

Nine-month report May – January 2002/2003 fiscal year:

Sectra reports increased sales, improved earnings and international expansion

Sectra reports increased sales and improved earnings for the first nine months of the 2002/2003 fiscal year. Net sales rose 42.1 % to SEK 378.3 M (266.3) compared with the corresponding period of the preceding year. Pretax profit increased 30.1 % to SEK 51.0 M (39.2), corresponding to a profit margin of 13.5 %. Order bookings amounted to SEK 376.4 M (411.1). Earnings per share rose to SEK 1.06 (0.85).

“The positive trend continues in the current fiscal year,” says Jan-Olof Brüer, CEO of Sectra AB. “The Company’s main areas – medical IT and secure communications – are expanding successfully and international sales are increasing.”

In medical systems, during the third quarter Sectra entered into several new cooperation projects in the US and UK as a part of Sectra’s strategy for an increased internationalization. Increased sales via partners changes the nature of the business. In direct sales, which is the business model with which the company works in Scandinavia, a contract normally comprises delivery of complete systems, including both software and hardware, with long delivery times. Sales via partners, on the other hand, consist solely of software licenses and typically involve contracts with very short delivery times and high added value.

“We continue to invest to strengthen and expand international operations, and an increasing share of Sectra’s sales will be derived from markets outside Scandinavia. International sales are primarily conducted through partners, meaning that deliveries consisting solely of software licenses will increase further in the future,” continues Jan-Olof Brüer.

The operations in secure communications systems increasingly reflect the international trend toward entirely new defense structures using network-based information processing. During the quarter, Sectra received an order for a pilot study for the next generation of military radio systems.

“Sectra has extensive experience of radio design. Due to our unique expertise in encryption, we can help develop radio systems with extremely strong levels of security,” continues Jan-Olof Brüer.

The market for wireless information systems has been adversely affected by the general market conditions, with low investment volumes in both the financial market and the aerospace industry.

“We have adapted our operations in wireless information systems to the prevailing market conditions,” Jan-Olof Brüer points out.

“Sectra has a strong technology platform. Our solutions target growth markets, and our strong home market provides us with a stable base for international expansion. Therefore, it is our evaluation that Sectra will continue to expand with favorable profitability,” concludes Jan-Olof Brüer.

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Interim report Sectra AB (publ) for the nine months ended January 31, 2003

Since the mid-1980s, Sectra has successfully conducted development and sales of high-tech products in medical IT and telecom. The Company's operations currently include medical systems, secure communications systems and wireless information systems.

Sectra has been listed on the O-List of the Stockholm Exchange since March 3, 1999.

Further information about Sectra's operations is available at www.sectra.se.

Period in brief (May 2001–January 2002 in parentheses)

- Order bookings amounted to SEK 376.4 M (411.1).
- Sales rose 42.1 % to SEK 378.3 M (266.3).
- Profit before tax increased to SEK 51.0 M (39.2), reflecting a profit margin of 13.5 %.
- Earnings per share rose to SEK 1.06 (0.85).

Third quarter in brief (November 2001–January 2002 in parentheses)

- Order bookings amounted to SEK 141.1 M (239.6).
- Sales reached SEK 111.6 M (122.1).
- Profit before tax amounted to SEK 15.3 M (23.3), reflecting a profit margin of 13.7 %.
- Earnings per share amounted SEK 0.33 (0.51).

Significant events during the third quarter

- Sectra and Philips Medical Systems extended their successful cooperation in systems for handling and filing digital X-ray images by five more years.
- Sectra began cooperating with Torex Health, one of the leading suppliers of medical IT systems in Europe.
- The Swedish Trelleborg hospital signed an agreement with Sectra for the digitization of its radiology operations.
- The Swedish Defense ordered a pilot study of the next-generation military radio system from Sectra.

