at the AGM (Annual General Meeting).

### Other paid-up capital

Equity provided by shareholders. This includes the portion of the share premium reserve transferred to the statutory reserve as of 31 December 2005.

### Provisions

Translation reserve	31 Dec 2008		31 Dec 2007	
	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007
Translation reserve, opening balance	2,515		-51	
Translation differences for the year	6,944		2,566	
Translation reserve, closing balance	<b>9,459</b>		<b>2,515</b>	

The translation reserve includes all exchange rate differences arising from translating financial statements from foreign operations that prepared their financial statements in currencies other than the currency the consolidated accounts are presented in. The parent company and group present their financial statements in Swedish kronor. The translation reserve also includes the effect of exchange rate differences on internal loans.

Hedging provision	31 Dec 2008		31 Dec 2007	
	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007
Hedging provision, opening balance	-		-	
Forecast cash flow hedging for the year	313		-	
Hedging provision, closing balance	<b>313</b>		<b>-</b>	

The hedging provision includes partly the cash flow hedges whose effectiveness has been assessed pursuant to IAS 39 and partly the forecast flows that have not yet affected the Consolidated Income Statement and Consolidated Balance Sheet.

### 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 and joint venture companies. Previous provisions to statutory reserves, excluding transfers to share premium reserve are included in this equity item.

## Capital management

The Board of Directors and management of NOTE set the following new financial goals for the financial year:

### Growth goal

NOTE will increase its market share organically and through acquisitions.

### Profitability goal

NOTE will grow with profitability. For the long term and over a business cycle, and expressed as return on operating capital, profitability should exceed 35%. For the financial year 2008, return on operating capital was -0.7 (21.4%).

### Capital structure goal

The minimum equity to assets ratio is 30%. At year-end, the equity to assets ratio was 31.1 (34.5%).

Through its external borrowings, the company is subject to covenants. For more information on covenants, please refer to note 29, financial risks and finance policy.

### Dividends

Dividends paid in the year were SEK 2.75 per share, totalling SEK 26,467.

The Board of Directors proposes to the AGM that no dividends are paid for 2008. These dividends will be subject to adoption at the AGM on 21 April 2009.

The Board of Directors' dividend goal is that dividends should be adapted to average profit levels over a business cycle, and be 30–50% of profit after tax for the long term. Dividends should also be available to adapt the capital structure.

## Note 21 Earnings per share

Earnings per share	Before dilution		After dilution	
	2008	2007	2008	2007
Earnings per share, SEK	-1.36	8.13	-1.36	8.13

The calculation of earnings per share for 2008 has been based on profit/loss for the period of SEK -13,136 (78,242) and on a weighted average number of outstanding shares in 2008 of 9,624,200 (9,624,200).

### Earnings per share after dilution

Data per share is calculated on the basis of the actual number of outstanding shares. There is no dilution effect as the options corresponding to 200,000 shares issued in 2006 are out of the money. The exercise price for the options is SEK 92.89, which is higher than NOTE's average share price in the remaining period. NOTE has not issued any other instruments that may give rise to dilution.

## Note 22 Interest-bearing liabilities

Group	31 Dec 2008		31 Dec 2007	
	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007
<b>Long-term liabilities</b>				
Bank loans	34,997		82,330	
Finance lease liabilities, machinery	27,076		26,111	
	<b>62,073</b>		<b>108,441</b>	
<b>Current liabilities</b>				
Overdraft facilities	103,455		84,766	
Short-term portion of bank loans	88,998		61,669	
Short-term portion of finance lease liabilities	16,592		17,993	
Other loans	4		952	
	<b>209,049</b>		<b>165,380</b>	

### Terms and repayment periods

The loans are divided so that two-thirds mature in 2009 and one-third in 2010. 29,843 (34,470) of the company's land and buildings, and 253,842 (258,247) in operations (see also note 14) have been pledged as collateral for bank loans. A variable interest rate applies to the majority of the loans and is re-negotiated on the due date.

Parent company	31 Dec 2008		31 Dec 2007	
	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007
<b>Long-term liabilities</b>				
Bank loans	34,997		82,330	
	<b>34,997</b>		<b>82,330</b>	
<b>Current liabilities</b>				
Overdraft facilities	90,096		79,264	
Short-term portion of bank loans	88,998		61,669	
	<b>179,094</b>		<b>140,933</b>	

## Finance lease liabilities

Finance lease liabilities are due for payment as follows:

Group	Minimum lease charges 2008	Interest 2008	Principal 2008	Minimum lease charges 2007	Interest 2007	Principal 2007
Within one year	16,592	2,489	14,103	12,107	1,539	10,568
Between one and five years	27,076	4,061	23,015	18,706	2,549	16,157
	<b>43,668</b>	<b>6,550</b>	<b>37,118</b>	<b>30,813</b>	<b>4,088</b>	<b>26,725</b>

