

Interim report Sectra AB (publ) for the period May– July 2000

Since the mid-1980s, Sectra AB has successfully conducted development and sales of high-technology medical IT and telecommunications products. Today, the business includes products in medical imaging systems, secure communication systems and wireless information systems. Sectra's shares have been quoted on the O list of the OM Stockholm Exchange since March 3, 1999.

The period in brief (May–July 1999 in parentheses)

- Sales reached SEK 48.5 (13.6) million, up 257%.
- Earnings before tax rose to SEK 4.4 (- 6.9) million, an improvement with - 163 %.
- Earnings per share equaled SEK 0.10 (-).
- Orders received totaled SEK 85.2 (64.1) million.

Significant events in the first quarter

- Sectra received an order to develop and supply a next-generation cutting-edge radio system for air traffic control.
- Sectra received order for secure broadband communication from the Swedish Armed Forces.
- Working with Philips Medical Systems, Sectra secured its biggest order to date for PACS in the United States.

Significant events after the end of the period

- Sectra carried out a bonus issue and a three-to-one stocksplit August 15, 2000.
- Sectra establish an office in Italy resulting in business in five countries.

Markets and product development

In the field of **wireless information systems**, Sectra won a key strategic order to the Swedish Board of Civil Aviation for the next generation radio system for air traffic control. In conjunction with the company C.N.S Systems Sectra will develop and supply transponders that will serve as the framework for the new air communication system. Sectra will be among the first in the world to supply transponders based on the new international standard for international air traffic, VDL Mode 4.

During the quarter, Sectra's **secure communication systems business** received an order for secure broadband communication from the Swedish Defense.

In the field of **medical imaging systems** Sectra, together with Philips Medical Systems, secured its biggest order to date for PACS in the United States. Four large New York hospitals have ordered Sectra's system for film-free radiology. During the first quarter Sectra also has continued to win important orders in Sweden. Blekinge Hospital Karlshamn/Karlskrona and the University Hospital in Malmö has ordered Sectra PACS.

Sales and earnings

Sales for the first quarter increased 257% to SEK 48.5 (13.6) million. Consolidated earnings before tax reached SEK 4.4 (-6.9) million. Orders received totaled SEK 85.2 (64.1) million, an improvement with 33% compared to the same period last year.

Financial position

Sectra enjoys a solid financial position. On July 31, 2000, the Company had an equity ratio of 65.2% (54.9), and liquidity ratio of 3.5 (2.6). The Company's interest-bearing liabilities equaled SEK 9.1 (8.1) million.

Investments

Investments in the Group reached SEK 3.6 (0.5) million. Investments were made in shares in associated companies and computers and other equipment.

Bonus issue and share-split

At August 15, 2000 after the end of the period, Sectra carried through a bonus issue and a share-split three-to-one that was approved at the annual meeting of shareholders July 5 2000.

The bonus issue, that raised the par value of a share from SEK 2.50 to SEK 3.00, effected an increase in share capital from SEK 5,460,157.50 to SEK 32,760,945.00.

The share-split adjusted the nominal share value from SEK 3 to SEK 1. For each existing share, two new shares have been issued. After the split there will be 32,760,945 shares in Sectra, of which 2,620,692 are series A shares and 30,140,253 series B.

Convertible debentures and Stock-options

At the annual meeting of shareholders it was approved to issue convertible debentures in a total maximum amount of SEK 30 million, to be directed to Group employees.

Assuming full subscription and full conversion of the debentures, the share capital will be diluted by approximately 1% and the voting rights by approximately 0.7%.

The meeting also approved the Board of Directors' proposal to issue stock options for Group personnel in the US. Assuming full exercise of the stock options, employees in the US will acquire shares in the company corresponding to approximately 0.3% of the share capital and 0.2% of the voting rights.

Employees

On July 31, Sectra had 168 employees, which means that staff number increased by two during the first quarter.

