

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.