

SPEED UP YOUR BUSINESS

Annual Report **2007**

NOTE in brief

NOTE is one of the Nordic region’s leaders within manufacturing and logistics services for electronics-based products and is active on the EMS (electronics manufacturing services) market.

NOTE offers electronics production services right through the value chain, from design to after-sales. Its customers are mainly in Scandinavia and the UK.

NOTE has developed a unique business model, Nearsourcing™, intended to increase growth and profitability simultaneous with reducing the risks of operations. The model has three parts – start-ups of Nearsourcing Centres close to the market, the NOTEfied

design systems. NOTEfied has technical and commercial data, helping increase efficiency and cut product development lead-times. Because the materials share is often more than 60% of product costs, it is vital that NOTE can offer attractive materials and component pricing. The group’s sourcing company, NOTE Components, with sourcing centres in central Europe and Asia, is responsible for strategic sourcing work and purchasing production material at competitive prices.

NOTE has production plants in Sweden, Norway, Finland, the UK, Estonia, Lithuania, Poland and China. Participation in the multi-national ems-ALLIANCE™ enables NOTE to offer

NOTE OFFERS ELECTRONICS PRODUCTION S FROM DESIGN TO AFTER-SALES.



preferred parts database that supports sourcing and development processes and volume production in cost-efficient countries. Efficient development work is conducted close to the customer at Nearsourcing Centres, reducing time to market – the time from idea to the product reaching the final market.

The NOTEfied preferred parts database is used in sourcing and development processes, offering links to customers’

its customers other alternatives for cost-efficient production and production close to end-customers.

At year-end, NOTE had a total of 1,213 employees and had sales of SEK 1,744 m in 2007.

The NOTE share is listed on OMX Nordic Exchange Stockholm in the Small Cap segment and Information Technology sector.

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The year in brief

New Board of Directors – intensified, methodical execution of new strategy

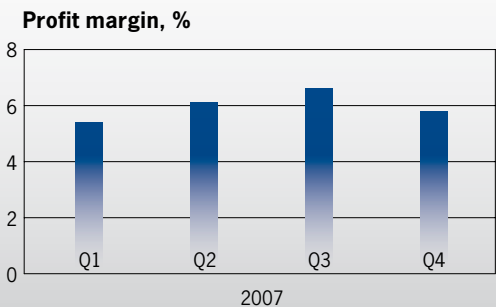
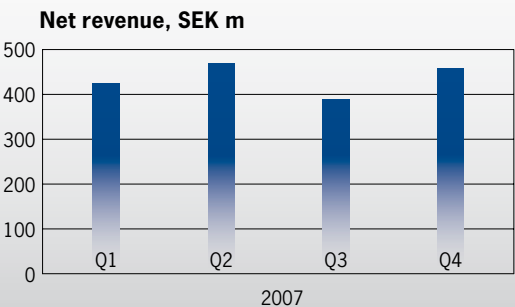
- Net revenue increased to SEK 1,743.8 (1,741.5) million
- Operating profit increased by 8% to SEK 111.9 (103.6) million
- Operating margin rose to 6.4% (5.9%)
- Profit after tax was SEK 78.2 (68.6) million, or SEK 8.13 (7.13) per share
- Cash flow after investments was SEK –0.5 (24.8) million
- The Board of Directors proposes increased dividends of SEK 2.75 (2.25) per share
- New Board appointed, Arne Forslund reinstated as President and CEO
- Launch of NOTEfied preferred parts database
- New group-wide agreements with Kongsberg Defence & Aerospace, Schneider Electric and Atlas Copco
- New, state-of-the-art, cost-efficient facility opened in Norrtälje, Sweden
- Start-ups of joint venture plants in China and Poland

ERVICES RIGHT THROUGH THE VALUE CHAIN,

Highlights after year-end

- New multi-year stock option plan targeted at senior executives, based on main shareholder Catella's existing holdings, launched in January
- Redundancy notices issued to 124 Swedish staff in January as part of the execution of NOTE's business strategy
- Operations of UK EMS company Proqual acquired in January
- Mechanical engineering provider acquired in Järfälla, near Stockholm, in March

Quarterly summary 2007, SEK m	Full year	Q1	Q2	Q3	Q4
Net revenue	1,743.8	425.0	470.2	389.9	458.6
Gross profit	224.6	53.3	61.0	51.4	59.0
Operating profit	111.9	24.8	30.5	28.1	28.5
Profit after financial items	103.8	23.0	28.5	25.7	26.6
Profit after tax	78.2	16.0	22.4	18.9	21.0
Cash flow	–0.5	45.6	27.8	–39.1	–34.8
Earnings per share after tax, SEK	8.13	1.66	2.32	1.96	2.18
Cash flow per share, SEK	–0.05	4.74	2.89	–4.06	–3.61
Profit margin, %	6.0	5.4	6.1	6.6	5.8
Equity to assets ratio, %	34.5	32.7	31.8	33.2	34.5



CEO's statement

Unique value-added for customers creates growth

2007 was an exciting and eventful year for NOTE. We organized for growth and implemented several fundamental concepts that mean we can offer the right services in the right place at the right price. Our new strategy has opened the door to a bigger market.

New Board of Directors

In late-April 2007, NOTE's AGM elected a new Board with substantial sector knowledge, experience and skills. The Board and corporate management have realigned our business strategy with a sharp focus on profitable growth. Building on this foundation, we can now work to create growth and increase shareholder value with full commitment.

“UNIQUE VALUE-ADDED FOR CUSTOMERS
GROWTH AND IMPLEMENTED SEVERAL FUNDAM
THE RIGHT SERVICES IN THE RIGHT PLACE AT
OPENED THE DOOR TO A BIGGER MARKET”

Nearsourcing cuts time to market

We use the phrase “speed up your business” in our communication with customers, and I have no doubt that we can keep this promise 100%. The search for value-added for our customers directs everything we do.

In 2007, we continued to implement NOTE's new fundamental concepts and piloted Nearsourcing in earnest. This completely unique concept cuts customers' time to market by reducing the lead-times for development processes, through channels including fast prototyping. The concept has three cornerstones: closeness to the customer, the NOTEfied preferred parts database supporting sourcing and development processes, and cost-efficient production. Here's some more detail:

Nearsourcing Centres. Our new Nearsourcing Centre in Oslo was developed in the year, and was very well received by the market. Kongsberg Defence & Aerospace, with its extensive product portfolio in development, is one of the customers that chose NOTE as its collaboration partner thanks to the Nearsourcing concept. In 2008, we will start up a series of Nearsourcing Centres, located geographically close to customers and their markets.

The NOTEfied preferred parts database. Our new preferred parts database NOTEfied enables our customers to see what components are available with suppliers and link their design projects directly to the database. This creates value-added for customers in the form of shorter development work.

The group's sourcing activities are conducted by NOTE Components using sourcing centres that have close contacts with vendors of production materials around the world. In 2007, we continued the build-up of a Centre in Gdansk, Poland. Our sourcing work is supported partly by NOTEfied and partly by the sourcing system linked to our suppliers.

Volume production in cost-efficient countries. Through key strategic collaborations, we have started up production resources close to high-growth markets, which have entirely different cost bases than the Nordic region. In autumn 2007, we acquired 50% of Ionics EMS's

facility in Tangxia, China. At the same time, we also started a joint venture with Fideltronik of Poland, based at its plant in Krakow. Ionics EMS is a Philippine company with a secure position in Asia. Fideltronik has the corresponding status in Eastern Europe.

These acquisitions are significant in several respects: to some extent, we secure significant production capacity for a low cost, while these plants also give us a local presence on high-growth markets. Increasing product manufacturing close to final markets is a clear trend.

Reduced risks

NOTE endeavours to minimize its fixed costs in high-cost regions. This makes it easier to moderate cyclical fluctuations, and enables us to secure the right positioning for the con-

CREATES GROWTH. WE ORGANIZED FOR
ENTAL CONCEPTS THAT MEAN WE CAN OFFER
THE RIGHT PRICE. OUR NEW STRATEGY HAS

tinued globalization process. Our joint ventures with Ionics EMS and Fideltronik are clear examples of how we can grow on new markets, while sharing risk.

We will continue to cut customers' lead-times, from the idea phase to products reaching the market. Our goal is to help our customers succeed on their markets. Nearsourcing will be a central concept in these activities. This also includes us building long-term partnerships with our customers, alleviating the risk of unexpected variations in our customer base.

Another type of diversified risk is about our relationships with our suppliers. By improving logistics we can scale down our inventories. We are also working actively on more efficient materials sourcing and supplier agreements to reduce our own risks further.

Sweden's most state-of-the-art facility

Geographical closeness is essential for complex products with substantial development needs. To meet these needs, in autumn 2007, we opened a new facility in Norrtälje, Sweden. NOTE Norrtelje is probably Sweden's most state-of-the-art facility for high-technology electronics manufacture.

The future belongs to NOTE

To summarize, if we view 2007 as a year of implementation and skills exchange, 2008 will be the year of change. We have created completely unique concepts that cut customers' time to market, and thus their costs. These new tools and platforms will be rolled out to our customers. A series of new Nearsourcing Centres will be launched on new and existing markets, and our recently completed acquisition of Proqual of the UK is an obvious example here. We've also created sales resources that have the ability to address new customers, and manage and develop our existing accounts.

If I expressed this in a single sentence, I'd say:
The future belongs to NOTE.

Arne Forslund, President and CEO



Goals and strategies

Business concept

NOTE's business concept is to produce electronics from design to after-sales close to customers.

Vision

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

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, expressed as return on operating capital, profitability will exceed 35%.

NOTE WILL BE THE CUSTOMER'S FIRST C
MARKET. NOTE WILL BE THE SECTOR'S MOS
POSSESSING HIGH SKILLS LEVELS, OFFERING
PROFESSIONALISM IN EVERY ACTIVITY.

Business goals

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

To make the market's most competitive offering, NOTE will possess specialist skills in introducing new products (NPI), 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 an active customer for its suppliers.

Capital structure goal

The minimum equity to assets ratio will be 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.

Strategic crossroads

To achieve its goals, NOTE's activities are organised according to the following strategic concepts and crossroads:

Nearsourcing

Nearsourcing, NOTE's new business model, is a cost-efficient alternative that creates high profitability potential. The model consists of three parts:

NOTE Lean Strategy

Lean is a concept that rationalises all parts of a business, and thus increases profitability while simultaneously cutting costs. The goal of NOTE Lean Strategy is for NOTE to be a world-class player in terms of quality, delivery, cost control and growth. High customer satisfaction is a constant driver in this work.

HOICE AND OFFER THE SHORTEST TIME TO
T ATTRACTIVE COLLABORATION PARTNER, BY
ATTRACTIVE TOTAL COST OF OWNERSHIP AND

- *Nearsourcing Centres*: where cost-efficient development is conducted geographically close to the customer.
- *The NOTEfied preferred parts database*: NOTEfied supports sourcing and development processes. The group's sourcing entity NOTE Components, with sourcing centres in Central Europe and Asia, is responsible for strategic sourcing and ensures the procurement of competitively priced production material.
- *Volume production in cost-efficient countries*: transferring series production to cost-efficient regions reduces risk and increases the scope for improved margins. NOTE has the capacity for volume production in cost-efficient countries, in proprietary plants in Eastern Europe and Asia and through the multinational EMS-ALLIANCE network.

The goal is to start up more Nearsourcing Centres in northern Europe in 2008.

Skills

NOTE's staff will have high skills levels in electronics production. NOTE Academy, which co-ordinates all training, which is tailored according to needs, enhances staff skills levels and working methods.

The NOTE share

In 2007, 9,100,637 NOTE shares were traded, equivalent to a rate of turnover of 94.6% of the free float. At year-end 2007, NOTE's share capital was SEK 4,812,100 divided between 9,624,200 shares. Market capitalisation at year-end was SEK 698 (808) million. NOTE had 2,246 shareholders at year-end.

Share price performance

At year-end 2007, the closing price of NOTE's share was SEK 73.00 (84.00), a 13.1% fall. In the same period, the OMX Small Cap PI fell 16.4%. In the year, the share traded at a low of SEK 65.50 and a high of SEK 120.00.

Dividend policy

Dividends will be adapted to the average profit level during a business cycle, and will be 30–50% of profit after tax for the

long term. Dividends will also be available to modify NOTE's capital structure. The Board's proposal to the AGM in 2008 is for dividends of SEK 2.75 per share.

History

NOTE was floated on the Stockholm Stock Exchange O-list in June 2004. Coincident with the IPO, investors were offered the opportunity to subscribe for a total of 2,051,160 shares, of which 1,334,000 were newly issued. The offering was three times over-subscribed and NOTE gained approximately 3,600 new shareholders. About half of the shares were sold to Swedish and foreign institutions. The offering price was SEK 75 per share.

The share has been listed on OMX Nordic Exchange Stockholm in the Small CAP segment and Information Technology sector since October 2006.

Ten largest shareholders

As of 31 December 2007

Name	No. of shares	Holding, %
Catella Kapitalförvaltning	1,176,400	12.22
Catella Fondförvaltning	822,300	8.54
Kjell-Åke Andersson with family	695,204	7.22
Banque Carnegie Luxembourg S A	668,300	6.94
Carnegie Fonder	564,100	5.86
ODIN Fonder	532,042	5.53
Livförsäkringsaktiebolaget 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

Ownership by size of shareholding

As of 31 December 2007

	No. of shareholders	No. of shares	Holding, %
1–500	1 654	306,913	3.19
501–1,000	271	236,162	2.45
1,001–2,000	130	216,824	2.25
2,001–5,000	84	284,763	2.96
5,001–10,000	33	251,534	2.61
10,001–20,000	24	352,536	3.66
20,001–50,000	20	689,080	7.16
50,001–100,000	12	787,524	8.18
100,001–500,000	14	3,960,364	41.15
500,001–1,000,000	4	2,538,500	26.38



Five-year summary

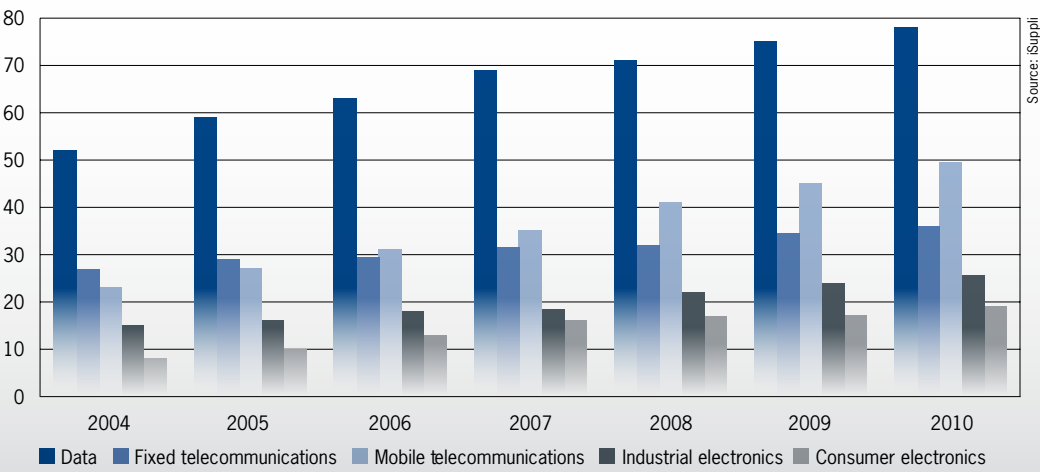
SEK m	2007	2006	2005	2004	2003
Summary Consolidated Income Statement					
Net revenue	1,743.8	1,741.5	1,504.1	1,103.1	859.2
Gross profit/loss	224.6	206.5	54.2	126.0	94.1
Operating profit/loss	111.9	103.6	-64.3	29.3	74.4
Profit/loss after financial items	103.8	96.2	-73.1	19.5	63.0
Profit/loss for the period	78.2	68.6	-55.7	13.6	44.2
Summary Consolidated Balance Sheet					
Assets					
Fixed assets	200.6	167.7	184.5	144.6	147.2
Current assets	747.5	720.5	627.3	592.3	516.0
Total assets	948.1	888.2	811.7	736.9	663.2
Shareholders' equity and liabilities					
Shareholders' equity	327.4	268.1	205.1	265.7	146.7
Long-term liabilities	140.1	157.9	107.9	149.8	215.9
Current liabilities	480.6	462.2	498.7	321.4	300.6
Total shareholders' equity and liabilities	948.1	888.2	811.7	736.9	663.2
Cash flow, group					
Cash flow from operating activities	48.3	46.8	69.9	19.5	-12.1
Cash flow from investing activities	-48.8	-22.0	-79.5	-33.9	-51.5
Cash flow	-0.5	24.8	-9.6	-14.4	-63.6
Cash equivalents at the beginning of the period	18.8	9.1	20.1	8.0	3.3
Cash flow	-0.5	24.8	-9.6	-14.4	-63.6
Cash flow from financing activities	20.2	-15.1	-1.5	26.5	68.3
Cash equivalents at the end of the period	38.5	18.8	9.1	20.1	8.0
Consolidated key figures					
Margins					
Operating margin, %	6.4	5.9	-4.3	2.7	8.7
Profit margin, %	6.0	5.5	-4.9	1.8	7.3
Returns					
Return on operating capital, %	21.4	22.5	-14.3	6.6	21.0
Return on equity, %	26.3	29.0	-23.7	6.6	37.0
Capital structure					
Operating capital (average)	521.9	459.9	449.1	445.4	355.1
Interest-bearing net debt	246.3	223.4	233.7	194.8	285.3
Equity to assets ratio, %	34.5	30.2	25.3	36.1	22.0
Net debt/equity ratio, multiple	0.8	0.8	1.1	0.7	2.0
Interest coverage ratio, multiple	7.1	12.3	-6.1	2.7	6.0
Capital turnover rate (operating capital), multiple	3.3	3.8	3.3	2.5	2.4
Employees					
Sales per employee	1,489	1,545	1,371	1,239	1,262

Information for 2004–2007 is stated pursuant to IFRS, and is not directly comparable with the data for 2003. The yield calculations have been modified to the Swedish Association of Financial Analysts' recommendations and re-stated for the comparative years 2003–2006.