## Note 23 Pension commitments

### Group

Defined-benefit pension plans	31 Dec 2008	31 Dec 2007
Present value of traditional assurance commitments	14,768	14,636
Unreported actuarial losses	-2,807	-3,672
<b>Pension provisions</b>	<b>11,961</b>	<b>10,964</b>

### Changes to the commitment for defined-benefit plans reported in the Balance Sheet

	2008	2007
Commitment for defined-benefit plans as of 1 Jan	10,964	10,398
Cost of employment for the current period and interest expense (see below)	998	566
<b>Commitment for defined-benefit plans as of 31 Dec</b>	<b>11,961</b>	<b>10,964</b>

### Expenses reported to Income Statement

	2008	2007
Cost of employment for the current period	162	39
Interest expense on the commitment	694	527
Actuarial losses (+)/gains (-)	142	-
<b>Total net expense in Income Statement</b>	<b>998</b>	<b>566</b>

The measured expense for 2009 is 790 (998).

### Expense reported in the following income statement lines

	2008	2007
Cost of sold goods and services	677	250
Selling expenses	1,203	165
Administrative expenses	-882	151
<b>Total net expense in Income Statement</b>	<b>998</b>	<b>566</b>

### Historical information

	2008	2007	2006
Present value of traditionally assured commitments	14,768	14,636	11,191
Experience-based adjustment loss -/gain +	-2,398	-1,291	-543

### Assumptions for defined-benefit commitments

The main actuarial assumptions as of year-end (weighted averages)

Group	31 Dec 2008	31 Dec 2007
Discount rate as of 31 Dec	4.0	4.8
Salary increase	3.5	3.5
Income basic amount	3.5	3.5
Staff turnover	7.1	7.1
Inflation	2.0	2.0
Remaining length of service, years	17.0	15.8

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 2008, the company did not have access to sufficient information enabling the plan to be reported as a defined-benefit plan. Thus, ITP (Supplementary Pensions for Salaried Employees) plans insured through Alecta are reported as defined-contribution plans. The expenditure for pension policies with Alecta in the year were SEK 2.9 (3.8) million. Alecta's surplus can be divided between policy-holders and/or beneficiaries. At year-end 2008, Alecta's

surplus, expressed as a collective consolidation ratio was 112 (152)%. 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.

### Defined-contribution pension plans

The group has defined-contribution pension plans in Sweden for white-collar and blue-collar staff, which the companies fund fully. 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 subject to the regulations of each plan.

	Group		Parent company	
	2008	2007	2008	2007
Expenses for defined-contribution plans <sup>1</sup>	18,008	18,142	4,482	3,828

<sup>1</sup> Includes 3,796 (5,860) for an ITP plan insured with Alecta, see above.

## Note 24 Provisions for other liabilities

Provisions that are long-term liabilities	Group		Parent company	
	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007
Pensions	11,961	10,964	–	–
Other	128	700	–	–
	<b>12,089</b>	<b>11,664</b>	<b>–</b>	<b>–</b>
Provisions that are current liabilities	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007
Expenses for restructuring measures	39,618	200	–	–
Supplementary purchase price, acquisition	–	9,001	–	8,051
Other	1,622	3,100	–	–
	<b>41,240</b>	<b>12,301</b>	<b>–</b>	<b>8,051</b>

### Expenses for restructuring measures:

Essentially, expenses for restructuring measures are estimated termination expenses for personnel reductions. In December 2008, NOTE decided on restructuring measures mainly at its Swedish operation. These measures will imply personnel reductions of just over 100 staff, which essentially, will occur in the first half-year 2009.

Group 2007	Restructuring	Supplementary purchase price	Pensions	Other	Total
<b>Carrying amount at beginning of period</b>	2,260	1,849	10,398	1,802	16,309
Provisions made in the period	–	7,612	566	3,833	12,011
Amounts utilised in the period	–1,665	–460	–	–1,835	–3,960
Un-utilised amounts reversed in the period	–395	–	–	–	–395
<b>Carrying amount at end of period</b>	<b>200</b>	<b>9,001</b>	<b>10,964</b>	<b>3,800</b>	<b>23,965</b>

Group 2008	Restructuring	Supplementary purchase price	Pensions	Other	Total
<b>Carrying amount at beginning of period</b>	200	9,001	10,964	3,800	23,965
Provisions made in the period	33,971	–	997	50	35,018
Acquired subsidiaries	5,647	–	–	–	5,647
Amounts utilised in the period	–	–8,569	–	–	–8,569
Un-utilised amounts reversed in the period	–200	–432	–	–2,100	–2,732
<b>Carrying amount at end of period</b>	<b>39,618</b>	<b>–</b>	<b>11,961</b>	<b>1,750</b>	<b>53,329</b>