Significant events after the end of the quarter

- Sectra intensified its involvement in North America by cooperating with the Eclipsys Corporation, one of the leading US suppliers of IT systems to medical-care providers.
- The Swedish private healthcare provider Capio Diagnostik signed a five-year agreement with Sectra regarding digital radiology to Sweden's largest private emergency hospital, S:t Görans hospital in Stockholm.

Market

The market for **medical systems** is presently in a strong growth phase, with hospitals increasingly electing to modernize their radiology operations through the introduction of digital systems. The countries that have advanced the furthest in the transition to digital radiology are Norway, Sweden, the US and Germany. Today, Sectra has the largest share of installations of digital radiology systems in Scandinavia and the US (via partners). In Scandinavia, Sectra's market share in sales of film-free radiology is about 50 %, and the Sectra is expanding in the US – the world's largest market.

The market for **secure communications systems** within the defense sector is characterized by increased investment in IT systems, while traditional defense investments are declining. Internationally, the trend is toward a completely new defense structure with network-based information management. The flow of information in future network-based defense will demand that high security solutions are an integral feature of the communication structures. Sector is well advanced in this field and has strong core competence in the encryption area.

The market for **wireless information systems** is adversely affected by the general market situation, with low investment volumes in the financial market and the aerospace industry.

Greater international presence

Sectra has opened an office in Sydney to meet increasing demand from hospitals in Australia and New Zealand for digital radiology systems. Sectra now has offices in Sweden, Norway, Denmark, the UK, Germany, Italy, the US and Australia.

Significant events during the quarter

In **medical systems**, Sectra and Philips Medical Systems extended their successful cooperation within digital

radiology systems for a further five years.

Sectra also embarked on several new cooperative undertakings – with, for example, Torex Health, Galen Orthopaedic Technologies and Eclipsys Corporation. These undertakings complement Sectra's existing sales channels and enable the company to access a broader market.

Torex Health leads the UK market in information systems for the medical-care establishment. Torex will sell and install Sectra's systems for handling and archiving digital X-ray images (PACS) as part of its total offering to customers in the British and Irish markets.

Galen is a reseller of orthopedic applications in the US market. Sectra's cooperation with Galen involves a new system that is based on Sectra PACS and specially adapted for orthopedic surgeons.

Eclipsys is one of the leading US suppliers of IT systems to medical-care providers. Under the terms of this cooperation, Eclipsys will sell Sectra PACS, fully integrated with its own solutions, in the North American market.

Increased sales via partners changes the nature of the business. In direct sales, which is the model with which the company works in Scandinavia, a contract normally comprises delivery of complete systems, including both software and hardware, with long delivery times. Sales via partners, on the other hand, consist solely of software licenses and typically involve contracts with very short delivery times and high added value.

In Sweden, Sectra signed an agreement with the Trelleborg hospital for the digitization of its radiology operations. The value of this contract, which concerns

Sectra's systems for handling and filing X-ray images, amounts to SEK 7.6 M.

In **secure communication systems**, Sectra signed an agreement with the Swedish Defence to carry out a pilot study of the next-generation military radio system.

In **wireless information systems**, Sectra carried out a restructuring program to cut its operating costs. The workforce was also reduced, primarily by moving personnel to other areas of Sectra's business.

Sectra MicroDose Mammography®

The new digital mammography system, Sectra MicroDose Mammography®, has been demonstrated at several exhibitions worldwide – most recently in December at the world's largest trade fair on X-ray technology, RSNA, in Chicago. Mammography specialists have shown keen interest. The system, which is being developed in cooperation with the jointly owned associated company, Mamea AB, is based on a sensor technology that makes it possible to achieve the high image quality of current film-based systems, using a radiation dose that is five times lower.

Results from tests conducted with a prototype of the system at St. Göran's Hospital in Stockholm indicate that the technology functions and that the system can maintain the quality and dosage levels seen earlier in laboratory trials.