NOTE IS ACTIVE IN THE **E**
MANUFACTURE OF ELE
THROUGH THE VALUE C

Global EMS sales, USD m



The EMS market

NOTE is active in the EMS (electronics manufacturing services) market, the market for the contract manufacture of electronics. NOTE offers services right through the value chain, from design to after-sales. Highly developed sourcing and logistics are key success factors.

EMS – a market in transformation

The global EMS market is now in a rapid and extensive change process. From previously, fairly high and consistent market growth in Sweden, the Nordic region and Europe, a significant transfer of production capacity to Central Europe and Asia has occurred. For example, sector commentator iSuppli reports that in 2006–2007, EMS in Poland traced an annual growth rate of some 12%, while average production growth in Sweden and the rest of Europe was a modest 1%. The pattern is similar between most low-cost and high-cost regions.

More buyers choosing a single strong outsourcing partner

NOTE expects the manufacturing outsourcing trend to continue its robust progress. An increasing number of companies are focusing on their core business, outsourcing production and maintenance to collaboration partners, thus avoiding tying up capital in production equipment and inventories. With a single partner specializing in the whole value chain – from design and production to logistics and delivery – customers gain access to state-of-the-art technology and skills at a lower price, while simultaneously, sharing costs with other companies. Meanwhile, resources are freed up, which can be applied to core business, such as development, sales and marketing. By getting involved at an early stage, NOTE can offer cost-efficient and complete solutions that create value for the customer. NOTE has accumulated an extensive body of knowledge

MS MARKET, THE MARKET FOR THE CONTRACT MANUFACTURE OF ELECTRONICS. NOTE OFFERS SERVICES RIGHT THROUGH THE VALUE CHAIN, FROM DESIGN TO AFTER-SALES.

This transfer has left its mark on NOTE's strategy, which involves starting up Near-sourcing Centres for product development and servicing close to the customer and its end-market, combined with materials sourcing and production capacity tailored to product phase and cost situation. NOTE's business model incorporates high flexibility, alleviating cyclicity and sensitivity to fast changes in the cost situation in different regions.

iSuppli estimates the total EMS market continuing to grow by some 10% annually, with continued sizeable variations between regions and segments.

of production processes and technology over many years.

Backed by NOTE's resources, customers enhance their prospects of faster realignment as costs situations and end-customer needs change.

Operations and offering

NOTE's value chain has five links, which together comprise a complete services offering in the manufacture of electronics-based products.

Development

The development and design part of NOTE's assignments is increasing, for reasons including more stringent standards applying to product performance at competitive prices. Accordingly, NOTE offers product development, PCB layout, test development, cost optimization and technology developments services and active support in component selection. These services are closely linked

knowledge of development, design, testing, production, logistics and after-sales.

- Production of prototypes and environmental testing
- Dedicated prototyping facilities
- Short lead-times – focus on time to market
- Status reporting

Series production

Production is planned on the basis of technology and cost-efficiency to optimize every phase of the process. NOTE has broad production capacity extending from high-tech

NOTE'S VALUE CHAIN HAS FIVE LINKS, WHICH OFFERING IN THE MANUFACTURE OF ELECTRONICS

to production environments, and address companies in the start-up phase ahead of series production and those that need development services only. One of NOTE's objectives is to achieve good "design for manufacturing", i.e. developing products that can be manufactured simply and cost-efficiently.

- Advisory services in development processes
- Developing prototypes
- Developing and designing hardware
- Developing test software and systems
- Product tests
- Production aid

NPI

Considering production issues that limit the total cost of ownership are becoming increasingly important early in product development phases. NPI, NOTE Product Introduction, is a complete technology, marketing and development process for companies on the verge of launching a new product on the market. NOTE brings its experience and

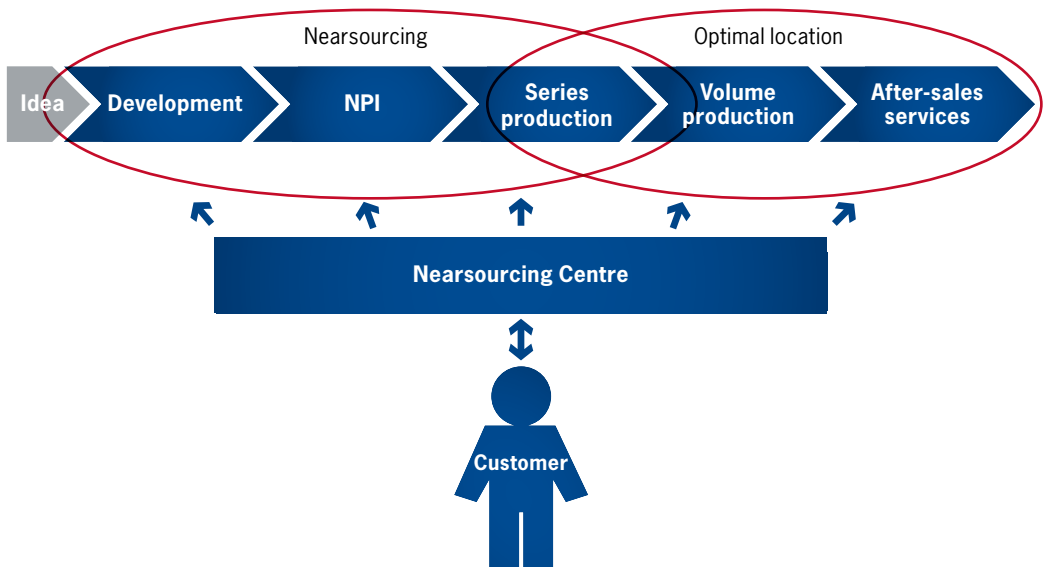
products close to development and the market, to cost-efficient series production in low-cost regions. NOTE's plants offer specialist production know-how in four core segments:

- Development
- Small-scale series production
- Manual production
- Collaboration close to the customer

High-volume production

Staying one step ahead of competitors requires access to the right technology, production and logistics. In such cases, it is important to have suppliers that possess know-how and capacity. With its facilities in Poland, the Baltic region and China and NOTE's global contacts in the EMS-ALLIANCE, NOTE ensures high-quality and cost-efficient production close to the end-customer.

- High volumes
- Round-the-clock production
- Flexible production capacity
- Closeness to end-customers



Nearsourcing Centres give customers access to NOTE's full services offering. The goal is to help customers succeed on their markets, regardless of where their products lie in the value chain. This might mean conducting product development close to customer, while manufacturing the product in a completely different continent, close to end-customers.

TOGETHER COMPRISE A COMPLETE SERVICES ONICS-BASED PRODUCTS.

After-sales services

NOTE offers services throughout product life-cycles, including customer-specific services and servicing direct to product end-customers. After-sales services are not merely a link in the product chain but can also be utilised separately.

- Product repairs
- Product redesign
- Analysis and proposals for enhancements
- Product documentation
- Maintenance of test platforms
- Spare parts management
- Test rationalisation
- Distribution

Box build

Increasingly, NOTE is supplying complete, box build products. This is particularly suitable for customers that have a real need to focus on core business. NOTE's box build services satisfy the market's increasing demand for effective logistics, short time to market and firm cost control.

- Developing tests
- Production
- Production modification



One example of box build is this robust, water-resistant computer used in forklift trucks to aid inventory administration.

Speed up your business

Staying one step ahead of the competition requires a combination of the right technology, production and logistics. With experience, know-how, in-house development and production capacity tailored to customers' product life-cycles in northern Europe and Asia, and global contacts in the *ems-ALLIANCE*, NOTE can ensure high-quality and cost-efficient production close to end-customers.

Nearsourcing

Geographical presence is a prerequisite for growth on a market.

Nearsourcing is one of NOTE's fundamental basic concepts and has been created to build in all the services necessary in early product launch phases. This confers short time to market, i.e. the time from initial idea to the product reaching the final market.

of know-how between parties. This necessitates high flexibility in the introduction phase, before the product and market are ready for series production. Prototypes can be prepared and modified quickly in a Nearsourcing Centre.

A number of Nearsourcing Centres will be able to provide customers with servicing and useful development services. In 2007, a new Nearsourcing Centre was developed in Oslo. More Centres will be started up across northern Europe in 2008.

Key facts on the Oslo Nearsourcing Centre

- Approximately 20 employees
- Offers NOTE Product Introduction
- High capacity for series production in all cost situations
- PCB design experts
- New machinery and PCB surface-mounting line
- Design for manufacturing – developing products that can be produced simply and cost-efficiently

NEARSOURCING IS A UNIQUE BUSINESS MODEL
COST-EFFICIENT PRODUCTION FOR OUR CUSTOMERS
MASSIVE MARKET WHILE ALSO REDUCING RISKS

Nearsourcing is a cost-efficient alternative that creates high profitability potential for customers. The transfer of series production to cost-efficient regions can be tailored to product life-cycles, reducing risks and improving margins.

From an investment perspective, there is a big difference between a Nearsourcing Centre and a complete production plant. From the customer's perspective, however, there is no difference because a Centre is a gateway to the NOTE group's production units. Nearsourcing consists of three parts:

1 Nearsourcing Centres

Close collaboration with customers and geographical closeness are important. When starting up, projects often need a lot of modification and an extensive exchange

Why Oslo?

- A growth region
- Substantial market potential

2 The NOTEfied preferred parts database

NOTE is creating opportunities for more efficient industrial processes and faster launches through channels including selecting the right components back in the design phase. NOTE's customers have access to a unique proprietary preferred parts database, NOTEfied (the NOTE Fast Introduction Engineering Database), enabling simple election of components that are suitable and available.

NOTEfied has features including direct links to customers' design systems. Thus product developers and designers can 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 launched in 2007 and will be rolled out to more customers progressively.

Then	Now
Multiple parts catalogues to search through	All component data in one place
Multiple websites to search on	One website – always updated
Too much choice	Right component choices immediately
Uncertain availability	Availability status immediately visible

NOTE Components is the group's central sourcing unit that co-ordinates purchasing agreements group wide. The sourcing function is supported by a sourcing system linked to vendors and the NOTEfied preferred parts database that is accessible to NOTE's customers.

NOTE Components cuts the cost of materials in different ways. By searching for component alternatives and constantly evaluating new vendors, but first and fore-

between product groups, with specialist knowledge to track market trends. Price negotiations are conducted at different times for product groups, to make agreements at the best time. This gives customers the optimal price.

3 Volume production in cost-efficient countries
NOTE offers its customers a range of possibilities for production in cost-efficient countries. Partly in its facilities in Eastern Europe and China, and partly through the multinational ems-ALLIANCE network.

Why Nearsourcing?

- Closeness to customers
- Faster market launches
- New product innovations
- Prototype development
- Test development
- Design for series production

NOTE Competence Partner

There is a fast-growing need for management, skills and work process resources in

ODEL THAT COMBINES VOLUME GROWTH AND
OMERS. WITH NEARSOURCING, WE ACCESS A



Arne Forslund, NOTE's President and CEO

most, by negotiating with existing suppliers. The system also searches for new purchasing channels in cost-efficient regions.

Because the cost of materials is often over 60% of the total cost of finished products, these agreements are highly significant. Product design can also be tailored to achieve higher cost-efficiency, a process conducted in close collaboration between the customer, NOTE Components and NOTE's development function.

NOTE Components has sourcing offices in Europe and Asia, employing specialist teams that cover vendors of production materials worldwide.

The expansion of the sourcing centre in Gdansk, Poland, which negotiates all the pricing of production material for the group, continued in 2007. This work is divided

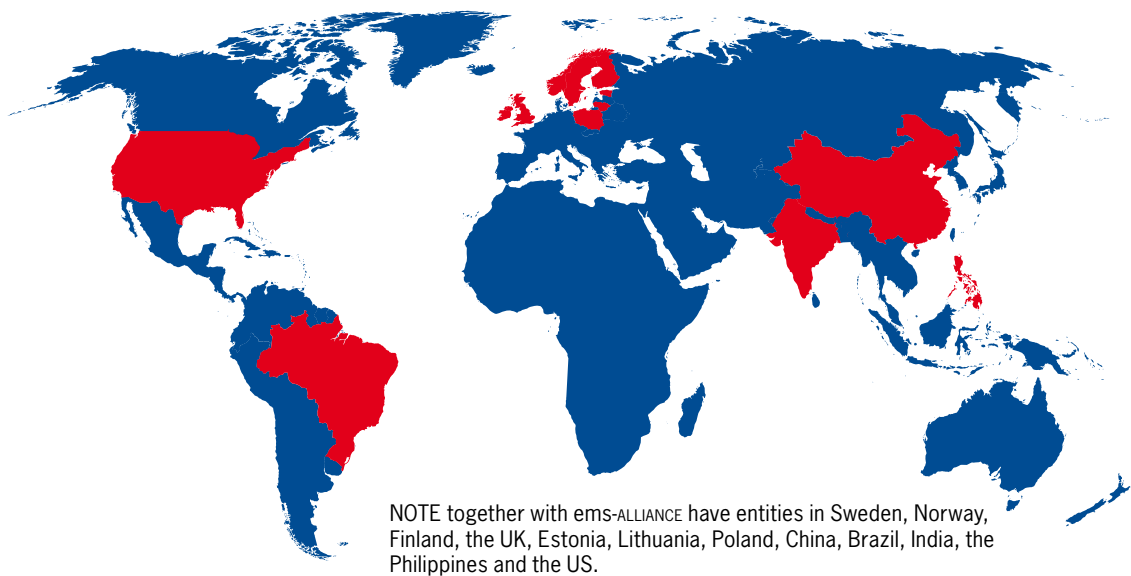
the electronics sector, and accordingly, in autumn 2007, NOTE started building up NOTE Competence Partner, which offers NOTE's customers and suppliers a range of services in engineering, management and training.

NOTE Lean Strategy

Lean is a concept that rationalises all parts of a business, and thus increases productivity while simultaneously cutting costs. The goal of NOTE Lean Strategy is for NOTE to be a world-class player in terms of quality, delivery, cost control and growth. High customer satisfaction is a constant driver in this work.