Outlook

Sectra has a very solid position in several high growth niche markets. We have a strong domestic market position within niches where Sweden leads the technical development. Based on this the Board of Directors expects that the Company will continue to expand while maintaining profitability.

Future reports

Interim Report May–October 2000:
December 12, 2000

Interim Report May 2000–January 2001:
March 6, 2001

Preliminary Earnings for 2000/2001:
May 29, 2001

Summary Income Statement for the Group

SEK thousands	May-July 3 month 2000	May-July 3 month 1999	May-April Full year 1999/00
Net sales	48 496	13 609	191 567
Other operating income	-	-	846
Change in work in progress	752	20 999	21 193
Operating expenses	- 43 518	- 40 672	- 180 371
Depreciation	- 1 336	- 915	- 6 184
Operating profit ¹⁾	4 394	- 6 979	27 051
Net financial items	24	111	1 609
Earnings after financial items	4 418	- 6 868	28 660
Items affecting comparability ²⁾	-	-	- 3 574
Earnings before tax	4 418		25 086
Tax on earnings for the period	-1 237	-	- 8 166
Net earnings	3 181	- 6 868	16 920

1) By valuation of work in progress the Group has used percentage of completion method in accordance with the Swedish Accounting Standards Council's recommendation no. 11. The new principle has affected the net earnings for the period positively with SEK 2.4 million.

2) Non-recurring items refer to profits in the subsidiary RadiSoft AB during part of the fiscal year, prior to December 13, 1999, when the company was not yet part of the Group.

Summary Balance Sheet for the Group

SEK thousands	July 31, 2000 3 month	July 31, 1999 3 month	April 30, 2000 Full Year
Assets			
Intangible assets	17 024	-	16 327
Tangible assets	15 613	11 648	14 087
Total fixed assets	32 637	11 648	30 414
Other current assets	89 254	78 796	102 052
Cash and bank balances	41 474	27 728	42 450
Total current assets	130 728	106 524	144 502
Total assets	163 365	118 172	174 916
Equity and liabilities			
Equity (including profit for the period)	106 552	64 878	109 923
Provisions	6 558	4 623	6 558
Long-term liabilities	9 056	8 149	9 134
Current liabilities	41 199	40 522	49 301
Total equity and liabilities	163 365	118 172	174 916

Summary Cash Flow Statement for the Group

SEK Thousands	July 31, 2000 3 month	July 31, 1999 3 month	April 30, 1999 Full year
Cash flow from operations before changes in working capital	4 517	- 6 195	25 145
Cash flow from operations after changes in working capital	9 213	- 3 558	13 305
Investing activities	- 3 559	- 470	- 24 612
Financing activities	- 6 630	- 1 160	20 841
Change in cash and bank balances	- 976	- 5 188	9 534
Cash and bank balances, opening balance	42 450	32 916	32 916
Cash and bank balances, closing balance	41 474	27 728	42 450

Key Figures

	July 31, 2000 3 month	Pro-forma 3) July 31, 1999 3 month	April 30, 2000 Full year	Pro-forma 3) April 30, 2000 Full year
Solvency %	65,2	54,9	62,9	62,9
Liquidity, ratio	3,5	2,6	3,2	3,2
Profit margin %	9,1	neg	13,1	13,1
Average number of employees	173	147	156	156
Profit per share after tax, SEK ¹⁾	0,10	neg	1,58	0,52
Equity per share	3,25	2,06	10,07	3,36
Cash flow per share	0,14	neg	2,30	0,77
No. of shares at end of period ²⁾	32 760 945	31 500 000	10 920 315	32 760 945

¹⁾ Based on the average number of shares and standard tax

²⁾ Adjusted for dividends and bonus issues

³⁾ Adjusted for share-split August 15, 2000.

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.

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

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

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

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Linköping September 12, 2000
Sectra AB (publ)

Board of Directors

This report has not been examined
by the Company's auditor.