Sales and earnings

During the period, the Group's order bookings amounted to SEK 376.4 M (411.1), of which SEK 141.1 M (239.6) was due to Q3. Sales rose 42.1 % to SEK 378.3 M (266.3), which means that net sales in Q3 amounted to SEK 111.6 M (122.1). Profit before tax increased to SEK 51.0 M (39.2), which reflects a profit margin of 13.5 %. Profit in Q3 amounted to SEK 15.3 M (23.3).

The favorable trend of sales and profit during the period was due to Sectra's successful sales in medical systems and eavesdrop-secure communication systems.

Financial position

The equity ratio at January 31, 2003, was 45.1 % (46.5) and liquidity was a multiple of 2.3 (3.0). The Company's interest-bearing liabilities amounted to SEK 86.5 (73.4), of which SEK 56.4 M (50.8) related to convertible debentures.

Investments

Investments in the Group during the nine-month period amounted to SEK 3.0 M (2.3), of which SEK 1.5 M (0.3) was due to Q3. The investments related mainly to computer equipment and machinery.

Personnel

The number of employees increased during the third quarter by 12. Accordingly, the total number of employees in Sectra at January 31, 2003, was 272 (224).

The Sectra share

At full conversion and exercise of the convertibles program and personnel stock options issued during 2000/2001, 2001/2002 and 2002/2003, the number of shares will increase to 34,133,961. The total dilution effect will be a maximum of 3.2 % on the share capital and 1.9 % on the voting rights.

Dispute

Sectra has filed a lawsuit against CNS Systems AB for approximately SEK 8 M regarding unpaid invoices for products delivered. CNS has filed a countersuit against Sectra for SEK 50 M, which is considered groundless.

Outlook

Sectra has a strong technology platform. The products and system solutions that Sectra develops are aimed at markets with high growth potential. The Company's strong position in the home market provides a solid platform for ongoing international expansion. The Board's assessment that Sectra will continue to expand with favorable profitability remains valid.

Accounting principles

This report was prepared in accordance with the Swedish Financial Accounting Standards Council's recommendation RR20. The accounting principles presented in the 2001/2002 Annual Report are unchanged.

Future financial reports

Year-end report on operations in 2002/2003:

May 22, 2003

Financial hearing

Sectra will present its nine-month report at a financial hearing on March 4 at 12 o'clock noon at the Operaterassen in Stockholm.

The presentation will be available on www.sectra.se as of 7:00 p.m.

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Linköping, Sweden, March 4, 2003

Sectra AB (publ)