The Kaizen method is the foundation for continuous improvement of internal and external working methods. These actions do not only affect production, but also extend to administration.

Organisation and growth-promoting measures



NOTE together with ems-ALLIANCE have entities in Sweden, Norway, Finland, the UK, Estonia, Lithuania, Poland, China, Brazil, India, the Philippines and the US.

“IONICS EMS IS ONE OF ASIA’S LEADING COST-EFFICIENT PRODUCTION CAPACITY IN NEED PRODUCTION IN ASIA”

Arne Forslund, NOTE’s President and CEO

Organisational resources

The parent company is located in Danderyd outside Stockholm, Sweden, and has NOTE’s Management and the central functions of Accounting, Sales and Marketing, Sourcing, IT, Communication, Lean Strategy, Human Resources and Operations, which control and co-ordinate development and production units.

Joint venture with Ionics EMS

In 2007, NOTE and Ionics EMS incorporated the joint venture IONOTE Ltd. NOTE acquired 50% of the shares of Ionics EMS’s facility in Tangxia, China.

Arne Forslund, President & CEO of NOTE, on the Ionics deal:

“Ionics EMS is one of Asia’s leading EMS vendors. The acquisition brings us cost-efficient production capacity in Asia. The

facility and machinery are completely new and there is trained, skilled staff on site. We will be using this unit for existing and new customers. We’ve already got customers in the Telecom and Industrial segments that need production in Asia. This initiative also means us enhancing our role as a long-term partner for large customers.”

Key facts on Ionics EMS and the Tangxia facility

- Ionics EMS is one of Asia’s leading EMS vendors with centrally located facilities in the Philippines and China
- A member of the ems-ALLIANCE
- The Tangxia plant covers the whole value chain from development to finished products
- Ionics EMS is listed on the Singapore Stock Exchange
- ISO 9001:2000 and ISO 14000 certified

Why Ionics EMS?

- Asian presence gives customers more cost-efficient production alternatives
- Production close to a growth market offers short time to market
- Cultural similarities generate smooth processes
- Secure business partners, secure deliveries

Joint venture with Fideltronik

In autumn 2007, NOTE started a joint venture with Polish corporate group Fideltronik. Fideltronik's facility in Krakow was acquired through joint venture NOTEFideltronik S.A.

Arne Forslund, President & CEO of NOTE, on the collaboration with Fideltronik:

"Fideltronik is easily Poland's largest privately owned EMS vendor. Our joint venture is based on Fideltronik's existing plant in Krakow and has about 220 staff. The joint venture gives us access to more cost-efficient production capacity in Poland, to add to our other international plants in the Baltic region and China. This new business also helps enhance NOTE's product and test development skills. We are enhancing our offering in the growing market for complex, labour-intensive products."

In order to strengthen its sales force further, NOTE divided its sales resources into two units – Maintain & Grow and New Sales – in January 2008. Maintain & Grow manages and develops existing customer relations. New Sales is focused on creating new customer contacts, and taking on customer needs in the initial phase. This new structure frees up significant resources for new business in new and existing accounts.

More capacity through the ems-ALLIANCE

The multinational ems-ALLIANCE network is an important part of NOTE's strategy. The collaboration was initiated by NOTE in 2001 and includes independent electronics producers in four continents. One of the reasons for starting the alliance was the demand for international production. Often, customers want global suppliers who can manage small and large-scale production volumes locally and globally, which means

EMS VENDORS. THE ACQUISITION BRINGS US ASIA. WE'VE ALREADY GOT CUSTOMERS THAT

Key facts on Fideltronik and the Krakow facility

- Eastern European presence offers more alternatives for production costs
- Complete processing from product development to finished product and logistics services
- Lean Strategy production
- ISO 9001:2000, ISO 14000 and ISO 18000 certification

Why Fideltronik?

- A cost-efficient European alternative
- Closeness to end-customers and markets
- Low transport costs in the EU

New sales structure to increase growth

NOTE is endeavouring to become a strategic partner that participates in its customers' growth. To succeed, NOTE has rolled out major sales initiatives, with results in 2007 including new collaborations with Kongsberg Defence & Aerospace, Schneider Electric and Atlas Copco.

that production can be conducted close to product final markets. This production collaboration means NOTE not only satisfies customer needs for close-to-market production, but also more cost-efficient production. In 2007, NOTE's collaboration partner Ionics EMS is affiliated to the network, which now has members in Brazil, the Philippines, India, Sweden and the US.

Quality, environment and Human Resources



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 traceable objectives that can be tailored quickly to customer needs.

Environment

NOTE promotes long-term sustainable development by producing with the minimum possible environmental impact. NOTE complies with, or exceeds, applicable environmental legislation, works on continuous improvement and communicates its current environmental policy.

Quality and environmental activities

The group utilizes the NOTE QS quality assurance system, which was created on the basis of the automotive industry's ISO/TS16949 quality assurance system, integrating it with NOTE's many years' experience of electronics production.

Environmental awareness also features in all parts of our business. 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. Environmental awareness should also feature in other parts of business, such as sourcing, waste management and transportation.



Human Resources

- There were 1,213 (1,137) employees at year-end
- Of this total, 570 (563) were women and 643 (574) were men

NOTE Academy

NOTE's overall skills enhancement and organisational development function is called NOTE Academy. The Academy co-ordinates all internal and external training packages, from language courses to programs for technology specialists. These packages are tailored to satisfy differing needs and staff groups.

The purpose of NOTE Academy is to develop the whole business consistent with the company's strategy for the long term. With high skills levels, professionalism and constant improvement of efficient processes, NOTE will be an attractive partner for its customers.

By concentrating its skills enhancement, the group secures consistent and high training quality, while training procurement becomes more efficient.

An organisational development package was started in 2007, focusing on creating efficient leadership and committed staff. All NOTE employees have received this training.

NOTE promotes:

- a strong corporate culture where everyone feels – and takes – responsibility;
- an open climate that creates a sense of security;
- an environment where staff are stimulated and take responsibility for making continuous progress.

Corporate governance

The control, management and monitoring of NOTE are divided between the shareholders at the AGM (Annual General Meeting), the Board of Directors and President, pursuant to the Articles of Association and the Swedish Companies Act. The Swedish Corporate Governance Code ("the Code") is being progressively introduced into the company. NOTE complied with the majority of the Code's stipulations in the financial year 2007.

AGM 2007

NOTE's AGM is its supreme decision-making body. In 2007, the AGM was held on 25 April in Norrtälje, Sweden.

Election Committee

The Election Committee represents the shareholders; its task is to submit proposals to the AGM regarding Board members, the Chairman of the Board and their fees. Additionally, the Committee submits proposals on potential remuneration for committee work and the election and remuneration of external auditors. The members of the Election Committee are representatives of the company's three largest shareholders as of the end of October 2007. This year, the Election Committee members were Ulf Strömsten, Chairman, representing Catella Fonder AB, Charlotta Faxén representing Carnegie Fonder and Kjell-Åke Andersson representing personal holdings.

This group represents shareholders with some 41% of the equity and voting rights. The Election Committee's proposals are stated in the notice convening the AGM.

Board of Directors

The overall purpose of the Board of Directors is to manage the company's affairs optimally on behalf of the shareholders.

The Board regularly considers the group's financial situation and determines budgets and annual financial statements. The Board of Directors is also responsible for formulating and updating the company's strategies through plans and goals, decisions on acquisitions and divestments of businesses, major investments, the appointment and remuneration of the President and senior executives, as well as monitoring operations in the year.

Each year, the Board of Directors also prepares the approval's list, finance policy, instructions for financial reporting and for the Board, and procedural rules whose purposes include formalizing the division of responsibility between the Board and President, alongside the instructions for the President.

NOTE's Board of Directors has seven members, elected by the AGM. The Board has an all-round composition with sector knowledge and skills from Board activities and managing listed companies, as well as finance, accounting, restructuring and strategic development. Ahead of each Board meeting, the members receive a written agenda with decision-support data. Each meeting includes a review of current business conditions, the group's profits and financial position, outlook for the remainder of the year and selected matters such as strategy, marketing and sales, budgets and long-term business planning.

The Board of Directors has appointed Göran Jansson as its contact with the management on issues such as accounting, remuneration to senior executives, acquisitions and internal controls.

Board activities in 2007

The Board of Directors held ten meetings in the year at which minutes were taken, four

of which were held as telephone conferences. The Board meeting following election was held on 25 April 2007. Attendance at Board meetings was good in the year (95%). The company's Chief Financial Officer served as secretary in the year. Other company employees have made presentations at Board meetings.

Apart from the normal agenda, important matters considered in 2007 included the acquisition of production capacity in China and Poland, remuneration models and stock option plans for senior executives, revising the group's financial goals and the acquisition of a business in the UK, completed in January 2008.

Chairman

Bruce Grant was elected Chairman of the Board at the AGM of NOTE AB on 25 April 2007. On the same date, at the Board meeting following election, Per-Arne Sandström was elected Deputy Chairman. The Chairman of the Board leads the Board's activities and ensures that they are conducted pursuant to the Swedish Companies Act and other relevant legislation. The Chairman is also responsible for maintaining ongoing contacts with the corporate management and for verifying that the Board's decisions are executed in a suitable manner.

Remuneration for the Board of Directors

Fees for the Board of Directors resolved by the AGM for the mandate period amounted to SEK 750,000. Fees for committee work amounted to SEK 60,000. The division between members is stated in note 7.

Corporate management

The President leads activities within the framework stipulated by the Board, prepares the necessary information and

decision-support data for Board meetings, presents the issues and reviews proposals for decision. The President leads the corporate management's activities.

At year-end 2007, the corporate management comprised Arne Forslund, CEO, Jörgen Lindell, Vice President of Sales & Marketing, Henrik Nygren, Executive Vice President and CFO, Knut Pogost, Executive Vice President, CSO and President of NOTE Components AB and Annica Westerman, Vice President of Human Resources.

Remuneration

In 2007, the bonus scheme for some 15 executives, involving performance-related pay linked to the group's growth, profits and cash flow, generated a pay-out totalling SEK 1,300,000. Information on remuneration to senior executives is stated in note 7.

Auditors

Authorised Public Accountants Lennart Jakobsson and Anders Malmeby were appointed auditors of NOTE AB with a mandate period of four years, at the AGM 2004. Accordingly, the next election of auditors is at the AGM 2008. Mr. Jakobsson has many years' auditing experience of small and medium-sized enterprises, and is also head of KPMG's offices at Uppsala. Mr. Malmeby has many years' experience of working for listed corporations, has been Chairman of FAR (the Institute for the Accounting Profession in Sweden) and is stationed at KPMG's offices in Stockholm. The auditors have audited the Annual Report, Consolidated Financial Statements and accounting records, and the management by the Board of Directors and President. The auditors reported the observations from this process in their review of the group's financial reporting. Remuneration to the auditors is stated in note 8.

Report of the Directors

OPERATIONS

NOTE is one of the Nordic region's leaders within manufacturing and logistics services for electronics-based products. NOTE is active on the EMS (Electronics Manufacturing Services) market – the contract manufacture of electronics products. NOTE's business model integrates sophisticated EMS services close to customers geographically – Nearsourcing – with efficient volume production at NOTE's international plants.

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 and a representative office in China.

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 2007

Strategic development

For over two years now, NOTE has worked extensively on developing a unique business model. This process was intensified by the appointment of its new Board of Directors in spring 2007. This new business model – Nearsourcing – is intended to increase growth and profitability, while simultaneously reducing the risks of its operations. The model is based on volume production in cost-efficient countries, implementing the NOTEfied preferred parts database as a support to sourcing and development processes, and cost-efficient development work close to the customer, which cuts customers' time to market.

As part of the implementation of this business model, last autumn, NOTE expanded its production capacity in cost-efficient countries through the start-up of new joint venture plants in China and Poland, which created the prospects for cutting costs in high-cost countries. One consequence of this process was that early this year, NOTE issued redundancy notices to 124 employees in Sweden. Skills within the sourcing segment were also enhanced by the build-up of the central sourcing operation in Gdansk. Meanwhile, market reaction to the launch of the NOTEfied preferred parts database exceeded expectations.

NOTE's profitability has performed strongly in recent years, primarily a result of cost rationalisations. Although cost rationalisations will continue at full speed, NOTE's focus has moved to increasing growth.

The trend towards increased outsourcing in manufacturing is expected to offer healthy growth opportunities on current markets. NOTE also intends to increase its presence aggressively on new geographical markets. The acquisition of a UK company in January 2008 is a clear example of initiatives to lift growth for the long term. The intention is to accelerate this process, by starting up more operations close to the customer on new markets as early as 2008.

Sector commentator iSuppli expects the highest growth on the EMS market to be sourced from customers in the Industrial segment, where the majority of NOTE's customers are active.

Significant events in the financial year

New Board of Directors

A new Board was elected at the Annual General Meeting (AGM) on 25 April 2007, consisting of Bruce Grant (Chairman), Per-Arne Sandström (Deputy Chairman), Arne Forslund (President and CEO), Kjell-Åke Andersson, Håkan Gellerstedt, Göran Jansson and Hans Johansson.

Reinstated President & CEO

Arne Forslund was reinstated as NOTE's President and CEO at the AGM. Kaj Samlin, who held these positions for just over two months, left NOTE at the same time. Mr. Forslund was NOTE's President and CEO from November 2005 to 15 February 2007.

Launch of NOTEfied, the preferred parts database

NOTEfied, the NOTE Fast Introduction Engineering Database, is a preferred parts database of technical and commercial information direct from component vendors. The database was included in the acquisition of NOTE Oslo, and after enhancements, is now one of the foundations for implementing the Nearsourcing business model. NOTEfied gives customers simpler, faster and more secure materials flows from the right strategic parts choices to finished products. The system helps cut the total cost of products and reduces customers' time to market.

Collaboration with Kongsberg

In June, NOTE signed a long-term collaboration agreement with Kongsberg Defence & Aerospace (KDA) of Norway, implying KDA approving NOTE as a supplier of production and a wide range of product development services. This collaboration with KDA is largely a result of the acquisition and start-up of the Nearsourcing operation NOTE Oslo.

Extended collaboration with Schneider Electric

Elari of Finland extended its production collaboration with NOTE on a lighting range equipped with wireless dimmers for buildings. Elari is a subsidiary of the Schneider Electric group, a world-leading lighting and fire safety equipment vendor. The transfer of production from Elari's plant to NOTE Pärnu in Estonia began as planned in the third quarter.

Collaboration agreement with Atlas Copco

NOTE reached a group-wide collaboration agreement with Atlas Copco in July. Atlas Copco Rock Drills has had a close collaboration with NOTE Torsby for several years.

Restructuring of NOTE Nyköping-Skänninge

In late-2006, NOTE Nyköping-Skänninge concentrated all PCB assembly on the company's large facility at Skänninge. In the second quarter 2007, all remaining production was transferred from Nyköping to Skänninge. This measure is a result of rationalization that began in 2006. In total, this restructuring measure means headcount will be downsized by some 25 employees.

A new facility for NOTE Norrtelje

NOTE Norrtelje's new state-of-the-art facility was opened in September. After completed investments, the facility is well equipped and tailored for high-tech production. The new facility will also house NOTE Academy's training activities.

Acquisition of production capacity in China

A strategic collaboration was initiated with Ionics EMS of the Philippines, one of Asia's EMS leaders, in September. The first phase of this collaboration was the acquisition of 50% of Ionics EMS's facility in Tangxia, southern China. The facility was started up in 2005 and has trained, skilled staff with contemporary production equipment. The intention is to offer existing and new customers cost-efficient production in China and Asia.

Acquisition of production capacity in Poland

In October, NOTE signed an agreement to acquire 50% of the shares of a new joint venture with Polish EMS company Fideltronik. The joint venture, NOTEFideltronik S.A., is based at Fideltronik's plant in Krakow and has some 220 staff. The intention is to progressively transfer labour-intensive assembly to the plant, and focus production exclusively for NOTE's customers.