Supplementary purchase price acquisition—parent company	31 Dec 2008	31 Dec 2007
<b>Carrying amount at beginning of period</b>	8,051	899
Provisions made in the period	–	7,612
Amounts utilised in the period	–8,051	–460
<b>Carrying amount at end of period</b>	<b>–</b>	<b>8,051</b>
Of which total long-term portion of provisions	–	–
Of which total short-term portion of provisions	–	8,051

## Note 25 Other current liabilities

	Group		Parent company	
	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007
Staff withholding tax	7,461	6,465	632	589
Social security contributions	4,366	5,228	–	–
Sales tax	16,220	19,129	754	–
Other	2,428	761	–	–
	<b>30,475</b>	<b>31,583</b>	<b>1,386</b>	<b>589</b>

## Note 26 Accrued expenses and deferred revenues

	Group		Parent company	
	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007
Accrued salaries and benefits	10,072	10,097	2,358	3,162
Accrued social security contributions	13,802	10,305	3,253	1,858
Holiday benefits	28,199	32,248	1,973	960
Other	10,694	13,879	2,659	286
	<b>62,767</b>	<b>66,529</b>	<b>10,243</b>	<b>6,266</b>

## Note 28 Financial risks and finance policy

Through its operations, the group is exposed to various types of financial risk 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 policy for managing financial risk has been formulated by the Board and constitutes a framework for risk management.

The policy's overall goal 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 allocation of maturities over the years.

The parent company is primarily focused on the management, coordination 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 occur there.

### Agreement terms

Financial assets mainly consist of cash and cash equivalents and accounts receivable—trade. The risk associated with accounts receivable—trade increases with the number of outstanding days of credit. There is a market tendency to require longer credit terms.

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

NOTE has agreed a number of covenants with its lender as security for its loan liabilities. Not all these covenants were satisfied at the balance sheet date. After the end of the period, an agreement has been reached with all lenders regarding a new funding facility, which consists of a combination of overdraft facilities and debt factoring. The new funding facility, which comes into effect in 2009, is also subject to covenants.

### 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 294.9 million of equity and interest-bearing liabilities of SEK 271.1 million, utilised overdrafts of SEK 103.5 million. The un-utilised overdraft facility was SEK 48.7 million at year-end. Financial liabilities comprise external borrowing and the utilised portion of the overdraft facility.

### Age analysis, financial liabilities

SEK m	2008						2007					
	Total	Within 1 mth.	1–3 mth.	3 mth.–1 yr.	1–5 yr.	5 yr. and longer	Total	Within 1 mth.	1–3 mth.	3 mth.–1 yr.	1–5 yr.	5 yr. and longer
Bank loans	227.5	0.0	9.5	183.0	35.0	–	229.7	1.0	5.0	141.4	82.3	–
Finance lease liabilities	43.7	0.4	0.8	15.4	27.1	–	44.1	0.1	0.3	17.6	26.1	–
Accounts payable—trade	208.6	109.0	89.6	10.0	–	–	186.0	98.6	66.5	20.9	–	–
<b>Total</b>	<b>479.8</b>	<b>109.4</b>	<b>99.9</b>	<b>208.4</b>	<b>62.1</b>	<b>–</b>	<b>459.8</b>	<b>99.7</b>	<b>71.8</b>	<b>179.9</b>	<b>108.4</b>	<b>–</b>

## Note 27 Financial assets and liabilities

### Fair value

The methods and assumptions primarily used to determine fair value are summarised below. Consolidated financial assets and liabilities are classified into the following categories.

### Derivative instruments

The fair value of currency contracts is measured proceeding from quoted prices on the balance sheet date.

### Accounts receivable—trade and accounts payable—trade

For accounts receivable—trade and accounts payable—trade with remaining terms of less than six months, the carrying amount is considered to reflect fair value. There are no significant accounts receivable—trade and accounts payable—trade with terms of over six months.

### Interest-bearing liabilities

The fair value of financial liabilities that are not derivative instruments is measured based on future cash flows of principals and interest discounted to current market rates of interest on the balance sheet date.

### 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. Longer interest fixing periods mainly affect cash flow risk, while shorter interest fixing periods affect 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.

### 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 has no major financial assets.

#### Credit risks in accounts receivable—trade

The risk that the group's customers do not fulfil their commitments, i.e. that payments for accounts receivable—trade are not received, 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.