Board of Directors

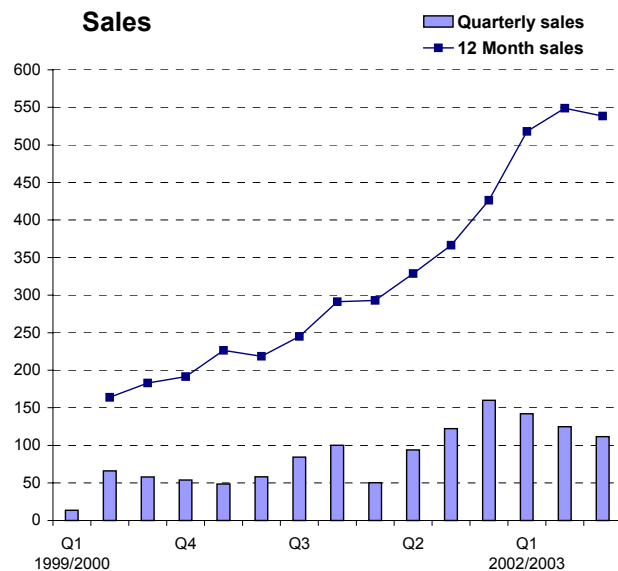
Summary Income Statement for the Group

SEK Thousands	3 month Nov - Jan 2002/2003	3 month Nov - Jan 2001/2002	9 month May - Jan 2002/2003	9 month May - Jan 2001/2002	12 month Feb 2002 - Jan 2003	Full year May-Apr 2001/2002
Net sales	111 659	122 109	378 338	266 269	538 379	426 310
Change in work in progress	-3 089	16 092	-8 761	15 220	-28 972	- 4 991
Operating expenses	-93 277	-113 112	-316 351	-237 682	-432 998	- 354 329
Depreciation	-1 383	-1 818	-4 419	-5 099	-6 162	- 6 842
Operating profit	13 910	23 271	48 807	38 708	70 247	60 148
Net financial items	1 395	68	2 232	513	2 972	1 253
Earnings before tax	15 305	23 339	51 039	39 221	73 219	61 401
Tax on earnings for the period	-4 299	-6 648	-15 984	-11 261	-25 836	- 21 113
Minority interest	10	-	96	-	238	142
Net earnings	11 016	16 691	35 151	27 960	47 621	40 430
Profit per share						
Before dilution	0.33	0.51	1.06	0.85	1.44	1.23
Assuming full conversion	0.32	0.50	1.03	0.83	1.40	1.20
No. of shares						
At end of period	33 076 511	32 760 945	33 076 511	32 760 945	33 076 511	32 760 945
Assuming full conversion of issued convertible debentures and personnel options ¹⁾	34 133 961	33 881 845	34 133 961	33 881 845	34 133 961	33 881 845
Average, before dilution ²⁾	33 076 511	32 760 945	32 918 728	32 760 945	32 918 728	32 760 945
Average, assuming full conversion ²⁾	34 008 186	33 687 745	34 007 903	33 687 745	34 007 903	33 687 745

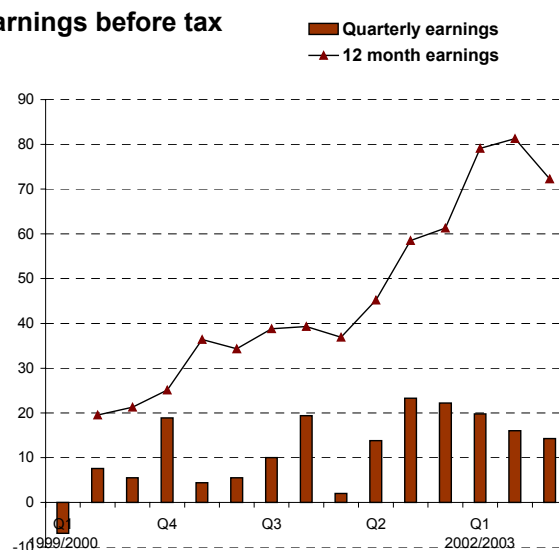
1) Issued convertible debentures 327,700 (2000/01), 308,200 (2001/02), 171,550 (2002/03) and personnel options 90,000 (2000/01), 80,000 (2001/02) and 80,000 (2002/03).

2) Average number of shares adjusted for issues and split.

Sales



Earnings before tax



Summary Balance Sheet for the Group

SEK Thousands	9 Month Jan 31, 2003	9 Month Jan 31, 2002	Full Year April 30, 2002
Assets			
Intangible assets	11 771	11 427	11 033
Tangible assets	56 103	35 227	54 236
Total fixed assets	67 874	46 654	65 269
Other current assets	153 640	144 352	165 760
Cash and bank balances	203 040	135 609	130 439
Total current assets	356 680	279 961	296 199
Total assets	424 554	326 615	361 468
Equity and liabilities			
Equity (including profit for the period)	191 747	151 923	164 660
Provisions	11 610	8 439	11 610
Minority interests	42	-	- 112
Long-term liabilities	58 957	67 938	68 031
Current liabilities	162 198	98 315	117 279
Total equity and liabilities	424 554	326 615	361 468

Change in Equity

SEK Thousands	9 Month Jan 31, 2003	9 Month Jan 31, 2002	Full Year May - Apr 2002
Equity at start of period	164 660	134 702	134 702
New issue/Conversion	5 460	-	-
Dividend	-13 104	-9 828	- 9 828
Change in minority interests	-420	-911	- 644
Net earnings for the period	35 151	27 960	40 430
Equity at end of period	191 747	151 923	164 660