New share-based incentive scheme

In November, under the auspices of a new incentive scheme and in consultation with the Board of Directors, NOTE's main shareholder Catella decided to issue a maximum of 500,000 call options in NOTE to over 50 senior executives. The valuation and sale of these call options was on market terms. 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 their exercise price is SEK 125 per share.

Dispute in arbitration

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 has contested all the claims in this case. In December, the customer invoked arbitration of this dispute at the Stockholm Chamber of Commerce Arbitration Institute. NOTE considers that all costs associated with this case are correctly reflected in its financial statements for the current year.

SALES AND PROFIT

Group

Sales grew slightly in the year, amounting to SEK 1,743.8 (1,741.5) m. As planned, new acquired operations exerted a limited impact on consolidated total sales.

Sales to customers in the Industrial segment, which generates most of NOTE's sales, were largely unchanged year on year.

However, demand from customers in the Telecom segment is inherently more unstable over time than other segments. In the first quarter, sales in Telecom progressed robustly, and were over 40% higher than the previous year. However, demand levelled off significantly in the second half-year, with sales down 17% year on year.

Despite largely unchanged total sales and sharp demand fluctuations, gross margins progressively improved through the year. For the full year, gross margins improved by 1.0 percentage points to 12.9% (11.9%). The margin gains were mainly the result of cost-cutting, good staffing flexibility at Swedish units and production and logistics rationalizations conducted. Improved sourcing co-ordination is a key strategic initiative within NOTE, aimed at increasing the group's long-term profitability. Accordingly, within Components, a group-wide sourcing function in Gdansk was started in 2006. The sourcing function progressed as planned, although the new working methods had only a limited positive impact on margin growth in the year.

Operating profit grew by 8% to SEK 111.9 (103.6) m, mainly due to gross margin gains. Operating margins improved by 0.5 percentage points to 6.4% (5.9%).

Staff hiring, particularly within marketing, resulted in overheads being 6% higher than the previous year. Overheads also include all costs at group and subsidiary level related to the change of President, totalling some SEK 4 m.

Higher interest rates contributed to net financial income/expense of SEK -8.1 (-7.4) m. Profit after financial items increased by 8% to SEK 103.8 (96.2) m, and profit margin expanded to 6.0% (5.5%). Profit after tax amounted to SEK 78.2 (68.6) m, corresponding to SEK 8.13 (7.13) per share.

Parent company

The parent company NOTE AB (publ) is mainly focused on managing, co-ordinating and developing the group. Parent company revenue was SEK 34.9 (33.9) m for the year, primarily derived from intra-group services sales. The loss after financial items was SEK -13.8 (-3.3) m including costs arising from the change of President in the parent company of just over SEK 2 m.

Transactions with close relations are detailed in note 32, Close relations.

FINANCIAL POSITION AND LIQUIDITY

NOTE has a sharp focus on progressively improving the group's cash flow, the primary aim being to enhance efficiency and balance the business risks of operating activities.

Like other medium-sized EMS corporations, NOTE faces a major challenge in continually rationalising its stock control and logistics. This is particularly apparent in rapid demand upturns and downturns, and is primarily associated with the complexity of electronics production and long lead-times for electronic components.

Lower-than-expected demand, mainly from Telecom customers, contributed to a significant stock build-up in the summer. However, NOTE was able to reduce its inventories in the fourth quarter by over SEK 67 m (17%), to a level 6% higher than at the beginning of the year.

As a result of these reduced inventories, accounts payable also reduced sharply in the fourth quarter. Accounts receivable at year-end were mainly the result of lower volumes in the fourth quarter, 5% down on 1 January. Cash flow from operating activities for the full year was SEK 48.3 (46.8) m. An increased rate of investment resulted in full-year cash flow of SEK -0.5 (24.8) m, or SEK -0.05 (2.58) per share.

The equity to assets ratio at the end of the year was 34.5% (30.2%), a 4.3 percentage point increase since the previous year-end.

Liquidity was positive at the end of the period. Available cash equivalents including un-utilised overdraft facilities were SEK 94.4 (81.4) m.

INVESTMENTS

The rate of investment increased in the year due to the aggressive implementation of the Near-sourcing business model. Total net investments were SEK 48.8 (22.1) m. Depreciation and amortisation was SEK 27.7 (30.5) m.

Net investments in tangible fixed assets were SEK 36.8 (26.0) m, or 2.1 (1.5)% of sales.

In the fourth quarter, NOTE acquired 50% of the shares of Ionics EMS's plant in China. Otherwise, the investments mainly related to increasing production capacity in the new facility at Norrtälje and wholly owned foreign operations, and a group-wide IT system for sourcing.

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 expenditure 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 were two shareholders with larger shareholdings of more than 10%, Catella Kapitalförvaltning with 20.8% of the voting rights and Carnegie Fonder with 12.8% of the voting rights.

The company's Board members are elected annually by the AGM; amendments to the Articles of Association are also subject to AGM approval.

The employment terms for the President include special rights regarding termination coincident with major changes of NOTE's ownership structure.

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 1,171 (1,127) in the year. At year-end 2007 NOTE had 1,213 (1,137) employees, of which 570 (563) were women and 643 (574) men.

Work attendance was 97.0 (96.7)% of regular working-hours in NOTE's Swedish operations and staff turnover was 7.8 (3.0)%. Total group work attendance was 95.8 (95.5)% of scheduled working-hours and staff turnover was 12.0 (4.6)%. 17.4 (16.0)% of all employees are graduates.

Diversity and equal opportunities

All employees should feel that they are unique, are equally valuable, and all should 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 our 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 over-arching skills enhancement and organisational development function is called NOTE Academy, which co-ordinates all internal and external training programmes. Programmes are tailored to satisfy differing needs and staff groups. The purpose of the Academy is to develop the whole operation consistent with the company's strategy.

NOTE Academy offers training in:

- Leadership
- QA and environment
- Technology and finance
- Lean production

GUIDELINES FOR REMUNERATING SENIOR EXECUTIVES

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

The AGM 2007 resolved on the following guidelines for remuneration to senior executives:

Fixed 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. For the President, performance-related pay may be a maximum of 30% of fixed salary. For other senior executives, performance-related pay varies depending on position and contract, and may amount to between 5 and 30% of fixed 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 12 months.

The Board may diverge from these guidelines if there are special circumstances in individual cases.

The Board of Directors is proposing the following guidelines for remuneration to senior executives to the AGM 2008: fixed 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 fixed salary.

The pensionable age is 65. NOTE offers benefits similar to the ITP scheme.

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

The Board may diverge from these guidelines if there are special circumstances in individual cases.

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 communicate its current environmental policy.

Reporting obligation and accreditation

The group pursues operations subject to permits pursuant to the Swedish ordinance on environmentally hazardous activities and health (reference SFS 1998:899) in two Swedish subsidiaries, and to some extent, at one Swedish facility. All Swedish facilities report to their respective municipal environmental and health authorities annually directly or via landlords, because of these facilities' air conditioning installations.

Six of the group's facilities have ISO 14001 environmental accreditation. ISO accreditation sets the standards for internal monitoring. It is NOTE's responsibility to ensure compliance with applicable environmental legislation. In the event that NOTE was to become unable to demonstrate this for any reason, there is a risk that accreditation would cease, which might have negative market implications.

EU directives

The use of lead in soldering processes has been prohibited since 1 July 2006, although some customer segments are exempt. If exempted customers fail to realign production to lead-free components in time, there is a risk of materials shortages with the resulting delays or loss of production. This implies that NOTE uses parallel processes, placing considerable demands on ensuring that the components do not mix.

Discussion is currently underway in the EU regarding the use of brominated flame retardants. The consequences of a change in use could place new demands on NOTE's production processes, which could imply extra costs for NOTE.

New EU directives in the environmental segment generally imply alterations to production processes or the processing of components and waste products. There is a risk that new EU directives on waste management, regarding landfill of electronic waste for example, may be forthcoming. NOTE has not made any provisions for electronics waste from consumer electronics according to IFRIC 6, as NOTE does not have producer liability. This responsibility rests with the product owners.

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 may be a significant risk to 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 declining business cycles. 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 relatively limited as most of the group's invoicing is in SEK. Foreign currency expenses are largely hedged through binding contracts where customers cover the currency risk.

Transaction exposure is partly hedged using forwards contracts. The hedged currencies are USD and EUR. The group's customers are diversified across several sectors, limiting exposure to credit risk in accounts receivable – trade. Other group financial risks are reviewed in more detail in note 29, Financial risks and finance policy.

Foreign branches

NOTE has a representative office in the city of Shenzhen, in Guangdong Province, southern China. The start-up implied increased rationalisation of the group's sourcing processes, and easier quality assurance of products and components manufactured locally in China. The representative office employs eight people.

Statement on Board activities in the year

NOTE's Board of Directors comprises seven members appointed by the Annual General Meeting.

Each year, the Board of Directors adopts an approvals list, finance policy, instructions for financial reporting and for the Board, and procedural rules, which formalise activities including the division of responsibilities between the Board and President alongside the President's instructions.

A review of current business conditions, the group's profits and financial position, outlook for the remainder of the year and selected matters such as strategy, marketing and sales, budgets and long-term business plans are considered at each Board meeting.

Apart from the Board meeting following election, the Board held nine meetings where minutes were taken in the year. Other important matters considered in 2007 apart from the normal agenda were the acquisition of production capacity in China and Poland, stock option plan and remuneration models of senior executives, revision of the group's financial goals and acquisitions of an operation in the UK, conducted in January 2008.

EVENTS AFTER THE END OF THE FINANCIAL YEAR

The group's significant events after the end of the financial year are reviewed in note 38, events after the end of the financial year. There are no significant events to report for the parent company.

EXPECTATIONS OF FUTURE PROGRESS

Progress of demand for forthcoming quarters remains hard to judge.

However, extensive measures have been taken over the past two years to lay a foundation for future growth and improved profitability. Accordingly, the company perceives good prospects for the full year 2008 to exceed the previous year's sales and profits.

Considering the favourable composition of working capital at year-end, cash flow after investments is expected to progress positively, while the rate of investment is planned to increase further.

PROPOSED APPROPRIATION OF PROFITS

The Board of Directors propose that unappropriated profits of SEK 95,794,485 are appropriated as follows:

Dividend of SEK 2.75 per share, totalling	26,466,550
Carried forward	69,327,935
Total	95,794,485

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.

Consolidated Income Statement

SEK 000	NOTE	2007	2006
Net revenue	2-3	1,743,790	1,741,492
Cost of sold goods and services		-1,519,175	-1,534,988
Gross profit/loss		224,615	206,504
Other operating revenue	5	7,606	8,424
Selling expenses		-42,568	-39,526
Administrative expenses		-69,678	-66,836
Other operating expenses	6	-8,093	-5,016
Operating profit/loss	3, 7-9, 30	111,882	103,550
Financial income		1,783	1,122
Financial expenses		-9,838	-8,500
Net financial income/expense	10	-8,055	-7,378
Profit/loss before tax		103,827	96,172
Tax	12	-25,585	-27,556
Profit/loss for the period		78,242	68,615
Basic and diluted earnings per share (SEK)	22	8.13	7.13

Consolidated Balance Sheet

SEK 000	NOTE	31 Dec 2007	31 Dec 2006
Assets	4, 5, 15		
Intangible fixed assets	13	60,468	51,351
Tangible fixed assets	14	131,165	115,540
Long-term receivables	17	1,571	11
Deferred tax assets	12	7,374	858
Total fixed assets		200,578	167,760
Inventories	18	324,557	307,613
Accounts receivable – trade	19, 28, 29	346,997	363,455
Prepaid expenses and accrued income	20	16,759	13,034
Tax receivables		11,972	3,259
Other receivables	17	8,704	14,320
Cash equivalents	36	38,546	18,767
Total current assets		747,535	720,448
TOTAL ASSETS		948,113	888,208
Shareholders' equity	21		
Share capital (9,624,200 class A shares)		4,812	4,812
Other paid-up capital		148,100	148,100
Provisions		2,515	-51
Retained profit including profit/loss for the period		171,987	115,274
Shareholders' equity		327,414	268,135
Liabilities	4, 5, 15		
Long-term interest-bearing liabilities	23, 28, 29	108,441	132,407
Pension provisions	24, 25	10,964	10,398
Other provisions	25	700	1,801
Deferred tax liabilities	12	19,991	13,293
Total long-term liabilities		140,096	157,899
Current interest-bearing liabilities	23, 28, 29	165,380	99,378
Accounts payable – trade	28	186,016	259,228
Tax liabilities		18,794	4,919
Other liabilities	26	31,583	28,906
Accrued expenses and deferred income	27	66,529	65,636
Provisions	25	12,301	4,110
Total current liabilities		480,603	462,177
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		948,113	888,208

For information on the group's pledged assets and contingent liabilities, see note 31.

Consolidated Statement of Changes in Shareholders' Equity

SEK 000	Share capital	Other paid-up capital	Provisions	Retained profit incl. profit/loss for the period	Total shareholders' equity
Opening balance, shareholders' equity, 1 Jan 2006	4,812	148,100	1,302	50,895	205,109
Change in translation provision for the year	–	–	–1,353	–	–1,353
Total changes in net worth reported direct to shareholders' equity, excluding transactions with the company's shareholders	–	–	–1,353	–	–1,353
Profit/loss for the period	–	–	–	68,615	68,615
Total changes in net worth, excluding transactions with the company's shareholders	–	–	–1,353	68,615	–67,262
Dividends	–	–	–	–4,812	–4,812
Payment, warrants	–	–	–	576	576
Closing balance, shareholders' equity, 31 Dec 2006	4,812	148,100	–51	115,274	268,135

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

Consolidated Cash Flow Statement

SEK 000	NOTE	2007	2006
	36		
Operating activities			
Pre-tax profit		103,827	96,172
Reversed depreciation		27,724	30,536
Other items not included in cash flow		3,905	-7,375
Tax paid		-24,260	3,592
		111,196	122,925
Change in working capital			
Increase (-)/decrease (+) of inventories		-11,441	-19,041
Increase (-)/decrease (+) of trade receivables		24,849	-84,528
Increase (+)/decrease (-) of trade liabilities		-76,257	27,407
		-62,849	-76,162
Cash flow from operating activities		48,347	46,763
Investing activities			
Acquisitions of tangible fixed assets		-38,564	-26,843
Divestment of tangible fixed assets		1,770	865
Acquisitions of intangible fixed assets		-1,695	-1,058
Acquisitions of joint venture, net liquidity influence		-10,299	-
Acquisitions of subsidiaries/operations, net liquidity influence		-	-2,118
Divestment of subsidiaries/operations		-	7,157
Acquisition of financial assets		-	-7
Cash flow from investing activities		-48,788	-22,004
Cash flow before financing activities		-441	24,759
Financing activities			
Borrowings		69,612	-
Amortisation of loans		-28,295	-10,761
Payment, warrants		125	576
Dividends paid		-21,654	-4,812
Cash flow from financing activities		19,788	-14,997
Cash equivalents			
At the beginning of the period		18,767	9,070
Cash flow before financing activities		-441	24,759
Cash flow from financing activities		19,788	-14,997
Exchange rate differences in cash equivalents		432	-65
Cash equivalents at the end of the period		38,546	18,767

Parent Company Income Statement

SEK 000	NOTE	2007	2006
Net revenue	2	34,867	33,881
Cost of sold services		-10,398	-7,620
Gross profit/loss		24,469	26,261
Selling expenses		-19,125	-11,539
Administrative expenses		-22,903	-19,713
Other operating revenue	5	17	12
Other operating expenses	6	-53	-
Operating profit/loss	8, 30	-17,595	-4,979
<i>Profit/loss from financial items</i>			
Other interest income, etc.		6,506	4,297
Interest expenses, etc.		-2,743	-2,622
Profit/loss after financial items	10	-13,832	-3,304
Appropriations	11	-22,400	-10,074
Profit/loss before tax		-36,232	-13,378
Tax	12	9,968	4,194
Profit/loss for the period		-26,264	-9,184