The ten biggest customers provide approximately 53% of sales. The group has a relatively good diversification of customers across a range of industrial sectors.

Age analysis, accounts receivable—trade	2008	2007
Not overdue accounts receivable—trade	217,855	291,467
Overdue accounts receivable—trade, 0–30 days	45,948	40,895
Overdue accounts receivable—trade, >30–60 days	5,227	8,974
Overdue accounts receivable—trade, >60 days	10,580	9,360
Impaired accounts receivable—trade	-6,924	-3,699
<b>Total</b>	<b>272,686</b>	<b>346,997</b>

#### 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 translation exposure.

Foreign currency expenses and purchases are largely hedged through binding contracts, where the customer assumes the full currency risk. Invoicing is largely in local currency and the majority is denominated in Swedish kronor. If invoicing in local currency is not possible, hedging is arranged on contracts larger than a value of SEK 5 m. NOTE adopts a centralised view of managing currency hedges. NOTE's central accounting function hedges net flows in foreign currency on rolling six-month forecasts, based on the limits stipulated in NOTE's finance policy.

#### 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 year-end, the fair value of NOTE's cash flow hedges were SEK 1.3 m, of which SEK 0.3 m was reported in the hedging provision in equity.

#### Materials risks

Because a high proportion of the group's sales values comprise materials, both the price of and the supply of materials are decisive to profitability. NOTE's strategic sourcing company NOTE Components manages a substantial portion of materials sourcing agreements.

#### Conversion exposure

The group's foreign net assets are divided between the following currencies, amounts in SEK 000:

Currency	31 Dec 2008		31 Dec 2007	
	Amount	%	Amount	%
EEK	1,629	0.6	2,434	0.7
EUR	10,773	3.7	9,582	2.9
GBP	2,532	0.9	224	0.1
LTL	12,969	4.4	10,847	3.3
NOK	3,451	1.1	1,586	0.5
PLN	16,776	5.7	3,337	1.0
USD	6,721	2.3	8,392	2.6
	<b>54,851</b>	<b>18.7</b>	<b>36,402</b>	<b>11.1</b>

#### Sensitivity analysis

To manage market risks, the group's intention is to minimise the impact of short-term fluctuations in consolidated profit/loss.

Market risks, SEK m	Effect on profit after tax	
	Change, 1%	Change, 3%
Change in sales price to customers	12.3	36.9
Change in sales volume	3.2	9.6
Change in materials price*	7.5	22.6
Change in payroll overheads	3.0	8.9
Change in interest rates	1.4	4.2
Change in exchange rates on customer and supplier liabilities as of 31 Dec 2008	0.1	0.3
Change in exchange rates when translating foreign units' net profit.	0.3	0.9

\* Disregarding price adjustment clauses to customers.

## Note 29 Operating leases

	Group		Parent company	
	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007
Lease arrangements payable within one year	2,822	4,511	273	287
Lease arrangements payable between one year and five years	8,932	3,437	215	213
	<b>11,754</b>	<b>7,948</b>	<b>488</b>	<b>500</b>

Group expenses for operating leases were 4,511 (5,694).

## Note 30 Pledged assets and contingent liabilities

	Group		Parent company	
	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007
<b>Pledged assets</b>				
<b>In the form of pledged assets for own liabilities and provisions</b>				
Property mortgage	29,843	34,470	–	–
Floating charge (approx.)	253,842	258,247	–	600
	<b>283,685</b>	<b>292,717</b>	<b>–</b>	<b>600</b>
<b>Contingent liabilities</b>				
Guarantee commitments, FPG/PRI	228	226	11,961	10,964
Other guarantee commitments for subsidiaries	–	–	–	20,000
Guarantees in favour of subsidiaries	–	–	5,468	4,712
Guarantees, other	–	124	–	–
County administrative board, conditional loan	2,484	2,419	–	–
	<b>2,712</b>	<b>2,769</b>	<b>17,429</b>	<b>35,676</b>

## Note 31 Close relations

Group		Sale of goods and services to closely related parties	Purchase from closely related parties	Liability to closely related parties as of 31 Dec	Receivable from closely related parties as of 31 Dec
<b>Close relation</b>	<b>Year</b>				
Company owned by Board member of subsidiary	2008	–	1,581	–	–
Company owned by Board member of subsidiary	2007	–	1,488	991	–
Senior executives	2008	–	2,498	213	–
Senior executives	2007	–	3,010	–	–
Joint venture	2008	31,028	28,775	8,512	36,713
Joint venture	2007	–	–	–	2,489
<b>Parent company</b>					
<b>Close relation</b>	<b>Year</b>				
Senior executives	2008	–	1,431	213	–
Senior executives	2007	–	2,065	–	–
Joint venture	2008	–	32	32	9,561
Joint venture	2007	–	–	–	2,489

### Transactions with key staff in executive positions

For the Board of Directors', the President's and other senior executives' salaries and other benefits, expenses and commitments relating to pensions and similar benefits, as well as agreements on severance pay, see note 7.

