

Interim report

January - June 2004

Strong growth during the first six months

- Net sales increased 54 % to MSEK 575.1 (373.6) ¹⁾
- Operating profit increased 35 % to MSEK 44.7 (33.0) ²⁾
- Earnings after tax increased 38 % to MSEK 27.4 (19.9), yielding earnings per share of SEK 3.5 (2.6)
- Moving into a newly built production facility in Torsby, Sweden
- The NOTE share listed on the Stockholm Stock Exchange, the O-list. The new share issue in conjunction with the introduction on the stock exchange has, together with the option redemption, provided the Company with MSEK 101.

1) Excluding units acquired during 2003, sales totaled MSEK 430 (374), which corresponds to roughly 15% growth for comparable units.

2) Excluding units acquired during 2003, operating income totaled MSEK 36.3 (33.0), which corresponds to an improvement of roughly 10% for comparable units.



The new facility in Torsby.

About the Company

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

Market

Total demand within the EMS industry is continuing to develop in a way that is beneficial for the Company, with communication equipment being the leading positive force followed by other sectors.

A strengthened belief in a positive future development also increases product owner's interest in global production, aiming to minimize transportation costs and logistical problems. The trend is beneficial to NOTE since the Company is the only one in its size to have a global network.

Sales and earnings

During the period the Group's net sales increased 54 % to MSEK 575.1 (373.6). Roughly MSEK 145 of the sales increase derives from units that were not part of the Group during the corresponding period the previous year. The sales increase for comparable units thus totalled roughly 15 %.

Operating income increased 35 % to MSEK 44.7 (33). The improvement in income for comparable units was approximately 10 %. The improvement is attributable to continued rationalizations of the production process and continued reduction of materials costs.

In February 2003 an extensive fire damaged the NOTE Group's plant in Lund, Sweden. This has to some extent influenced the 2003/2004 comparative figures. If the fire had not taken place, the operating income increase probably had been somewhat lower, at the same time as the marginal improvement would have been somewhat better. Lund accounted for approximately 25 % of the NOTE Group's turnover. The factory was rebuilt and officially re-opened in September 2003.

The net sales for the years second quarter was MSEK 289.0 (198.6), an increase by 45% compared to the second quarter 2003.

The operating income for the second quarter increased by 15 % to MSEK 21.7 (18.9).

During the second quarter the operating income has been influenced in a negative way by three non-recurrent effects; special costs connected with the introduction on the stock exchange, a temporary decrease in efficiency due to the moving of the Group's production unit in Torsby to new premises, and social security expenses due to the option redemptions within the framework for the Group's option program.

The cost for the stock exchange introduction was roughly MSEK 2.2. The cost for moving the factory in Torsby is estimated at MSEK 1.1. The cost for the option program amounts to roughly MSEK 2, of which MSEK 1 has been charged to the second quarter. Adjusted for non-recurrent charges the operating income amounts to MSEK 26.0 (18.9), equivalent of a 38 % increase.

Share capital development

In 2001 the annual general meeting decided, in accordance to the board proposal, to introduce an option program for key personnel in the NOTE Group. Within the framework for the program, that fell due (date of exercise) at the time for a stock exchange introduction, 310 200 shares were subscribed during May. This provided the Company with MSEK 11.1. The Company's costs, in the form of social security expenses, are estimated at roughly MSEK 2.

In conjunction with the introduction at the Stockholm Stock Exchange 2 051 160 shares were offered to the market, of which 1 334 000 from the Company in form of a new share issue. All shares in the offer were subscribed for, which has provided the Company with the net sum of MSEK 90.