Summary Cash Flow Statement for the Group

SEK Thousands	9 Month Jan 31, 2003	9 Month Jan 31, 2002	Full Year May - Apr 2002
Cash flow from operations before changes in working capital	59 563	33 059	50 300
Cash flow from operations after changes in working capital	92 362	38 714	53 513
Investing activities	-3 043	-2 254	- 8 719
Financing activities	-16 718	11 748	- 1 756
Change in cash and bank balances	72 601	48 208	43 048
Cash and bank balances, opening balance	130 439	87 401	87 401
Cash and bank balances, closing balance	203 040	135 609	130 439

Key Figures

	9 Month Jan 31, 2003	9 Month Jan 31, 2002	12 month Jan 31, 2003	Full year Apr 30 2002
Solvency %	45,1	46,5	45,1	44,2
Liquidity, ratio	2,3	3,0	2,3	2,5
Profit margin %	13,5	14,7	13,6	14,4
Earning capacity of equity	-	-	27,6	24,6
Earning capacity of working capital	-	-	24,6	30,5
Average number of employees	259	214	256	222
Equity per share	5,80	4,64	5,80	4,96
Equity per share assuming full conversion of issued convertible debentures and personnel options	5,62	4,51	5,62	4,80
Cash flow per share	1,80	1,01	2,76	1,47
Cash flow per share assuming full conversion of issued convertible debentures and personnel options	1,72	0,98	2,65	1,42
P/E ratio	41,9	62,4	30,9	50,0
Share price	44,5	53,0	44,5	62,0

Quarterly Income Statements for the Group

SEK million	2002/2003				2001/2002				2000/2001		1999/ 2000	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Net sales	111,6	124.7	142.0	160.0	122.1	93.9	50.2	100.2	84.4	58.1	48.5	54.0
Other operating income	-	-	-	-	-	-	-	0.1	-	0.4	-	0.3
Change in work in progress	-3,0	-7.6	1.9	-20.2	16.1	-4.2	3.3	-18.5	-12.9	3.9	0.8	7.5
Operating expenses	-93,3	-100.3	-122.8	-116.6	-113.2	-74.5	-50.4	-60.4	-60.4	-55.5	-43.6	-41.5
Depreciation	-1.4	-1.4	-1.6	-1.7	-1.8	-1.6	-1.7	-1.9	-1.3	-1.8	-1.3	-1.5
Operating profit	13,9	15.4	19.5	21.5	23.2	13.6	1.4	19.5	9.8	5.1	4.4	18.8
Net financial items	1,4	0.6	0.3	0.7	0.1	0.2	0.6	-0.1	0.2	0.4	0.0	0.1
Earnings after financial items	15,3	16.0	19.8	22.2	23.3	13.8	2.0	19.4	10.0	5.5	4.4	18.9
Tax on earnings for the period	-4,3	-6.0	-5.8	-9.9	-6.6	-4.0	-0.6	-5.8	-3.0	-1.6	-1.2	-6.3
Minority interest	-	-	0.1	0.1	-	-	-	-	-	-	-	-
Net earnings	11.0	10.0	14.1	12.4	16.7	9.8	1.4	13.6	7.0	3.9	3.2	12.6

Solvency: Equity as a percentage of total assets.

Liquidity: Current assets divided by current liabilities.

Profit margin: Profit before tax as a percentage of sales.

Earning capacity of equity: Profit after tax as a percentage of average adjusted equity.

Capital employed: Total assets reduced by non interest-bearing debts.

Earning capacity of working capital: Profit before tax plus financial expenses as a percentage of average working capital.

Profit per share: Profit before tax reduced by actual tax divided by the average number of shares.

Equity per share: Equity divided by the number of shares at the end of the period.

Cash flow per share: Cash flow divided by the number of shares at the end of the period.