Parent Company Balance Sheet

SEK 000	NOTE	31 Dec 2007	31 Dec 2006
ASSETS			
Fixed assets			
Intangible fixed assets	13	–	–
Tangible fixed assets	14	188	229
Financial fixed assets			
Participations in group companies	33	174,275	164,489
Participations in joint ventures	4, 34	18,648	–
Receivables from group companies	17	188,646	101,027
Receivables from joint ventures	17	2,489	–
<i>Total financial fixed assets</i>		384,058	265,516
Total fixed assets		384,246	265,745
Current assets			
Current receivables			
Accounts receivable – trade	19, 28	8	115
Receivables from group companies	16	177,018	115,385
Other receivables		7,707	8
Prepaid expenses and accrued income	20	2,539	834
<i>Total current receivables</i>		187,272	116,342
Cash and bank balances	36	7,618	838
Total current assets		194,890	117,180
TOTAL ASSETS		579,136	382,925
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	21		
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		122,059	78,162
Profit/loss for the period		–26,264	–9,184
Total shareholders' equity		248,768	221,951
Untaxed reserves	35	32,608	10,208
Long-term liabilities			
Liabilities to credit institutions	23, 28, 29	82,330	21,266
Liabilities to group companies		6,900	59,750
Other provisions	25	–	449
Total long-term liabilities		89,230	81,465
Current liabilities			
Liabilities to credit institutions	23, 28, 29	140,933	30,719
Accounts payable – trade		1,085	1,128
Liabilities to group companies		34,652	23,009
Current tax liabilities		16,954	7,048
Other liabilities	26	589	2,131
Accrued expenses and deferred income	27	6,266	4,816
Other provisions	25	8,051	450
Total current liabilities		208,530	69,301
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		579,136	382,925
Pledged assets and contingent liabilities for parent company			
Pledged assets	31	600	600
Contingent liabilities	31	35,676	172,465

Statement of Changes in Parent Company's Shareholders' Equity

SEK 000	Restricted equity		Non-restricted equity		Total shareholders' equity
	Share capital	Statutory reserve	Profit/loss brought forward	Profit/loss for the period	
Opening balance, shareholders' equity 1 Jan 2006	4,812	148,161	50,825	-682	203,116
Appropriation of profits	-	-	-682	682	-
Group contribution paid	-	-	-27,700	-	-27,700
Group contribution received	-	-	73,299	-	73,299
Tax attributable to items posted directly to shareholders' equity	-	-	-12,768	-	-12,768
Profit/loss for the period	-	-	-	-9,184	-9,184
Total changes in net worth, excluding transactions with the company's shareholders	-	-	32,149	-8,502	23,647
Dividends	-	-	-4,812	-	-4,812
Closing balance, shareholders' equity 31 Dec 2006	4,812	148,161	78,162	-9,184	221,951

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

Parent Company Cash Flow Statement

SEK 000	NOTE	2007	2006
Operating activities	36		
Profit/loss after financial items		-13,832	-3,304
Reversed depreciation		102	260
Other non-cash items		7,602	-543
Tax paid		-16,532	-1,728
		-22,660	-5,315
Cash flow from changes in working capital			
Increase (-)/decrease (+) of trade receivables		-43,875	2,553
Increase (+)/decrease (-) of trade liabilities		17,957	-7,029
		-25,918	-4,476
Cash flow from operating activities		-48,578	-9,791
Investing activities			
Acquisitions of tangible fixed assets		-61	-124
Divestment of intangible fixed assets		-	109
Acquisitions of financial assets		-34,454	-10,167
Cash flow from investing activities		-34,515	-10,182
Cash flow before financing activities		-83,093	-19,973
Financing activities			
Borrowings		128,971	25,213
Debt amortisation		-17,444	-
Dividends paid		-21,654	-4,812
Cash flow from financing activities		89,873	20,401
Cash equivalents			
At the beginning of the period		838	410
Cash flow before financing activities		-83,093	-19,973
Cash flow from financing activities		89,873	20,401
Cash equivalents at the end of the period		7,618	838

Notes on the financial statements

Note 1 Significant accounting principles

Consistency with standards and legislation

The Consolidated Financial Statements have been prepared pursuant to International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretation statements from the International Financial Reporting Interpretations Committee (IFRIC), which have been endorsed by the EU Commission for adoption in the EU. RR's (Redovisningsrådet, the Swedish Financial Accounting Standards Council) recommendation RR 30:06, Supplementary Accounting Rules for Groups, has been observed.

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

Basis of preparation of the Parent Company and Consolidated Financial Statements

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 Financial Statements, 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 Financial Statements were approved by the Board for issuance in March 2008. 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 18 April 2008.

GROUP

Revised accounting principles

The following new standards and interpretation statements were adopted when preparing the financial statements for 2007.

IFRS 7 Financial Instruments: Disclosures and associated amendments to IAS 1 Presentation of Financial Statements, has stipulations for extensive disclosures on the significance that financial instruments have for the company's financial position and profits, and qualitative and quantitative disclosures regarding the scope and character of risk. IFRS 7 and associated amendments to IAS 1 imply further disclosures in the Consolidated Financial Statements for 2007 regarding the group's financial goals and capital management.

The standard did not imply any revision of accounting principles, but only changes to the disclosure requirements regarding financial instruments. IFRIC 10 Interim Financial Reporting and Impairment prohibits the reversal of impairment conducted in a previous interim period regarding goodwill, an investment in an equity instrument or a financial asset reported at cost. IFRIC 10 is to be adopted in the Consolidated Financial Statements for 2007. The statement is to be adopted in advance from the time the group first adopted the impairment rules of IAS 36 and the valuation rules of IAS 39, i.e. regarding goodwill on 1 January 2004 and financial instruments on 1 January 2005. Because no such reversals occurred, the statement has no effect on the Consolidated Financial Statements.

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 2008 onwards and have not been adopted when preparing these financial statements.

IFRS 8 Operating Segments states what an operating segment is and the information to be presented regarding them in the financial statements. The standard is to be adopted for financial years starting 1 January 2009 or later. Earlier adoption is permitted.

Amendments of IAS 23 Borrowing Costs, state that borrowing costs directly attributable to procurement, design or production of assets that consume considerable time to complete for intended usage or sale must be capitalized. This amendment is to be adopted for financial years beginning 1 January 2009 or later. Earlier adoption is permitted.

IFRIC 11 IFRS 2: Group and Treasury Share Transactions, the interpretation statement clarifies how an equity instrument-settled transaction should be classified in the company receiving services from employees. This interpretation statement comes into effect on 1 March 2007 and is to be adopted for financial years beginning on this date or later. Earlier adoption is permitted.

IFRIC 12 Service Concession Arrangements, this interpretation statement considers the matter of how the party conducting a service concession arrangement should report on the facility and the rights and obligations ensuing from the arrangement. The interpretation statement is to be adopted for financial years beginning 1 January 2008 or later. Earlier adoption is permitted.

IFRIC 13 Customer Loyalty Programmes, the interpretation statement considers the reporting and valuation of a company's obligations to supply free or discounted goods or services to customers that have qualified for them through previous purchases. The interpretation statement applies to financial years beginning 1 July 2008 or later. Earlier adoption is permitted.

IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction, the interpretation statement considers how requirements for certain funding interact with IAS 19's maximum for a defined-benefit asset. The interpretation statement applies to financial years beginning 1 January 2008 or later. Earlier adoption is permitted.

Segment reporting

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

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

Classification, etc.

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

Consolidation principles

Subsidiaries

Subsidiaries are companies under the controlling influence of NOTE AB. A controlling influence implies the direct or indirect right to formulate a company's financial and operational strategies with the aim of receiving financial 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 15 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 Financial Statements, 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 Financial Statements. Only shareholders' equity accrued after the acquisition is reported in consolidated shareholders' 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 unrealized profits or losses arising from intra-group transactions are eliminated wholly when the Consolidated Financial Statements are prepared. Unrealised gains that arise from transactions with joint ventures are eliminated to the extent corresponding to the group's participating interest in the company. Unrealised losses are eliminated in the same way as unrealised 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 shareholders' equity as a translation provision.

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 financial benefits will arise for the company and these benefits can be reliably calculated. 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 financial 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. Revenue for consulting services are reported according to the percentage of completion method provided that the man-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

Operating leases

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

Finance leases

Minimum lease charges are allocated between interest expenses and amortisation of the outstanding liability. Interest expenses are divided 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 arises.

Financial income and expenses

Financial income and expenses comprise interest income on bank balances and receivables, interest expenses on loans, exchange rate differences and unrealised and realised profits 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 duration 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 valued and reported pursuant to the stipulations of IAS 39.

On the assets side, financial instruments reported in the Balance Sheet include cash equivalents, accounts receivable – trade, shares and loans receivable. Accounts payable – trade, and borrowings are reported under liabilities and shareholders' 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 realized, 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 realize 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 arise when the company supplies funds, goods or services directly to the borrower without the intention of conducting trade in the claim. This category also includes acquired receivables.

These assets are reported at cumulative cost. The cumulative cost is determined on the basis of the effective interest rate calculated at the acquisition date. Accounts receivable – trade are reported at the amount expected to arise, i.e. after deducting for doubtful debt.

Other financial liabilities

Loans and other financial liabilities such as accounts payable – trade are included in this category. The liabilities are valued at cumulative cost.

Financial assets reported at fair value via the Income Statement

This category consists of two sub-categories: financial assets held for trading and other financial assets that the company initially chose to classify in this category (using the fair value option). Financial instruments in this category are reported continuously at fair value with value changes reported in the Income Statement. Derivatives with positive fair value are included in the first sub-category, apart from derivatives that are identified and effective hedging instruments.

Cash equivalents

Cash equivalents comprise cash and immediately available balances with banks and corresponding institutions.

Derivatives used for financial hedging of transactions

In some cases, the group utilises currency forwards contracts for financial hedging of foreign currency transactions. Initially, derivatives are reported that fair value, implying that transaction expenses reduce net profit. After initial reporting, the derivative instrument is reported at fair value and value changes are reported in the Income Statement. The usage of forwards contracts is insignificant and had no significant effect on profits.

Embedded derivatives in the form of currency clauses in sales contracts are used to a limited extent. These contracts have not been separated because they are not significant.

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 if the value is significant. Significant value changes are posted to the Income Statement. The effects of outstanding forwards contracts are marginal.

Tangible fixed assets

Owned 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 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 upon disposal or divestment, or when no future financial 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.

Leased assets

In the Consolidated Financial Statements, 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.

Assets held pursuant to finance leases agreements are reported as assets in the Consolidated Balance Sheet. The obligation to pay future lease charges is reported as long-term and current liabilities. Leased assets are depreciated according to plan, while lease payments are reported as interest and amortisation of liabilities.

Operating leases mean that lease charges are expensed over the term, proceeding from usage.

Additional expenditure

Additional expenditure is added to cost only if it is likely that the future financial benefits associated with the asset will arise for the company, and the cost can be reliably calculated. All other additional expenditure is reported as a cost in the period it arises. Additional expenditure is added to cost to the extent that the performance of the asset is im-

proved in relation to the level applying when originally acquired. All other additional expenditure is reported as a cost in the period it arises.

Whether expenditure relates to the exchange of identifiable components, or parts thereof, is decisive to evaluation of when additional expenditure is added to 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	5 or 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 valued at cost less potential accumulated impairment losses. Goodwill is divided between cash-generating units and is subject to annual impairment tests.

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 arises. 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 arises.

Additional expenditure

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

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 valued 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.

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 other assets is the greater of the 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 foundation 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 arise.

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 issuance of redundancy notices 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.

Equity-related benefits

The group has one outstanding stock option plan comprising options corresponding to 200,000 shares. The price of the options has been calculated on market terms. The program started in 2006 and allocation has been made to senior executives. The relevant executives have paid a market premium for the options. The plan did not imply any benefits, and accordingly no related expenses reduced profits.

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 estimated.

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 shareholders' equity, whereupon the associated tax effect is reported in shareholders' 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 Report pursuant to the Swedish Annual Accounts Act (1995:1554) and RR's (Redovisningsrådet, the Swedish Financial Accounting Standards Council) recommendation RR 32:06, Accounting for Legal Entities. RR's Emerging Issues Task Force statements have also been adopted. RR 32:06 stipulates that in its Annual Report 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 recognized 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 transitional stipulations of RR 32:06.

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 utilizes a relaxation of the stipulations of IAS 39 permitted by RR. 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 recognized 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 Financial Statements divide untaxed reserves between deferred tax liabilities and shareholders' 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 shareholders' 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 financial implications, which means that group contributions paid with the aim of minimizing 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 manufacturing 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, Balance Sheet and Cash Flow Statement.

Geographical regions

The electronics production business segment is mainly conducted in a single geographical region, the Nordic region. Approximately 89% 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 joint ventures

On 8 November 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 posted to Consolidated Accounts
Tangible fixed assets	6,034	1,685	7,719
Inventories	2,838	–	2,838
Accounts receivable – trade and other receivables	3,291	–	3,291
Liquid assets	737	–	737
Interest-bearing liabilities	–555	–	–555
Accounts payable – trade and other liabilities	–3,477	–	–3,477
Deferred tax liabilities	–	–472	–472
Net identifiable assets and liabilities	8,868	1,213	10,081
Consolidated goodwill			8,567
Estimated additional purchase price, unpaid			7,612
Purchase price paid, cash			11,036
			18,648
Cash (acquired)			737
Net cash outflow			10,299

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 revenue

	Group		Parent company	
	2007	2006	2007	2006
Exchange gains on trading receivables/liabilities	7,338	7,151	17	12
Target 1 subsidies received	–	599	–	–
Other	268	674	–	–
	7,606	8,424	17	12

Government assistance

Investments subsidies of 603 were received in the financial year. Total contingent liabilities for investments subsidies received were 2,419 for 2007 and previous years. Collateral of 4,600 was pledged to the Swedish Business Development Agency for contingent liabilities to a county administrative board. The contingent liability is for repayment obligations for investment subsidies in the event of terms not being fulfilled.

Note 6 Other operating expenses

	Group		Parent company	
	2007	2006	2007	2006
Exchange losses on trading receivables/liabilities	–6,835	–4,786	–53	–
Other	–1,258	–230	–	–
	–8,093	–5,016	–53	–

Note 7 Employees, personnel expenses and remuneration to senior executives

Expenses for employee benefits

Group	2007	2006
Salaries and benefits	–260,648	–228,736
Pension expenses, defined-benefit plan (more information in note 24)	–566	–803
Pension expenses, defined-contribution plans	–19,483	–15,675
Social security contributions	–74,816	–79,409
	–355,513	–324,623

Average number of employees

	2007	Of which men	2006	Of which men
Parent company				
Sweden	16	63%	15	47%
	16	63%	15	47%
Subsidiaries				
Sweden	648	67%	639	66%
Norway	15	80%	9	78%
UK	1	100%	1	100%
Finland	36	47%	39	46%
Estonia	224	31%	185	65%
China	8	75%	–	–
Poland	54	63%	46	47%
Lithuania	169	24%	193	24%
	1,155	53%	1,112	57%
Group total	1,171	53%	1,127	57%

Division between the sexes in the corporate management

	2007 Share of women	2006 Share of women
Parent company		
Board of Directors	0%	0%
Other senior executives 4 people (4 people)	25%	25%
Group total		
Boards of Directors	4%	4%
Other senior executives 4 people (12 people)	25%	17%

Salary, other benefits and social security contributions

Parent company	2007		2006	
	Salaries & benefits	Social security contributions	Salaries & benefits	Social security contributions
Sweden	–15,441	–9,904	–12,738	–6,794
(of which pension expense)		–3,828 ¹		–2,892 ¹

Of salaries and benefits, 1,050 will be paid in 2008.

¹ Of parent company pension expenses, 1,537 (2,372) are for the corporate management, 3 people (11 people).

Salaries and other benefits divided by corporate management and other employees

Parent company	2007		2006	
	Corporate management (9 people)	Other employees	Corporate management (15 people)	Other employees
Sweden	–5,598	–9,843	–7,085	–5,653
(of which bonus, etc.)	–638	–335	–1,285	–
Group				
	–13,666	n/a	–14,931	n/a
(of which bonus, etc.)	–1,026	n/a	–1,385	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 2007		Basic salary, Directors' fees	Basic salary, perform- ance-related pay	Other benefits	Pension expense	Total
Chairmen 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
		7,970	638	364	1,537	10,509

Comments on the table:

Basic salary to other senior executives includes consulting fees for senior executives not employed by the group.