Date	Event	Change in number of shares	Total number of shares	Increase in share capital, SEK	Total share capital, SEK	Share's per value
October 1990	Company formed	3 000	3 000	300 000	300 000	100
March 2000	Bonus issue	27 000	30 000	2 700 000	3 000 000	100
March 2000	Split 10:1	270 000	300 000	-	3 000 000	10
October 2002	New share issue 1)	84 000	384 000	840 000	3 840 000	10
December 2003	New share issue 2)	15 000	399 000	150 000	3 990 000	10
March 2004	Split 20:1	7 581 000	7 980 000	-	3 990 000	0.5
May 2004	Exercise of options 3)	310 200	8 290 200	155 100	4 145 100	0.5
June 2004	New share issue 4)	1 334 000	9 624 200	667 000	4 812 100	0.5

1) New share issue of 84 000 shares in conjunction with the acquisition of Xperi AB. 2) New share issue of 15 000 shares in conjunction with the acquisition of ITAB Elektronik AB. 3) New share issue in conjunction with the exercise of options. Registered with PRV 9 June 2004. 4) New share issue in conjunction with IPO. Registered with PRV 12 July 2004.

Financial status and liquidity

Major investments in fixed assets have been made in the Group's new production plant in Torsby. The investments have been financed with means generated by the business activities.

The Group shows a positive cash flow after investments of MSEK 29.8.

A continued positive result of operations, combined with the share issue, has resulted in a solidity increase to 35.5 % as of June 30. Net interest-bearing debt was MSEK 150.5, a reduction by MSEK 134.8 since the beginning of the year.

At the end of the period the available liquid assets, combined with unused credit, was MSEK 162.5 (15.5). This means that NOTE has considerable monetary assets not bound to ongoing operations – assets that can be used for further expansion.

Investments

Group investments in tangible fixed assets totalled MSEK 16.4 (6.3).

Depreciation for the period totalled MSEK 12.1 (6.3).

Employees

The average number of fulltime employees during the period was 861 (611).

Key events

In April the Group's unit in Torsby moved into a newly built production facility, designed and equipped in accordance to the Group's Excellence-concept. The production plant has been completed during the summer and a formal inauguration will take place August 26. In May NOTE was ranked as Sweden's most rapid growing sub-contractor on the "Rapid Growth List", published by the nation-wide daily paper Svenska Dagbladet. NOTE also received an honorary award as Sweden's most persistent "Rapid Growth-company", since the Group has been on the "Rapid Growth List" more times than any other company.

June 23 the NOTE Group was introduced and listed on the Stockholm Stock Exchange, on the O-list. The offer was for a little over 2 million shares. It consisted of a new issue of roughly 1.3 million shares and roughly 700 000 shares from present shareholders. There was an oversubscription by three times. The number of outstanding shares is thereby roughly 10 million.

Since the previous interim report NOTE has received orders from a number of new clients, among them Åkerströms (computers for trucks), Avitec (3G-systems), Millicore (medical technology) and Libego (consumer electronics). NOTE has also during the period signed an important agreement about more extensive cooperation with Powerwave (previously LGP-Allgon).

Future outlook

NOTE has – through achieved profitability during the economic downturn – continually been able to invest in development of its organization and equipment for production. Strategic acquisitions have taken place, so that today the Group is placed close to important client centres in Sweden. At the present economic upturn NOTE is thus well positioned for a continued organic growth. Further acquisitions and new establishments, also outside Sweden, can become of interest.

Accounting and valuation principles

This report has been prepared in accordance with the recommendation of the Swedish Financial Accounting Standards Board regarding interim reports (RR20). No new accounting recommendations affecting the reported income/status have taken effect. The Company's primary segment is electronics production. Net sales and operating income that must be reported as segments are presented in the Income Statements below.

Next report date

The Interim Report for the period January – September will be issued on November 8.