## Note 32 Group companies

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

Subsidiary/Corporate identity no./Registered office	No. of shares	31 Dec 2008 Carrying amount	31 Dec 2007 Carrying amount
NOTE Norrtelje AB, 556235-3853, Norrtälje, Sweden	1,000	50,000	50,000
NOTE Lund AB (publ), 556317-0355, Lund, Sweden	10,661	42,491	42,491
NOTE Pärnu OÜ, 10358547, Pärnu, Estonia	1	22,047	22,047
NOTE Nyköping-Skänninge AB, 556161-4339, Skänninge, Sweden	9,000	19,509	19,509
NOTE Gdansk Sp. z o.o, 583-26-15-588, Gdansk, Poland	262	17,246	99
NOTE Skellefteå AB, 556430-0183, Skellefteå, Sweden	5,000	16,078	16,078
NOTE Oslo AS, 982 609 380, Oslo, Norway	1,000	14,896	12,690
NOTE UK Ltd, 5257074, Telford, UK	500,000	5,623	0
NOTE Borås AB, 556567-6193, Borås, Sweden	50,000	5,000	5,000
NOTE Tauragė, 1076886, Tauragė, Lithuania	15,000	3,175	3,175
NOTE Torsby AB, 556597-6114, Torsby, Sweden	30,000	3,000	3,000
NOTE Hyvinkää Oy, 1931805-1, Hyvinkää, Finland	80	1,347	86
NOTE Components Järfälla AB, 556749-2409, Järfälla, Sweden	1,000	800	–
Alnhem Business Development AB, 556655-6782, Danderyd, Sweden	1,000	116	–
NOTE Components AB, 556602-2116, Danderyd, Sweden	1,000	100	100
		<b>201,428</b>	<b>174,275</b>

The ownership is 100 (100) % in all cases. In addition to the above subsidiaries, the group includes two second-tier subsidiaries (NOTE Björbo AB and Norteam Electronics AS).

### Parent company

Cumulative cost	31 Dec 2008	31 Dec 2007
At beginning of year	177,175	167,389
Acquisitions	27,153	9,786
	<b>204,328</b>	<b>177,175</b>
Cumulative impairment loss	31 Dec 2008	31 Dec 2007
At beginning of year	–2,900	–2,900
Impairment losses for the year	–	–
	<b>–2,900</b>	<b>–2,900</b>
	<b>201,428</b>	<b>174,275</b>

## Note 33 Parent company participations in joint ventures

Parent company	Joint ventures	
Cumulative cost	31 Dec 2008	31 Dec 2007
At the beginning of the period	18,648	–
Purchases	19,050	18,648
<b>Closing balance, 31 Dec</b>	<b>37,698</b>	<b>18,648</b>

### Specification of parent company (joint owner's) direct holdings of participations in joint ventures

2008	Voting rights and share of equity, %	Carrying amount
IONOTE Ltd, CR-134187, Tangxia	50	18,649
NOTEFideltronik S.A., 120621500, Krakow	50	19,049
		<b>37,698</b>
2007		
IONOTE Ltd, CR-134187, Tangxia	50	18,648



## Note 34 Untaxed reserves

Parent company	31 Dec 2008		31 Dec 2007	
Tax allocation reserve, for tax assessment in 2007		10,208		10,208
Tax allocation reserve, for tax assessment in 2008		22,400		22,400
Tax allocation reserve, for tax assessment in 2009		15,500		–
		<b>48,108</b>		<b>32,608</b>

## Note 35 Cash Flow Statement

### Interest paid and dividends received

	Group		Parent company	
	2008	2007	2008	2007
Interest received	195	745	8,995	5,097
Interest paid	–9,595	–8,236	–12,250	–2,741
Dividend received	–	–	5,095	–

### Other non-cash items

	Group		Parent company	
	2008	2007	2008	2007
Impairment losses	8,300	–	–	–
Un-realised exchange rate differences	–4,069	–370	–	–
Capital gain/loss on sale of tangible fixed assets	1,203	3,997	–	–
Pension provisions	998	566	–	–
Other provisions	29,903	–302	–	7,602
Other items not affecting liquidity	–598	14	–	–
	<b>35,737</b>	<b>3,905</b>	<b>–</b>	<b>7,602</b>