Directors' fees are remuneration for that portion of the mandate period included in 2007, May–December 2007, and for that portion of the previous mandate period included in 2007, January–April 2007.

Remuneration and other benefits 2006		Basic salary, Directors' fees	Basic salary, perform- ance-related pay	Other benefits	Pension expense	Total
Chairman of the Board:	Sten Dybeck	225	–	–	–	225
	Börje Andersson	25	–	–	–	25
Board members:	Thord Johansson	25	–	–	–	25
	Curt Lönnström	50	–	–	–	50
	Katarina Mellberg	25	–	–	–	25
	Ulf Mikaelsson	75	–	–	–	75
	Lennart Svensson	75	–	–	–	75
	Erik Stenfors	477	–	–	–	477
Presidents:	Kjell Åke Andersson	687	–	–	1,329	2,016
	Arne Forslund	735	525	250	269	1,779
Other senior executives (11 people)		5,212	760	61	774	6,807
		7,611	1,285	311	2,372	11,579

Comments on the table:

The resigning Presidents of the parent company in 2005, Erik Stenfors and Kjell-Åke Andersson, received severance pay in 2006. These costs reduced profits in 2005. The resigning CFO, VP of Sales and IR Director are included in the number of other senior executives and in remuneration figures. The basic salary to 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 included in 2006, May–December 2006, and for that portion of the previous mandate period included in 2006, January–April 2006.

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 (0.1) %.

Note 8 Auditors' fees and reimbursement

	Group		Parent company	
	2007	2006	2007	2006
KPMG Bohlins AB				
Auditing assignments	–1,588	–1,611	–718	–448
Other assignments	–293	–324	–140	–36
Other auditors				
Auditing assignments	–99	–354	–	–
Other assignments	–37	–37	–	–

Auditing assignments means reviews of the Annual Report and accounts and the Board of Directors' and President's administration, other tasks appropriate for the company's auditors and advisory or other services resulting from observations from such reviews, or the performance of other similar tasks. Everything else is classified as other assignments.

Note 9 Operating expenses by type

Group	2007	2006
Cost of goods and materials	–1,056,786	–1,098,553
Personnel expenses	–355,513	–324,623
Depreciation	–27,724	–30,536
Impairment losses	–	–1,870
Other	–199,491	–190,784
	–1,639,514	–1,646,366

Note 10 Net financial income/expenses

Group	2007	2006	Parent company	2007	2006
Interest income on bank balances	1,104	930	Interest income, etc.		
Exchange rate gains	183	192	Interest income, group companies	4,981	4,273
Other	496	–	Exchange rate differences, borrowing	1,409	–
Financial income	1,783	1,122	Interest income, other	116	24
				6,506	4,297
Interest expenses on financial liabilities valued at cumulative cost	–9,115	–8,183	Interest expenses, etc.		
Exchange rate losses	–65	–317	Interest expenses, group companies	–648	–
Other	–658	–	Exchange rate differences, borrowing	–	–1,203
Financial expenses	–9,838	–8,500	Interest expenses, other	–2,095	–1,419
Net financial income/expenses	–8,055	–7,378		–2,743	–2,622

Note 11 Appropriations

Parent company	2007	2006
Difference between reported amortisation and amortisation according to plan for intangible fixed assets	–	134
Tax allocation reserve, provision in the year	–22,400	–10,208
	–22,400	–10,074

Note 12 Tax

Reported in Income Statement			Reconciliation of effective tax				
Group	2007	2006	Group	%	2007	%	2006
Current tax expense (–)/tax revenue (+)			Profit/loss before tax		103,827		96,172
Tax expense in the period	–26,234	–10,913	Tax at applicable tax rate for parent company	28.0	–29,072	28.0	–26,928
Adjustment of tax attributable to previous year	252	–563	Effect of other tax rates for foreign subsidiaries	0.3	–274	–0.9	886
Deferred tax expense (–)/tax revenue (+)			Non-deductible expenses	0.1	–78	2.4	–2,330
Deferred tax regarding temporary differences/appropriations	–3,451	–2,997	Non-taxable revenues	–1.8	1,861	–0.1	125
Deferred tax revenue/expense in capitalised/utilised tax value of loss carry-forward	3,848	–13,083	Tax attributable to previous year	–0.3	252	0.6	–563
Total reported tax in the group	–25,585	–27,556	Utilised loss carry-forwards	–2.1	2,213	–2.3	2,184
			Non-reported tax revenue on loss for the year	0.2	–245	1.0	–965
Parent company	2007	2006	Standard interest on tax allocation reserve	0.2	–208	0.1	–129
Current tax expense (–)/tax revenue (+)			Other	0.0	–34	–0.1	164
Tax expense/tax revenue in the period	9,971	4,194		24.6	–25,585	28.7	–27,556
Adjustment of tax attributable to previous year	–3	–					
	9,968	4,194					
			Parent company	%	2007	%	2006
			Profit/loss before tax		–36,232		–13,378
			Tax at applicable tax rate for parent company	28.0	10,145	28.0	3,746
			Non-deductible expenses	–0.3	–120	–1.0	–136
			Non-taxable revenue	0.0	18	0.0	4
			Reversed deductions for IPO expenses from 2004	–	–	4.3	580
			Tax attributable to previous year	0.0	–3	–	–
			Other	–0.2	–72	–	–
				27.5	9,968	31.3	4,194
			Tax items reported directly against shareholders' equity				
			Parent company		2007		2006
			Current tax in group contributions received/paid		–29,064		–12,768
					–29,064		–12,768

Reported in the Balance Sheet	Deferred tax asset		Deferred tax liability		Net	
Group	31 Dec 2007	31 Dec 2006	31 Dec 2007	31 Dec 2006	31 Dec 2007	31 Dec 2006
Tangible fixed assets	177	268	2,707	1,724	-2,530	-1,456
Pension provisions	419	457	610	-	-191	457
Loss carry-forward	3,911	133	-	-	3,911	133
Untaxed reserves	-	-	16,674	11,569	-16,674	-11,569
Provisions	2,867	-	-	-	2,867	-
Tax assets/liabilities	7,374	858	19,991	13,293	-12,617	-12,435
Set-off	-7,374	-858	-7,374	-858	-	-
Net tax assets/liabilities	-	-	12,617	12,435	-12,617	-12,435

Other provisions for tax	31 Dec 2007	31 Dec 2006	Non-reported deferred tax assets
Carrying amount at the beginning of the period	13,293	10,353	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.
Provisioned amounts in the period	6,787	3,029	
Amounts utilised in the period	-89	-89	
	19,991	13,293	

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

Group	Balance as of 1 Jan 2006	Reported in Income Statement	Reported against shareholders' equity	Acquisition/divestment of operations	Balance as of 31 Dec 2006
Tangible fixed assets	-1,446	-10	-	-	-1,456
Pension provisions	419	43	-5	-	457
Appropriations	-8,540	-3,030	-	-	-11,569
Loss carry-forwards	13,083	-13,083	-	133	133
	3,516	-16,080	-5	133	-12,435

Group	Balance as of 1 Jan 2007	Reported in Income Statement	Reported against shareholders' 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
	-12,435	397	-107	-472	-12,617

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
Cumulative cost					
Opening balance, 1 January 2006	48,269	677	2,589	320	51,855
Business combinations	2,388	-	-	-	2,388
Re-classification and exchange rate effects	-	118	-1,065	928	-19
Other investments	350	1,522	-	56	1,928
Divestments and disposals	-	-702	-751	-	-1,453
Closing balance, 31 Dec 2006	51,007	1,615	773	1,304	54,699
Opening balance, 1 January 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
Closing balance, 31 Dec 2007	59,575	3,366	-	988	63,929
Accumulated amortisation and impairment losses					
Opening balance, 1 January 2006	-1,880	-379	-751	-320	-3,330
Re-classification	-	-109	358	-249	-
Impairment loss for the year	-	-162	-438	-	-600
Amortisation for the year	-	-313	-290	-268	-871
Divestments and disposals	-	702	751	-	1,453
Closing balance, 31 Dec 2006	-1,880	-261	-370	-837	-3,348

Group	Goodwill, acquired	Capitalised expendi- ture for software, acquired	Capitalised expenditure for process development, internally accrued	Trademarks and brands etc., acquired	Total
Opening balance, 1 January 2007	-1,880	-261	-370	-837	-3,348
Re-classification	-	-33	370	-335	2
Impairment loss for the year	-	-	-	-	-
Amortisation for the year	-	-547	-	-361	-908
Divestments and disposals	-	-	-	793	793
Closing balance, 31 Dec 2007	-1,880	-841	-	-740	-3,461
Carrying amounts					
As of 1 January 2006	46,389	298	1,838	-	48,525
As of 31 December 2006	49,127	1,354	403	467	51,351
As of 1 January 2007	49,127	1,354	403	467	51,351
As of 31 December 2007	57,695	2,525	-	248	60,468

Parent company	Development expenditure
Cumulative cost	
Opening balance, 1 January 2006	593
Divestments and disposals	-593
Closing balance, 31 December 2006	-

Opening balance, 1 January 2007	-
Divestments and disposals	-
Closing balance, 31 Dec 2007	-

Accumulated amortisation	
Opening balance, 1 January 2006	-126
Impairment loss for the year	-358
Amortisation for the year	-109
Divestments and disposals	593
Closing balance, 31 December 2006	-

Opening balance, 1 January 2007	-
Impairment loss for the year	-
Amortisation for the year	-
Divestments and disposals	-
Closing balance, 31 December 2007	-

Carrying amounts	
As of 1 January 2006	467
As of 31 December 2006	-

As of 1 January 2007	-
As of 31 December 2007	-

Amortisation and impairment losses

Amortisation is included in the following Income Statement items				
	Group		Parent company	
	2007	2006	2007	2006
Cost of sold goods/services	-896	-753	-	-36
Administrative expenses	-12	-77	-	-37
Selling expenses	-	-41	-	-36
	-908	-871	-	-109

Impairment losses are included in the following Income Statement items

	Group		Parent company	
	2007	2006	2007	2006
Cost of sold goods	-	-361	-	-119
Administrative expenses	-	-120	-	-119
Selling expenses	-	-119	-	-120
	-	-600	-	-358

Impairment losses

There were no significant impairment losses in the year.

Impairment tests for cash-generating units containing goodwill

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

	31 Dec 2007	31 Dec 2006
NOTE Pärnu/NOTE Hyvinkää	19,592	19,592
NOTE Nyköping-Skänninge	11,319	11,319
NOTE Lund	8,740	8,740
IONOTE*	8,568	-
NOTE Torsby	6,833	6,833
	55,052	46,484
Units without significant goodwill values, total	2,643	2,643
	57,695	49,127

* IONOTE was acquired on 8 November 2007 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.

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

All units

Impairment tests for all units are based on calculations of value in use, a value based on cash flow forecasts totalling five years, based on five-year business plans determined by the corporate management. For all units with significant goodwill items, forecast market growth of 7% has been applied.

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

Hyvinkää/Pärnu	16%
Lund	26%
Nyköping-Skänninge	26%
Torsby	17%

Important variables	Method for estimating values
Market share and growth	Market growth has been estimated at an annual 7% in the forecast period, corroborated by external sources. The long-term GDP growth rate has been estimated at 3%.
Component prices	Component prices are expected to decline because of increased procurement volumes.
Personnel expenses	Payroll overheads are taxed partly using collective agreements and partly historical pay increases. Additionally, increased payroll overheads resulting from growth in the group's facilities in low-cost countries have also been calculated.
EUR and USD exchange rate	Estimated with the aid of SEB's long-term forecasts.
Recoverable values for all units exceed carrying amount.	

Note 14 Tangible fixed assets

Group	Buildings and land (real estate used in business operations)	Disbursed expenses on other party's property	Machinery and other plant	Equipment, tools, fixtures and fittings	Total
Cost					
Opening balance, 1 January 2006	61,572	5,944	153,271	54,590	275,377
Acquisition of subsidiaries	–	–	–	1,733	1,733
Other investments	–	1,589	21,724	2,713	26,026
Divestments	–	–1,323	–2,485	–2,529	–6,337
Reclassification and exchange rate effects	–1,548	–70	–2,210	2,618	–1,210
Closing balance, 31 December 2006	60,024	6,140	170,300	59,125	295,589
Opening balance, 1 January 2007	60,024	6,140	170,300	59,125	295,589
Acquisition of subsidiaries	–	1,549	15,479	565	17,593
Other investments	3,046	1,283	32,883	3,037	40,249
Divestments	–1,291	–4,185	–37,580	–13,652	–56,708
Reclassification and exchange rate effects	5,021	–1,593	2,556	–2,202	3,782
Closing balance, 31 December 2007	66,800	3,194	183,638	46,873	300,505
Depreciation and impairment losses					
Opening balance, 1 January 2006	–12,805	–1,900	–98,583	–40,373	–153,661
Acquisition of subsidiaries	–	–	–	–1,427	–1,427
Impairment loss for the year	–	–	–330	–280	–610
Depreciation for the year	–2,808	–1,942	–18,207	–5,840	–28,797
Divestment	–	–	1,889	1,506	3,395
Reclassification and exchange rate effects	681	15	1,816	–1,461	1,051
Closing balance, 31 December 2006	–14,932	–3,827	–113,415	–47,875	–180,049
Opening balance, 1 January 2007	–14,932	–3,827	–113,415	–47,875	–180,049
Acquisition of subsidiaries	–	–603	–10,649	–254	–11,506
Impairment loss for the year	–	–	–	–	–
Depreciation for the year	–2,056	773	–21,442	–4,091	–26,816
Divestment	688	2,475	35,334	12,698	51,195
Reclassification and exchange rate effects	–2,843	425	–1,869	2,123	–2,164
Closing balance, 31 December 2007	–19,143	–757	–112,041	–37,399	–169,340
Carrying amounts					
As of 1 January 2006	48,767	4,044	54,688	14,217	121,716
As of 31 December 2006	45,092	2,313	56,885	11,250	115,540
As of 1 January 2007	45,092	2,313	56,885	11,250	115,540
As of 31 December 2007	47,657	2,437	71,597	9,474	131,165

Taxable values

Group	31 Dec 2007	31 Dec 2006
Taxable values, buildings (in Sweden)	8 742	8 227
Taxable values, land (in Sweden)	4 416	4 370

Information on central government support in the group

The aggregate cost of the assets the support is intended to cover amounted to 1,988 in the period. The cost reduced by SEK 497 for receiving government support.

Parent company	Machinery and other plant	Equipment, tools, fixtures and fittings	Total
Cost			
Opening balance, 1 January 2006	291	521	812
Divestments and disposals	-36	-189	-225
Closing balance, 31 December 2006	255	332	587
Opening balance, 1 January 2007	255	332	587
Investments	-	67	67
Divestments and disposals	-	-25	-25
Reclassification	-255	255	-
Closing balance, 31 December 2007	-	629	629
Depreciation			
Opening balance, 1 January 2006	-130	-317	-447
Depreciation for the year	-80	-71	-151
Divestments and disposals	104	136	240
Closing balance, 31 December 2006	-106	-252	-358
Opening balance, 1 January 2007	-106	-252	-358
Depreciation for the year	-	-102	-102
Divestments and disposals	-	19	19
Reclassification	106	-106	-
Closing balance, 31 December 2007	-	-441	-441
Carrying amounts			
1 January 2006	161	204	365
31 December 2006	149	80	229
1 January 2007	149	80	229
31 December 2007	-	188	188

Depreciation and impairment losses

Depreciation is included in the following Income Statement items

	Group		Parent company	
	2007	2006	2007	2006
Cost of sold goods/services	-22,314	-25,893	-34	-50
Administrative expenses	-1,375	-641	-34	-50
Selling expenses	-3,127	-2,263	-34	-51
	-26,816	-28,797	-102	-151

Impairment losses are included in the following

	Group		Parent company	
	2007	2006	2007	2006
Cost of sold goods/services	-	-576	-	-
Administrative expenses	-	-34	-	-
Selling expenses	-	-	-	-
	-	-610	-	-

GROUP

Finance leases (leased production equipment)

The group leases production equipment through several different finance lease arrangements. As of 31 December 2007, the value of leased assets was 36,461 (30,722).