Norrtälje, August 18, 2004

NOTE AB (publ)



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

CONSOLIDATED INCOME STATEMENT IN SUMMARY

Amounts in MSEK	2004 Apr-Jun	2003 Apr-Jun	2004 Jan-Jun	2003 Jan-Jun	Jul 2003- Jun 2004	2003 Jan-Dec
Net sales	289,0	198,6	575,1	373,6	1 060,6	859,2
Costs of goods and services sold	-241,3	-176,2	-477,7	-350,4	-892,4	-765,1
Other income	3,8	7,5	4,7	35,7	20,1	51,1
Gross income	51,4	29,9	102,0	58,9	188,2	145,2
Sales costs	-11,6	-6,7	-22,7	-12,9	-40,1	-30,3
Administrative costs	-17,5	-9,2	-34,1	-18,6	-58,0	-42,5
Other operating revenue/expenses	-0,6	4,9	-0,4	5,6	-4,0	2,0
Operating income	21,7	18,9	44,7	33,0	86,1	74,4
Net financial items	-2,9	-2,8	-6,1	-5,3	-12,2	-11,4
Income after financial items	18,8	16,1	38,6	27,7	73,8	63,0
Tax	-5,5	-4,3	-11,2	-7,7	-22,2	-18,7
Minority interest in earnings for the year	-0,1	-0,1	-0,1	-0,1	-0,1	-0,1
Result of the period	13,3	11,7	27,4	19,9	51,6	44,1
Depreciations have the net profit for the period with:	6,4	3,1	12,1	6,3	24,6	18,8

The following depreciations have been used: Machinery and equipment 4-5 years, accrued expenses in annans real estate 5 or 20 years, buildings 25 or 50 years, land improvements 20 years, goodwill 10 years, trademark 5 years and capitalized expenditures for computer software 4 years..

GROUP DATA PER SHARE

	2004 Apr-Jun	2003 Apr-Jun	2004 Jan-Jun	2003 Jan-Jun	Jul 2003- Jun 2004	2003 Jan-Dec
No. of shares at period end (thousands)	8 290	7 680	8 290	7 680	8 290	7 680
Average no. of shares before dilution (thousands)	8 083	7 680	7 932	7 680	7 806	7 680
Average no. of shares after dilution (thousands)	8 403	8 160	8 332	8 160	8 246	8 160
Earnings per share before dilution, SEK	1,64	1,52	3,46	2,59	6,61	5,75
Earnings per share after dilution, SEK	1,58	1,43	3,29	2,44	6,26	5,41
Equity per share before dilution, SEK	33,62	14,56	33,62	14,56	33,62	19,00
Equity per share after dilution, SEK	33,62	13,70	33,62	13,70	33,62	17,88

The Company's options program will increase the number of shares by a maximum of 480 000, corresponding to 6.0%, which has also been taken into account in the above calculations.

CONSOLIDATED BALANCE SHEET IN SUMMARY

Amounts in MSEK	2004 30 Jun	2003 30 Jun	2004 30 Jun	2003 31 Dec
ASSETS				
Intangible fixed assets	23,5	35,8	23,5	40,8
Tangible fixed assets	108,2	50,6	108,2	102,6
Financial fixed assets	2,9	4,6	2,9	3,8
Fixed assets	134,6	91,0	134,6	147,2
Inventory	230,4	184,0	230,4	219,2
Customer receivables	257,5	166,5	257,5	232,9
Other current assets	50,4	45,4	50,4	55,9
Cash and bank accounts	112,3	2,9	112,3	8,0
Current assets	650,6	398,8	650,6	516,0
TOTAL ASSETS	785,2	489,8	785,2	663,2
EQUITY AND LIABILITIES				
Equity	278,7	111,8	278,7	145,9
Minority interest	0,9	0,8	0,9	0,8
Appropriations	26,7	29,5	26,7	40,4
Long-term interest-bearing debt	172,9	135,6	172,9	176,1
Owed to suppliers	144,1	93,8	144,1	118,1
Current interest-bearing liabilities	89,9	62,6	89,9	117,3
Other current liabilities	72,0	55,7	72,0	64,6
Current liabilities	306,0	212,1	306,0	300,0
TOTAL EQUITY AND LIABILITIES	785,2	489,8	785,2	663,2