### Transactions not involving payments

	Group	
	2008	2007
Acquisitions of assets through finance leases	17,571	17,817

### Acquisitions of subsidiaries and joint ventures

	Group	
	2008	2007
<b>Acquired assets and liabilities</b>		
Intangible fixed assets	9,786	–
Tangible fixed assets	4,459	6,034
Financial fixed assets	40	118
Inventories	12,040	2,839
Trade receivables	10,550	3,172
Cash and cash equivalents	776	737
	<b>37,651</b>	<b>12,900</b>
Provisions	6,023	–
Current interest-bearing liabilities	4,152	–
Current trade liabilities	17,449	4,032
	<b>27,624</b>	<b>4,032</b>
Purchase price	10,027	18,648
Of which purchase price paid as of balance sheet date	10,027	11,036
Purchase price paid for acquisitions in previous year	8,569	–
Cash and cash equivalents in the acquired operation	–776	–737
<b>Effect on cash and cash equivalents</b>	<b>17,820</b>	<b>10,299</b>

Cash and cash equivalents	Group		Parent company	
	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007
Cash and bank balances	35,941	38,546	12,990	7,618
	<b>35,941</b>	<b>38,546</b>	<b>12,990</b>	<b>7,618</b>

Un-utilised credits	Group		Parent company	
	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007
Un-utilised credits	48,711	55,931	34,904	45,736

## Note 36 Significant estimates and judgements

### Critical judgements when applying the group's accounting principles

Some critical accounting estimates made when applying the group's accounting principles are reviewed below.

#### Accounts receivable—trade and inventories

Accounts receivable—trade and inventories are the largest asset items in value terms at year-end. Both these items are reported as net values after deducting for impairment losses, based on individual judgment. Note 28 provides more information on the judgments made and information on the risks associated with these asset items.

#### Goodwill

The group's goodwill relates to the Swedish and foreign subsidiaries/joint ventures. Goodwill is subject to impairment tests pursuant to IAS 36 Impairment of Assets. Note 13 states more information on the measurement of goodwill items.

#### Deferred tax asset

The group's deferred tax asset mainly consists of provisions and capitalised lost carry-forwards in foreign subsidiaries. Note 12 states more information on the group's deferred tax asset.

#### Pension liability

The various parameters used for the actuarial calculation of pension liabilities are associated with uncertainty. Pay increases are estimated on the basis of expected outcomes of negotiation rounds. Inflation is judged on the basis of history and external forecasts. The discount factor is set at expected future finance costs, based on government bonds with comparable maturities as the relevant pension liability.

#### Exposure to foreign currencies

Changes in exchange rates have a relatively limited effect on the group's achieved profit figure and financial position. Note 28 details foreign currency exposure and the risks associated with changes to exchange rates.

## Note 37 Events after the end of the financial year

Market breakthrough for Nearsourcing—based on a collaboration with the Nearsourcing centre in Oslo, Kongsberg Defence & Aerospace of Norway decided to use the preferred parts database NOTEfied for new product development.

## Note 38 Information on the parent company

NOTE AB (publ) is a Swedish-registered limited company with its registered office in Danderyd, Sweden. The parent company's shares are listed on the OMX Nordic Exchange Stockholm.

The address of the head office is NOTE AB (publ), Box 711, 182 17 Danderyd, Sweden. The corporate identity number is 556408-8770. The consolidated accounts for 2008 comprise the parent company, its subsidiaries and joint ventures, together termed the group.

The Board of Directors and Chief Executive Officer hereby certify that the consolidated accounts have been prepared pursuant to IFRS as endorsed by the EU and give a true and fair view of the group's financial position and results of operations. The annual accounts have been prepared pursuant to generally accepted accounting principles and give a true and fair view of the parent

company's financial position and profits. The Reports of the Directors of the group and parent company give a true and fair view of the group's and parent company's operations, financial position and results of operations and review the significant risks and uncertainty factors facing the parent company and group companies.

Danderyd, Sweden 27 March 2009



Bruce Grant  
Chairman



Göran Jansson  
Deputy Chairman



Arne Forslund  
President and Board member



Kjell-Åke Andersson  
Board member



Håkan Gellerstedt  
Board member



Hans Johansson  
Board member



Per-Arne Sandström  
Board member

As stated above, the consolidated accounts and annual accounts were approved for issuance by the Board of Directors on 27 March 2009. The Consolidated Income Statement and Consolidated Income Balance Sheet and the Parent Company Income Statement and Parent Company Balance Sheet will be subject to adoption at the Annual General Meeting on 21 April 2009.