Collateral

As of 31 December 2007, property with a carrying amount of 47,657 (44,453) was pledged as collateral for bank borrowings.

Note 15 Participations in joint ventures

Group

The group has a 50% holding in the joint venture IONOTE Ltd, whose main business is the contract manufacturer of electronics.

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

	2007	2006
Revenue	1,543	-
Expenses	-2,399	-
Profit	-856	-
Fixed assets	6,034	-
Current assets	6,815	-
Total assets	12,849	-
Current liabilities	4,451	-
Long-term liabilities	-	-
Total liabilities	4,451	-
Net assets/net liabilities	8,398	-

Note 16 Current receivables from group companies and joint ventures

Parent company	Receivables from group companies		Receivables from joint ventures	
	31 Dec 2007	31 Dec 2006	31 Dec 2007	31 Dec 2006
Cumulative cost				
At the beginning of the period	115,385	120,291	-	-
Loans	12,023	3,320	-	-
Overdraft facility	160,489	98,024	-	-
Accounts receivable – trade, current receivables	4,506	14,041	-	-
Amortised liabilities	-115,385	-120,291	-	-
	177,018	115,385	-	-

Note 17 Long-term receivables and other receivables

Group	31 Dec 2007	31 Dec 2006
Long-term receivables	326	-
Receivables from joint ventures	1 245	-
	1 571	-
Other receivables that are current assets		
Sales tax	5 182	4 144
Other	3 522	10 176
	8 704	14 320
Parent company	31 Dec 2007	31 Dec 2006
Long-term receivables		
Receivables from joint ventures	2,489	-
Receivables from group companies	188,646	101,027
	191,135	101,027
Cumulative cost		
Long-term receivables		
At the beginning of the period	101,027	17,062
Acquisition	100,965	101,027
Repayment	-10,857	-17,062
	191,135	101,027

Note 18 Inventories

Group	31 Dec 2007	31 Dec 2006
Raw materials and consumables	206,231	175,497
Products in process	87,383	98,781
Finished goods and goods for re-sale	30,943	33,335
	324,557	307,613

Note 19 Accounts receivable – trade

Accounts receivable – trade are reported with consideration to provisioning for doubtful debt.

Note 20 Prepaid expenses and accrued income

	Group		Parent company	
	31 Dec 2007	31 Dec 2006	31 Dec 2007	31 Dec 2006
Accrued revenues	6,246	6,207	–	–
Prepaid rent	3,159	2,512	189	171
Prepaid consulting fees	2,823	–	1,875	–
Prepaid insurance	512	688	14	147
Prepaid lease charges	621	529	180	–
Other prepaid expenses	3,398	3,098	281	516
	16,759	13,034	2,539	834

Note 21 Shareholders' equity

Group	Share Class A	
Share capital (thousands of shares)	31 Dec 2007	31 Dec 2006
Issued as of 1 January	9,624	9,624
Issued as of 31 December – paid up	9,624	9,624

As of 31 December 2007, 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

Shareholders' equity provided by shareholders. This includes the portion of the share premium reserve transferred to the statutory reserve as of 31 December 2006.

Provisions

Translation provision	31 Dec 2007	31 Dec 2006
Translation provision, opening balance	–51	1,302
Translation differences for the year	2,566	–1,353
Translation provision, closing balance	2,515	–51

The translation provision 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 Financial Statements are presented in. The parent company and group present their financial statements in Swedish kronor. The translation provision also includes the effect of exchange rate differences on internal loans.

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 shareholders' 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 will exceed 35%. For the financial year 2007, return on operating capital was 21.4 (22.5)%.

Capital structure goal

The minimum equity to assets ratio will be 30%. At year-end, the equity to assets ratio was 34.5 (30.2)%.

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 2.25 per share, totalling SEK 21,654. The Board of Directors is proposing dividends of SEK 2.75 per share to the AGM. These dividends will be subject to adoption at the AGM on 18 April 2008.

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 22 Earnings per share

Earnings per share	Before dilution		After dilution	
	2007	2006	2007	2006
Earnings per share, SEK	8.13	7.13	8.13	7.13

The calculation of earnings per share for 2007 has been based on profit/loss of the period of SEK 78,242 (68,615) and on a weighted average number of outstanding shares in 2007 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 23 Interest-bearing liabilities

Group	31 Dec 2007	31 Dec 2006
Long-term liabilities		
Bank loans	82,330	114,014
Finance lease liabilities, machinery	26,111	18,393
	108,441	132,407
Current liabilities		
Overdraft facilities	84,766	36,367
Short-term portion of bank loans	61,669	51,431
Short-term portion of finance lease liabilities	17,993	10,222
Other loans	952	1,358
	165,380	99,378

Terms and repayment periods

The majority of loans are divided so that one-third mature in 2008, one third in 2009 and one-third in 2010. 34,470 (33,382) of the company's land and buildings, and 258,247 (260,391) 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 2007	31 Dec 2006
Long-term liabilities		
Bank borrowing	82,330	21,266
	82,330	21,266
Current liabilities		
Bank overdraft facility	79,264	30,719
Short-term portion of bank loans	61,669	–
	140,933	30,719

Finance lease liabilities

Finance lease liabilities are due for payment according to the following:

Group	Minimum lease charges 2007	Interest 2007	Principal 2007	Minimum lease charges 2006	Interest 2006	Principal 2006
Within one year	12,107	1,539	10,568	10,036	1,256	8,780
Between one and five years	18,706	2,549	16,157	14,230	1,867	12,363
	30,813	4,088	26,725	24,266	3,123	21,143

Note 24 Pensions

Group		
Defined-benefit pension plans	31 Dec 2007	31 Dec 2006
Present value of traditional assurance commitments	14,636	11,191
Unreported actuarial losses	-3,672	-793
Pension provisions	10,964	10,398
Changes to the commitment for defined-benefit plans reported in the Balance Sheet	2007	2006
Commitment for defined-benefit plans as of 1 January	10,398	9,596
Cost of employment for the current period and interest expense (see below)	566	802
Commitment for defined-benefit plans as of 31 December	10,964	10,398
Expenses reported to Income Statement	2007	2006
Cost of employment for the current period	39	318
Interest expense on the commitment	527	484
Total net expense in Income Statement	566	802
Expense reported in the following income statement lines	2007	2006
Cost of sold goods and services	250	293
Selling expenses	165	234
Administrative expenses	151	275
Total net expense in Income Statement	566	802
Historical information	2007	2006
Present value of traditionally assured commitments	14,636	11,191
Experience-based adjustment loss -/gain +	-1,291	-543

Assumptions for defined-benefit commitments

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

Group	31 Dec 2007	31 Dec 2006
Discount rate as of 31 December	4.8%	4.8%
Salary increase	3.5%	3.5%
Income basic amount	3.5%	3.5%
Staff turnover	7.1%	7.7%
Inflation	2.0%	2.0%
Remaining length of service, years	15.8	17.0

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 2007, 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 3.8 (5.9) million. Alecta's surplus can be divided between policy-holders and/or beneficiaries. At year-end 2007, Alecta's surplus, expressed as a collective consolidation ratio was 152 (143)%. 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	
	2007	2006	2007	2006
Expenses for defined-contribution plans ¹	18,142	15,635	3,828	2,892

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

Note 25 Provisions for other liabilities

	Group		Parent company	
Provisions that are long-term liabilities	31 Dec 2007	31 Dec 2006	31 Dec 2007	31 Dec 2006
Supplementary purchase price, acquisition	–	1,399	–	449
Pensions	10,964	10,398	–	–
Other	700	402	–	–
	11,664	12,199	–	449
Provisions that are current liabilities	31 Dec 2007	31 Dec 2006	31 Dec 2007	31 Dec 2006
Expenses for restructuring measures	200	2,260	–	–
Supplementary purchase price, acquisition	9,001	450	8,051	450
Other	3,100	1,400	–	–
	12,301	4,110	8,051	450

Group 2006	Restructuring	Supplementary purchase price	Pensions	Other
Carrying amount at beginning of period	12,499	1,950	9,596	556
Provisions made in the period	–	350	802	1,246
Amounts utilised in the period	–10,239	–451	–	–
Carrying amount at end of period	2,260	1,849	10,398	1,802

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

Supplementary purchase price acquisition – parent company	31 Dec 2007	31 Dec 2006
Carrying amount at beginning of period	899	1,350
Provisions made in the period	7,612	–
Amounts utilised in the period	–460	–451
Carrying amount at end of period	8,051	899
Of which total long-term portion of provisions	–	449
Of which total short-term portion of provisions	8,051	450

Total provisions – group	31 Dec 2007	31 Dec 2006
Total carrying amount at beginning of period	29,602	34,954
Provisions made in the period	12,011	2,398
Amounts utilised in the period	–3,960	–10,690
Un-utilised amounts reversed in the period	–395	–
Change in provision for deferred tax	6,698	2,940
Total carrying amount at end of period	43,956	29,602
Of which total long-term portion of provisions	31,655	25,492
Of which total short-term portion of provisions	12,301	4,110

Note 26 Other current liabilities

	Group		Parent company	
	31 Dec 2007	31 Dec 2006	31 Dec 2007	31 Dec 2006
Staff withholding tax	6,465	5,076	589	581
Social security contributions	5,228	4,135	–	–
Sales tax	19,129	18,583	–	1,550
Other	761	1,112	–	–
	31,583	28,906	589	2,131

Note 27 Accrued expenses and deferred revenues

	Group		Parent company	
	31 Dec 2007	31 Dec 2006	31 Dec 2007	31 Dec 2006
Accrued salaries and benefits	10,097	17,673	3,162	2,102
Accrued social security contributions	10,305	15,314	1,858	1,177
Holiday benefits	32,248	17,818	960	1,000
Other	13,879	14,831	286	537
	66,529	65,636	6,266	4,816

Note 29 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 arise there.

Note 28 Financial assets and liabilities

Fair value

The carrying amounts of financial assets and liabilities in the Balance Sheet are the same as fair value. The group's financial assets and liabilities are classified in the following categories:

Loans receivables 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 that are not listed on an active marketplace. These receivables arise when the company receives funds, goods and services directly to the borrower without intention to conduct trade in the receivables. The category also includes the acquired receivables. These assets are valued at accrued cost. Accrued cost is determined on the basis of the effective interest calculated at the time of acquisition. Accounts receivable – trade are reported at the amount expected to arise, i.e. after deducting for doubtful debt.

Other financial liabilities

Loans and other financial liabilities, such as accounts payable – trade, are included in this category. These liabilities are accrued at accrued cost.

Agreement terms

Financial assets mainly consist of 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 are based on variable base interest plus a fixed percentage rate, dependent on the maturity structure of loans.

NOTE has agreed a number of covenants with its lender as security for its loan liabilities. One of these covenants was not satisfied at year-end. The company's judgement is that all covenants will be satisfied in the financial year 2008.

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 327.4 million of shareholders' equity and interest-bearing liabilities of SEK 273.8 million, utilised overdrafts of SEK 84.8 million. The un-utilised overdraft facility was SEK 55.9 million at year-end. Another loan agreement has been signed regarding a SEK 45 m credit facility, which runs until 2010, and was un-utilised at year-end. Financial liabilities comprise external borrowing and the utilised portion of the overdraft facility.

SEK m	2007						2006					
	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	229.7	1.0	5.0	141.4	82.3	–	201.3	1.2	4.8	84.0	111.3	–
Finance lease liabilities	44.1	0.1	0.3	17.6	26.1	–	30.7	0.1	0.1	10.6	19.9	–
Accounts payable – trade	186.0	98.6	66.5	20.9	–	–	259.0	147.4	99.3	12.3	–	–
Total	459.8	99.7	71.8	179.9	108.4	–	491.0	148.7	104.2	106.9	131.2	–

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 55% of sales. The group has a relatively healthy diversification of customers across a range of industrial sectors.

Age analysis, accounts receivable – trade	2007	2006
Not overdue accounts receivable – trade	291,467	317,566
Overdue accounts receivable – trade 0–30 days	40,895	36,693
Overdue accounts receivable – trade >30 days–60 days	8,974	5,711
Overdue accounts receivable – trade >60 days	9,360	13,939
Impaired accounts receivable – trade	–3,699	–10,454
Total	346,997	363,455

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 also exists in the conversion of foreign subsidiaries' assets and liabilities to the functional currency of the parent company, termed conversion 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. The majority of the group's invoicing is in Swedish kronor. If invoicing in local currency cannot be avoided, hedging is through forwards. NOTE adopts a decentralised view of the processing of currency hedging measures. In consultation with the central finance function, units take currency hedging measures for commercial exposure within the framework of the group's policy. There are forward agreements in place to a limited extent and the risk of profit fluctuations as a result of fair value calculation is limited.

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, there were a few forwards contracts denominated in EUR and USD, using short forwards. The profit effect of the actual value of forwards contracts used for hedging forecast flows is marginal.

Materials risks

Because a high proportion of the group's sales values comprise materials, both the price of and the supply of materials are indecisive 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 2007		31 Dec 2006	
	Amount	%	Amount	%
EEK	2,434	0.7	3,849	1.4
EUR	9,582	2.9	1,409	0.5
GBP	224	0.1	0	0.0
LTL	10,847	3.3	9,922	3.7
NOK	1,586	0.5	594	0.2
PLN	3,337	1.0	4,174	1.6
USD	8,392	2.6	–	–
	36,402	11.1	19,948	7.4

Sensitivity analysis

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

As of 31 December 2007, a general 1% increase in interest rates would exert an approximate effect of SEK 2.7 million on consolidated profit/loss before tax.

A general variation of the SEK against other currencies is less significant in the short term because most transactions are conducted in SEK and variations in underlying rates of exchange through agreements are normally transferred to the customer.

Note 30 Operating leases

	Group		Parent company	
	31 Dec 2007	31 Dec 2006	31 Dec 2007	31 Dec 2006
Lease arrangements payable within one year	4,511	6,084	287	401
Lease arrangements payable between one year and five years	3,437	8,275	213	602
	7,948	14,359	500	1,003

Group expenses for operating leases were 5,694 (7,126).

Note 31 Pledged assets and contingent liabilities

	Group		Parent company	
	31 Dec 2007	31 Dec 2006	31 Dec 2007	31 Dec 2006
Pledged assets				
In the form of pledged assets for own liabilities and provisions				
Property mortgage	34,470	33,382	–	–
Floating charge (approx.)	258,247	260,391	600	600
	292,717	293,773	600	600
Contingent liabilities				
Guarantee commitments, FPG/PRI	226	413	10,964	10,082
Other guarantee commitments for subsidiaries	–	–	20,000	24,000
Guarantees favouring subsidiaries	–	–	4,712	138,383
Guarantees, other	124	315	–	–
County administrative board, conditional loan	2,419	2,615	–	–
	2,769	3,343	35,676	172,465

Note 32 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 December	Receivable from closely related parties as of 31 December
Close relation	Year				
Company owned by Board member of subsidiary	2007	–	1,488	991	–
Company owned by Board member of subsidiary	2006	–	1,335	1,361	–
Senior executives	2007	–	3,010	–	–
Senior executives	2006	–	1,956	165	–
Joint venture	2007	–	–	–	2,489
Joint venture	2006	–	–	–	–
Parent company					
Close relation	Year	Sale of goods and services to closely related parties	Purchase from closely related parties	Liability to closely related parties as of 31 December	Receivable from closely related parties as of 31 December
Subsidiaries	2007	34,867	2,273	41,552	365,664
Subsidiaries	2006	33,881	1,010	60,331	118,387
Senior executives	2007	–	2,065	–	–
Senior executives	2006	–	942	165	–
Joint venture	2007	–	–	–	2,489
Joint venture	2006	–	–	–	–

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 33 Group companies

Specification of the parent company's direct holding in shares in subsidiaries

Subsidiary/Corporate identity no./Registered office	No. of shares	31 Dec 2007 Carrying amount	31 Dec 2006 Carrying amount
NOTE Norrtälje 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 Skellefteå AB, 556430-0183, Skellefteå, Sweden	5,000	16,078	16,078
NOTE Oslo AS, 982 609 380, Oslo, Norway	100	12,690	2,904
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 Components AB, 556602-2116, Danderyd, Sweden	1,000	100	100
NOTE Gdansk Sp. z o.o, 583-26-15-588, Gdansk, Poland	40	99	99
NOTE Hyvinkää Oy, 1931805-1, Hyvinkää, Finland	80	86	86
NOTE UK Ltd, 5257074, Telford, UK	2	0	0
		174,275	164,489

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 Nordic-PrintDesign AB) with limited influence on consolidated profit and position.