COLLATERAL PLEDGED AND CONTINGENT LIABILITIES

Amounts in MSEK	2004 Jun	2003 Jun	2004 Jun	2003 Dec
Collateral pledged				
Property mortgages	17,4	16,5	17,4	17,4
Chattel mortgages	282,7	192,3	282,7	282,7
Shares in subsidiaries (issued to credit institutions)	70,5	66,0	70,5	63,3
	370,5	274,8	370,5	363,4
Contingent liabilities				
Pension obligations in addition to those entered among liabilities of provisions	0,3	0,3	0,3	0,3
Guarentees	0,1	0,1	0,1	0,1
Other	0,9	1,0	0,9	1,0
	1,3	1,4	1,3	1,4

CHANGE IN GROUP EQUITY

	2004 Apr-Jun	2003 Apr-Jun	2004 Jan-Jun	2003 Jan-Jun	Jul 2003- Jun 2004	2003 Jan-Dec
Incoming capital	160,2	100	145,9	91,8	111,8	91,8
Earnings for the period	13,3	11,7	27,4	19,9	51,6	44,1
Issues of new shares	105,2		105,2		115,2	10,0
Translation difference		0,1	0,2	0,1	0,1	
Outgoing capital	278,7	111,8	278,7	111,8	278,7	145,9

CONSOLIDATED CASH FLOW STATEMENT IN SUMMARY

Amounts in MSEK	2004 Apr-Jun	2003 Apr-Jun	2004 Jan-Jun	2003 Jan-Jun	Jul 2003- Jun 2004	2003 Jan-Dec
Earnings after financial items	18,8	16,1	38,6	27,7	73,9	63,0
Items not included in cash flow	9,4	3,9	14,7	6,9	28,9	21,1
Tax paid	-3,2	-3,7	-9,5	-8,1	-12,2	-10,8
Cash flow from current operations before change in working capital	24,9	16,3	43,8	26,5	90,6	73,3
Cash flow from changes in working capital	-15,2	-21,0	2,4	-28,3	-54,7	-85,4
Cash flow from current operations	9,7	-4,7	46,2	-1,8	35,9	-12,1
Cash flow from investment activities	-10,3	-3,6	-16,4	-6,3	-61,6	-51,5
Cash flow from financing activities	93,3	6,6	74,5	7,6	135,2	68,3
Liquid assets at start of period	19,6	4,5	8,0	3,3	2,8	3,3
Change in liquid assets for the period	92,7	-1,7	104,3	-0,5	109,5	4,7
LIQUID ASSETS AT END OF PERIOD	112,3	2,8	112,3	2,8	112,3	8,0
Unused credit	50,2	12,7	50,2	12,7	50,2	23,0
Disposable liquid assets	162,5	15,5	162,5	15,5	162,5	31,0

GROUP KEY FIGURES

	2004 Apr-Jun	2003 Apr-Jun	2004 Jan-Jun	2003 Jan-Jun	Jul 2003- Jun 2004	2003 Jan-Dec
Margins						
Operating margin %	7,5	9,5	7,8	8,8	8,1	8,7
Profit margin %	6,5	8,1	6,7	7,4	7,0	7,3
Yield						
Return on operating margin %	21,1	19,7	21,1	19,7	21,1	21,5
Return on equity %	29,2	33,1	29,2	33,1	29,2	36,9
Capital structure						
Operating capital	429,3	307,1	429,3	307,1	429,3	431,3
Net interest-bearing debt	150,5	195,3	150,5	195,3	150,5	285,3
Equity-to-assets ration %	35,5	22,8	35,5	22,8	35,5	22,0
Net deb-equity ratio	0,5	1,7	0,5	1,7	0,5	2,0
Interest coverage ratio	6,8	6,6	6,5	5,8	6,3	6,0
Capital turnover rate (operating capital)	2,6	2,6	2,6	2,6	2,6	2,5
Employees						
Sales per employee, TSEK	335,6	321,9	667,9	605,5	1 314,3	1 262,0