Our Audit Report was presented on 31 March 2009

Öhrlings PricewaterhouseCoopers AB



Magnus Brändström  
Auditor in charge  
Authorised Public Accountant



Anders Magnussen  
Authorised Public Accountant

# Audit Report

**To the Annual General Meeting of the shareholders of NOTE AB (publ)**  
**Corporate identity number 556408-8770**

We have audited the annual accounts, the consolidated accounts, accounting records and the administration of the Board of Directors and the Chief Executive Officer of NOTE AB (publ) for the year 2008. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 22–56. These accounts and the administration of the company, and the application of the Swedish Annual Accounts Act when preparing the annual accounts, and the application of IFRS (International Financial Reporting Standards) as endorsed by the EU and the Swedish Annual Accounts Act when preparing the consolidated accounts, are the responsibility of the Board of Directors and the Chief Executive Officer. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted accounting principles in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and consolidated accounts 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 used and their application by the Board of Directors and the Chief Executive Officer and significant estimates made by the Board of Directors and the Chief Executive Officer when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual

accounts and consolidated accounts. 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 Swedish Companies Act, the Swedish Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Swedish Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with IFRS as endorsed by the EU and the Swedish Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We recommend to the Annual General Meeting that the Income Statement and Balance Sheet for the parent company and for the group be adopted, that the deficit of the parent company be dealt with in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Chief Executive Officer be discharged from liability for the financial year.

Stockholm, Sweden, 31 March 2009

Öhrlings PricewaterhouseCoopers AB



Magnus Brändström

Auditor in charge  
Authorised Public Accountant



Anders Magnussen

Authorised Public Accountant

# Group management



## 1 Arne Forslund

President, CEO.  
Employed by NOTE since: 2005.  
NOTE holdings: 10,000 shares and 152,000 options.

## 2 Knut Pogost

Executive Vice President, CSO and Vice President of Components.  
Active in NOTE since: 2006.  
NOTE holdings: 0 shares and 60,000 options.

## 3 Henrik Nygren

Executive Vice President, CFO.  
Employed by NOTE since: 2005.  
NOTE holdings: 10,000 shares and 100,000 options.

## 4 Anders Andersson

Vice President of Near sourcing.  
Employed by NOTE since: 1994<sup>1</sup>.  
NOTE holdings: 100 shares and 32,000 options.

## 5 Mikael Ekholm

Vice President of Industrial Plants.  
Employed by NOTE since: 2009.  
NOTE holdings: 0 shares and 0 options.

## 6 Mats Hoflund

Vice President of Sales & Marketing.  
Employed by NOTE since: 2000.  
NOTE holdings: 0 shares and 10 options.

<sup>1</sup> Employment with NOTE before 2000 was with subsidiaries.

Stated holdings include related parties.

### Group-wide functions

Human Resources	Annica Westerman
Information Technology	Harald Wikström
Investments	Peter Jansson
Lean Strategy	Håkan Lönn

### Presidents of subsidiaries and joint ventures

NOTE Components AB	<i>Knut Pogost</i>	IONOTE Ltd (jv, 50% owned)	<i>Derek Teagle</i>
NOTE Components Järfälla AB	<i>Göran Nilsson</i>	NOTE Components Gdansk Sp.z.o.o.	<i>Jacek Malecki</i>
NOTE Lund AB	<i>Per Grönvall</i>	NOTEFideltronik S.A. (jv, 50% owned)	<i>Jerzy Marcin Wnęk</i>
NOTE Norrtelje AB	<i>Mario Taus</i>	NOTE Hyvinkää Oy	<i>Mikko Sajaniemi</i>
NOTE Nyköping-Skänninge AB	<i>Peter Johansson</i>	NOTE Oslo AS	<i>Bjørn Furu</i>
NOTE Skellefteå AB	<i>Andreas Carlberg</i>	NOTE Pärnu Oü	<i>Erki Hirv</i>
NOTE Torsby AB	<i>Anders Andersson</i>	NOTE Tauragé UAB	<i>Kerstin Åkerberg</i>
		NOTE UK Ltd	<i>Kevin Heath</i>

# Financial definitions

**Equity per share**

Equity in relation to the number of shares at year-end.

**Average number of employees**

Average number of employees calculated on the basis of hours worked.

**Net investments in tangible fixed assets**

Investments in tangible fixed assets for the year, excluding acquisitions of assets and liabilities, less disposals and obsolescence for the year.

**Operating capital**

Total assets less cash and cash equivalents, non-interest bearing liabilities, provisions and minority interest.

**Staff turnover**

Number of employees whose employment was terminated by themselves in the year in relation to average number of employees.

**Earnings per share**

Profit after tax in relation to average number of shares.

**Return on equity**

Net profit for the year in relation to average equity for the most recent twelve-month period.

**Return on operating capital**

Operating profit in relation to average operating capital for the most recent twelve-month period.

**Operating margin**

Operating profit as a percentage of net sales.

