Corporate Governance Report

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

NOTE observes the code with the following exceptions:
◆ independence of the Remuneration Committee
◆ composition of the Audit Committee.

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

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

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

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

Pursuant to a resolution by the AGM 2008, a Nomination Committee was constituted ahead of the next AGM by the four largest shareholders that wish to participate each appointing a representative including the Chairman of the company’s Board of Directors; serving as convener, at least six months before the AGM. If one or more of the shareholders waives its right when Nomination Committee members are to be appointed, the next largest shareholder is then offered the corresponding opportunity.

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

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

The Nomination Committee’s task is to consider and submit proposals to the AGM regarding:
◆ electing a Chairman of the Meeting
◆ electing a Chairman of the Board and Board members
◆ directors’ fees for the Chairman, other Board members and potential remuneration for committee work
◆ where applicable, election and remuneration of external Auditor
◆ decision on principles of composition of the Nomination Committee for the next AGM.

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

More information on the Nomination Committee is available at www.note.eu.

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

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

The chairman of the Board leads the Board of Directors’ work and ensures that it is conducted pursuant to the Swedish Companies Act and other relevant legislation. The Chairman is also responsible for maintaining contact with
The Remuneration Committee submits proposals regarding the salary and other employment terms of the President and managers reporting directly to the President, to the Board of Directors. The Remuneration Committee is appointed annually by the Board of Directors. At the Board meeting following election in 2008, Bruce Grant, Göran Jansson and Arne Forslund were appointed as members of the Remuneration Committee. The President does not participate in consideration of his salary and employment terms.

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

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

### Audit Committee

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

The Audit Committee consists of Göran Jansson, thus NUTE does not comply with the Code in the respect that the Board should establish an audit committee that should consist of at least three Board members. The Board judges that one member of the Audit Committee is sufficient considering the size of the company and the Board of Directors.
Göran Jansson has a regular (at least quarterly) and close collaboration with the group’s central accounting function regarding internal and external reporting of financial information. There is also a collaboration developed on matters of internal and external control, election and evaluation of auditing principles and models.

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

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

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

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

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

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

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

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

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

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

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

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

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

3 Arne Forslund
Born in 1963.
Board member since 2005.
Main employment: President and CEO of NOTE.
Other directorships: none.
Professional experience: senior executive positions in companies including Danaher Motion, Ortvus, Siemens-Elema and Teleflex.
Education: Senior high school technology graduate.
NOTE holdings: 10,000 shares and 152,000 options.

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

5 Håkan Gellerstedt
Born in 1947.
Board member since 2007.
Main employment: management consultant, President and proprietor of SARL MTL Consultants, France, partner of Rotationer Ltd.
Other directorships: none.
Professional experience: management consultant at Indevo and Interpares, assignments including global production strategies, profitability enhancement packages, business and development strategies for Swedish and international companies.
Education: B.Sc. (Eng.)
NOTE holdings: 4,000 shares.

6 Hans Johansson
Born in 1955.
Board member since 2007.
Main employment: entrepreneur.
Other directorships: Chairman of Emotron, Goovinn, REAB Data and West International. Board member of Chalmers Institute of Technology, Human Care, Safe at Sea, Sportmanship Invest and own companies.
Education: mechanical and chemical processing engineer.
NOTE holdings: 12,500 shares.

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

Stated holdings include related parties.