Parent company

Cumulative cost	31 Dec 2007	31 Dec 2006
At the beginning of the period	167,389	164,485
Purchases	9,786	2,904
	177,175	167,389

Accumulated impairment losses	31 Dec 2007	31 Dec 2006
At the beginning of the period	-2,900	-2,900
Impairment loss for the year	-	-
	-2,900	-2,900
	174,275	164,489

Note 34 Parent company participations in joint ventures

Parent company	Joint ventures	
Cumulative cost	31 Dec 2007	31 Dec 2006
Beginning of year	-	-
Purchases	18 648	-
Closing balance, 31 December	18 648	-

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

2007	Voting rights and share of equity, %	Carrying amount
IONOTE Ltd, CR134187, Tangxia	50%	18,648
		18,648
2006		
	-	-

Note 35 Untaxed reserves

Parent company	31 Dec 2007	31 Dec 2006
Tax allocation reserve, for tax assessment in 2007	10,208	10,208
Tax allocation reserve, for tax assessment in 2008	22,400	-
	32,608	10,208

Note 36 Cash Flow Statement

Interest paid and dividends received

	Group		Parent company	
	2007	2006	2007	2006
Interest received	745	1,449	5,097	4,297
Interest paid	-8,236	-7,170	-2,741	-1,419

Other non-cash items

	Group		Parent company	
	2007	2006	2007	2006
Impairment losses	-	1,209	-	358
Unrealised exchange rate differences	-370	-	-	-
Capital gain/loss on sale of tangible fixed assets	3,997	-349	-	-
Pension provisions	566	802	-	-
Other provisions	-302	-9,091	7,602	-901
Other items not influencing liquidity	14	54	-	-
	3,905	-7,375	7,602	-543

Transactions not involving payments

	Group	
	2007	2006
Acquisitions of assets through finance leases	17,817	13,265

Acquisitions of subsidiaries and other business units

	Group	
	2007	2006
Acquired assets and liabilities		
Intangible fixed assets	–	–
Tangible fixed assets	6,034	178
Financial fixed assets	118	–
Inventories	2,839	–
Trade receivables	3,172	1,062
Cash equivalents	737	786
	12,900	2,026
Long-term provisions	–	–
Long-term interest-bearing liabilities	–	627
Minority	–	–
Current trade liabilities	4,032	886
	4,032	1,513
Purchase price	18,648	2,904
Of which purchase price paid as of balance sheet date:	11,036	2,904
Cash equivalents of acquired operation	–737	–786
Affect on cash equivalents	10,299	2,118

Cash equivalents

	Group		Parent company	
	31 Dec 2007	31 Dec 2006	31 Dec 2007	31 Dec 2006
Cash and bank balances	38,546	18,767	7,618	838
	38,546	18,767	7,618	838

Un-utilised credits

	Group		Parent company	
	31 Dec 2007	31 Dec 2006	31 Dec 2007	31 Dec 2006
Un-utilised credits	55,931	62,779	45,736	59,281

Note 37 Significant estimates and judgements

Critical judgements when applying the group's accounting principles

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

Important sources of uncertainty in estimates

Goodwill impairment tests

Several assumptions regarding future circumstances and estimates were made when calculating the recoverable value of cash-generating units for evaluating the potential need for goodwill impairment. They are stated in note 13. As is apparent from the review in note 13, changes to the conditions of these assumptions and estimates in 2008 could have a significant effect on goodwill values.

Sensitivity analysis of goodwill impairment test

A 5% reduction of estimated market growth would have the effect of a cash-generating unit's goodwill requiring value impairment of approximately SEK 1.1 m.

Exposure to foreign currencies

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

Recovery of value of financial assets

Financial assets are insignificant.

Calculation of fair value

The choice of discount factor affects the calculation of fair value of derivatives and loan liabilities.

Pension liability

The various parameters used for the actuarial calculation of the pension liability are associated with some uncertainty. Salary increases are estimated on the basis of the outcome of negotiation rounds. Inflation is estimated on the basis of historical and external forecasts. The discount rate is set at the expected future funding cost, based on historical interest rates and external forecasts.

Significant changes in the final interim period

There have been no significant changes.

Note 38 Events after the end of the financial year

Continued strategic change process

As part of NOTE's implementation of its Nearsourcing strategy, last autumn, the production capacity in cost-efficient countries was increased by start-ups of joint venture plants in China and Poland. Thus NOTE has accumulated the competencies and capacity for continued growth, and to transfer more labour-intensive production to cost-efficient countries. As a result of this process, in January, redundancy notices were issued to 124 staff at NOTE's Swedish units at Lund, Norrtälje, Skellefteå and Skänninge.

Acquisition of UK operation for growth

In January 2008, NOTE acquired the operations of UK EMS company Proqual, located outside Bristol, Gloucestershire. This acquisition brings technically skilled, flexible organisational resources, focusing on services early in product life cycles. Proqual's sales are SEK 45 m, and it has 40 employees. By bringing additional skills to Proqual, NOTE is creating its first Nearsourcing operation in the UK. The company's accumulated customer base offers high growth potential on the UK market.

Acquisition of mechanical engineering provider

In March 2008, NOTE signed a letter of intent to acquire all the shares of a mechanical engineering company in Järfälla, outside Stockholm. This acquisition is part of enhancing NOTE's customer offering to cut its customers' time to market further. The company has sophisticated technological equipment and specialist know-how in cutting machining. Its products and associated services are supplied to the nuclear, telecom and other industries. Annualised sales are currently some SEK 25 m, and this business has about 20 employees.

Note 39 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 Financial Statements for 2007 comprise the parent company, its subsidiaries and joint ventures, together termed the group.

The Consolidated Financial Statements and Annual Accounts have been prepared pursuant to the Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards and generally accepted accounting principles and give a true and fair view of

the group's and 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 profits and state the significant risks and uncertainty factors facing the parent company and group companies.



Bruce Grant
Chairman



Per-Arne Sandström
Deputy Chairman



Arne Forslund
President and Board member



Kjell-Åke Andersson
Board member



Håkan Gellerstedt
Board member



Göran Jansson
Board member



Hans Johansson
Board member

As stated above, the Consolidated Financial Statements and Annual Accounts were approved for issuance by the Board of Directors on 17 March 2008. The Consolidated Income Statement and Balance Sheet and the Parent

Company Income Statement and Balance Sheet will be subject to adoption at the Annual General Meeting on 18 April 2008.

Our Audit Report was presented on 27 March 2008



Lennart Jakobsson
Authorised Public Accountant



Anders Malmeby
Authorised Public Accountant

Audit Report

TO THE ANNUAL GENERAL MEETING OF NOTE AB (PUBL) CORPORATE IDENTITY NUMBER 556408-8770

We have audited the Annual Accounts, the Consolidated Financial Statements, the accounting records and the administration of the Board of Directors and the President of NOTE AB (publ) for 2007. The company's Annual Accounts are included in the printed version of this document on pages 20–52. Responsibility for the accounts, administration and for the Swedish Annual Accounts Act being observed when the Annual Accounts are being prepared, and IFRS (International Financial Reporting Standards) as endorsed by the EU and the Swedish Annual Accounts Act being observed when the Consolidated Financial Statements are being prepared, rests with the Board of Directors and the President. Our responsibility is to express an opinion on the Annual Accounts, the Consolidated Financial Statements and administration based on our audit.

We conducted our audit in accordance with generally accepted accounting principles in Sweden. These standards require that we plan and perform the audit to obtain good, but not absolute, assurance that the Annual Accounts and the Consolidated Financial Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounting records. An audit also includes assessing the accounting principles and the application thereof by the Board of Directors and the President, an assessment of the significant estimates of the Board of Directors and President when preparing the Annual Accounts and Consolidated Financial Statements as well as evaluat-

ing the overall presentation of information in the Annual Accounts and the Consolidated Financial Statements. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any Board member or the President. We also examined whether any Board member or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable foundation to make the following statements.

The Annual Accounts have been prepared in accordance with the Annual Accounts Act and, thereby, give a true and fair view of the company's profit and financial position in accordance with generally accepted accounting principles in Sweden. The Consolidated Financial Statements have been prepared in accordance with IFRS as endorsed by the EU and the Swedish Annual Accounts Act and give a true and fair view of the company's profit and financial position. The Report of the Directors is consistent with other parts of the Annual Accounts and the Consolidated Financial Statements.

We recommend to the Annual General Meeting that the Income Statement and Balance Sheet of the parent company and group be adopted, that the profits of the parent company be dealt with in accordance with the proposal in the Report of the Directors and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Danderyd, Sweden, 27 March 2008



Lennart Jakobsson
Authorised Public Accountant



Anders Malmeby
Authorised Public Accountant

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. Former member and adviser on profitability improvements and more efficient capital structures for Kinnevik, Korsnäs, Metro, Transcom and Tele2 (Chairman).

NOTE holdings (incl. companies): 487,500 shares.

2 Per-Arne Sandström

Born in 1947.

Deputy Chairman since 2007.

Main employment: company director.

Other directorships: Chairman of Infocare and P-A Sandström Consult and Board member of Applied Invest, Cellmax, Human Care, KTH Executive School, One Phone Holding and Saab. Formally COO of Ericsson.

NOTE holdings: 20,000 shares.

3 Arne Forslund

Born in 1963.

Board member since 2005.

Main employment: President and CEO of NOTE. Previous experience of executive positions in companies including Teleflex, Danaher Motion, Siemens-Elma and Ortivus.

NOTE holdings: 10,000 shares, 152,000 options.

4 Kjell-Åke Andersson

Born in 1946.

Board member since 2007.

Main employment: President and Board member of development companies Imita and NOMIX.

Other directorships: Chairman of MedicPen. Former founder of Xperi, which merged with NOTE in 2002; Board member and CEO of NOTE.

NOTE holdings (incl. family): 695,204 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.

Formerly management consultant of Indevo and Interpares, assignments including global production strategies, profitability enhancement packages, business and development strategies for Swedish and international companies.

NOTE holdings: 4,000 shares.

6 Göran Jansson

Born in 1958.

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.

Formerly acting President and CFO of Assa Abloy, also head of Sourcing and R&D.

NOTE holdings: 50,000 shares.

7 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 CHAMPS (Chalmers Institute of Technology), Human Care, Safe at Sea, Sportmanship Invest and a number of his own companies.

Formerly founding entrepreneur of Semcon, CEO and President in 1983–2006.

NOTE holdings (incl. companies): 12,500 shares.

Auditors

Lennart Jakobsson

Born in 1947.

NOTE's auditor since 1990.

Authorised Public Accountant KPMG Bohlins AB.

Anders Malmby

Born in 1955.

NOTE's auditor since 2004.

Authorised Public Accountant KPMG Bohlins AB.

Corporate Management



1 Jörgen Lindell
Vice President Sales & Marketing.
Employed by NOTE since 2007.
NOTE holdings: 0 shares, 30,000 options.

2 Knut Pogost
Executive Vice President, CSO.
Employed by NOTE since 2006.
NOTE holdings: 0 shares, 60,000 options.

3 Arne Forslund
CEO.
Employed by NOTE since 2005.
NOTE holdings: 10,000 shares, 152,000 options.

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

5 Annica Westerman
Vice President of Human Resources.
Employed by NOTE since 2000.¹
NOTE holdings: 500 shares, 3,000 options.

¹ Employment with NOTE before 2000 with subsidiaries

Group-wide functions

Business Development	<i>Anders Andersson</i>
Information Technology	<i>Harald Wikström</i>
Lean Strategy	<i>Håkan Lönn</i>
Operations	<i>Peter Jansson</i>

Presidents of subsidiaries and joint ventures

NOTE Components AB	<i>Knut Pogost</i>	NOTE Components Gdansk Sp.z o.o.	<i>Jacek Malecki</i>
NOTE Components Järfälla AB	<i>Göran Nilsson</i>	NOTEFideltronik S.A. (jv, 50% holding)	<i>Jerzy Marcin Wnęk</i>
NOTE Lund AB	<i>Per Grönvall</i>	NOTE Hyvinkää Oy	<i>Mikko Sajaniemi</i>
NOTE Norrtelje AB	<i>Patrik Kvarnlöf</i>	NOTE Oslo AS	<i>Bjørn Furu</i>
NOTE Nyköping-Skänninge AB	<i>Peter Johansson</i>	NOTE Pärnu Oü	<i>Erki Hirv</i>
NOTE Skellefteå AB	<i>Andreas Carlberg</i>	NOTE Tauragė UAB	<i>Povilas Sprainys</i>
NOTE Torsby AB	<i>Gerd Levin-Nygren</i>	NOTE UK Ltd	<i>Kevin Heath</i>
IONOTE Ltd (jv, 50% holding)	<i>Judy Qua</i>		

Annual General Meeting

The AGM will be held at 11:00 a.m. on Friday, 18 April 2008 in Stockholm, Sweden. Shareholders that wish to participate at the AGM should:

- first, be recorded in the share register maintained by VPC AB (the Swedish Central Securities Depository & Clearing Organisation) by no later than Friday 11 April 2008;
- second, notify the company of their intention to participate at the AGM by post at NOTE AB (publ), Box 711, 182 17 Danderyd, Sweden, or by telephone: +46 (0)8 568 990 14, or by e-mail: info@note.eu, by no later than 4 p.m. on Monday, 14 April 2008.

Notifications should state personal/corporate names, personal/corporate identity numbers, number of shares held, addresses and telephone numbers.

For entitlement to participate at the AGM, shareholders with nominee-registered holdings should temporarily register their shares in their own name through the agency of their nominee in good time before 11 April 2008. Shareholders that wish to attend with one or two assistants should notify the company thereof, in the time and manner that applies for shareholders.

Representatives

Shareholders that have appointed a representative must issue a signed and dated Power of Attorney to the representative. In the event that the Power of Attorney is issued by a legal entity, a certified copy of the Certificate of Incorporation or equivalent for the legal entity must be attached. The Power of Attorney and the Certificate of Incorporation must not be older than one year. The original Power of Attorney and any Certificates of Incorporation should be sent to the company by mail prior to the AGM.

Election Committee

The members of the Election Committee are Ulf Strömsten, Chairman, representing Catella Fonder AB, Charlotta Faxén representing Carnegie Fonder and Kjell-Åke Andersson representing his own holdings.

The tasks of the Election Committee include submitting proposals to the AGM for electing the Board and auditors, and their remuneration.

Dividends

The Board is proposing dividends of SEK 2.75 per share for the financial year 2007 with a record date of 23 April 2008. If the AGM approves the Board's proposal, payment from VPC AB is scheduled for 28 April 2008.

Financial information in 2008

Interim Report for January–March	18 April
Annual General Meeting 2008	18 April
Interim Report for January–June	18 July
Interim Report for January–September	24 October

Financial definitions

Shareholders' equity per share Shareholders' 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 equivalents, non-interest bearing liabilities, provisions and minority interest.

Staff turnover Number of employees whose employment was terminated 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 shareholders' 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 Shareholders' equity as a percentage of total assets.

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

- NOTE AB (PUBL)**
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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 Göteborg**
Sisjö Kulle gata 6
421 32 Västra Frölunda
Sweden
- NOTE Jönköping**
Instrumentvägen 2
553 02 Jönköping
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
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China 523710
- NOTE Components Gdansk**
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