**Sickness absence**

Sickness absence as a percentage of regular working-hours.

**Equity to assets ratio**

Equity as a percentage of total assets.

**Profit margin**

Profit/loss after financial items as a percentage of net sales.

# Annual General Meeting

The Annual General Meeting of shareholders of NOTE AB (publ) will be held at 11 a.m. on Tuesday, 21 April 2009 at the Salén conference facility, Norrlandsgatan 15, Stockholm, Sweden.

## Rights to participate in the Annual General Meeting

Shareholders wishing to participate at the Annual General Meeting of Shareholders shall:

- be registered in the share register maintained by Euroclear Sweden AB (formerly VPC AB) by no later than Tuesday, 14 April 2009,
- have notified their intention to participate at the Annual General Meeting of Shareholders to NOTE AB, Box 711, 182 17 Danderyd, Sweden or by telephone on +46 (0)8 568 99000, or e-mail: info@note.eu, by no later than 4:00 pm on Wednesday, 15 April 2009. Notifications shall include personal or corporate names, personal or corporate identity numbers, number of shares and address and telephone numbers.

For entitlement to participate in the Annual General Meeting, shareholders with nominee-registered holdings should temporarily re-register their shares in their own name in the share register through the agency of the nominee in good time prior to 14 April 2009.

Shareholders wishing to bring one or two assistants must notify the company thereof in the time and manner applicable for shareholders.

## Representatives

Shareholders represented by proxy must issue a dated power of attorney for the representative. If such power of attorney is issued by a legal entity, attested copies of the certificate of registration or equivalent authorisation must be submitted. Powers of attorney and registration certificates may not be more than one year old. Original powers of attorney and registration certificates should be submitted to the company by mail prior to the Annual General Meeting of Shareholders.

## Proposed agenda

1. Opening the Meeting.
2. Electing a Chairman and a person to keep the minutes of the Meeting.
3. Preparation and approval of the voting list.
4. Approval of the Board of Directors' proposed agenda.
5. Election of one or two people to verify the minutes.
6. Consideration of whether the Meeting has been duly convened.
7. Report on the Board of Directors' activities.
8. Submission of the annual accounts, audit report, consolidated accounts and the consolidated audit report.
9. Resolutions
  - a) on the adoption of the Income Statement and Balance Sheet and the Consolidated Income Statement and Consolidated Balance Sheet.
  - b) on the appropriation of the company's profits or losses in accordance with the adopted Balance Sheet.
  - c) on discharging the members of the Board of Directors and the Chief Executive Officer from liability for the period covered by the accounts.
10. Consideration of the number of Board Members and auditors that will be elected at the Annual General Meeting.
11. Consideration of remuneration to the Board of Directors and Auditors.
12. Election of the Board of Directors
13. Adoption of the Nomination Committee's proposal for instructions for the Nomination Committee.
14. Resolution on the Board of Directors' proposal to authorise the Board to decide on the acquisition and transfer of treasury shares.
15. Other business due at the Meeting according to the Swedish Companies Act or the Articles of Association.
16. Closing the Meeting.

## Calendar for 2009

Interim Report for January–March	21 April
Annual General Meeting	21 April
Interim Report for January–June	17 July
Interim Report for January–September	20 October

**NOTE AB**

Box 711  
Vendevägen 85 A  
182 17 Danderyd  
Sweden

**NOTE Components**

Box 711  
Vendevägen 85 A  
182 17 Danderyd  
Sweden

**NOTE Components Järfälla**

Saldovägen 1  
175 62 Järfälla  
Sweden

**NOTE Kista**

Electrum 221  
Isafjordsgatan 22  
164 40 Kista  
Sweden

**NOTE Lund**

Maskinvägen 3  
227 30 Lund  
Sweden

**NOTE Norrtälje**

Box 185  
Vilhelm Mobergs gata 18  
761 22 Norrtälje  
Sweden

**NOTE Nyköping**

Box 268  
Gästabudsvägen 6  
611 26 Nyköping  
Sweden

**NOTE Skellefteå**

Svedjevägen 12  
931 36 Skellefteå  
Sweden

**NOTE Skänninge**

Box 53  
Borgmästaregatan 32  
596 22 Skänninge  
Sweden

**NOTE Torsby**

Inova Park  
685 29 Torsby  
Sweden

**IONOTE**

Ying Li Electronics Factory  
No. 26 Xin Yang Road  
Lin Cun Industrial Center  
Tangxia, Dongguan  
Guangdong Province  
China

**NOTE Components Gdansk**

Trakt sw Wojciecha 237  
80-017 Gdansk  
Poland

**NOTE Fideltronik**

ul.Cystersów 19  
31-553 Cracow  
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