

Interim report Sectra AB (publ) for the period May– October 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 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–October 1999 in parentheses)

- **Sales reached SEK 106.6 (79.6) million, up 34%.**
- **Earnings before tax rose to SEK 9.9 (0.7) million.**
- **Earnings per share equaled SEK 0.22 (0.05).**
- **Orders received totaled SEK 195.1 (125.4) million, up 56%.**

Significant events in the second quarter

- **Sectra's PACS workstation for digital x-rays receives top ranking in an international scientific evaluation.**
- **The US Defense department USEUCOM orders Sectra's secure mobile phone Tiger.**
- **Sectra introduces CitySurfer, a mobile information terminal and receives, in connection with this, an order for CitySurfer from the North American net operator CUE Corporation.**
- **The international expansion continues and Sectra opens offices in Italy and Denmark.**

Significant event after the end of the period

- **Sectra presents a revolutionary digital mammography system based on a completely new technology. The new system provides the same high image quality as today's film-based systems at one fifth of the radiation dose.**

Markets and product development

Sectra's international expansion has continued during the second quarter and new offices are being established in Italy and Denmark. Thereby Sectra has offices in six countries.

In the field of **medical systems**, Sectra's PACS workstation for digital x-rays was awarded top ranking and outclassed its competition in an international scientific evaluation of commercial PACS workstations. The evaluation covered workstations from all major international PACS vendors. Sectra also received an order from Gävleborg County Council to complete digitization of all radiology departments within the County's healthcare system.

The business within **secure communication systems** received a strategically important order when the US Defense Department USEUCOM ordered the GSM-phone Tiger. During the period Sectra has also sold 300 more Tiger-phones to the Swedish Defense.

In the field of **wireless information systems** Sectra introduced its new mobile Internet product CitySurfer at the Networks Telecom exhibition in Stockholm in September. In connection with this the American net operator CUE Corporation ordered CitySurfer. CUE is one of the largest net operators in the world for transfer of data on the FM band. It's a three-year agreement and the order value is at least USD 5.7 million.

Sales and earnings

Consolidated sales for the first six-month period increased 34% to SEK 106.6 (79.6) million, putting the figure

for sales in the second quarter at 58.1. Consolidated earnings before tax for the second quarter reached SEK 3.9 million resulting in an increase for the first six month at 9.9 (0.7) million. Orders received during the quarter totaled SEK 109.9 million, putting the figure for the first half at SEK 195.1 (125.4) million, an improvement of 56% compared to the same period last year.

Financial position

Sectra enjoys a solid financial position. On October 31, 2000, the Company had an equity ratio of 56.1% (60.7), and liquidity ratio of 3.0 (3.0). The Company's interest-bearing liabilities equaled SEK 9.9 (3.0) million.

Investments

Investments in the Group reached SEK 5.9 (1.7) million. Investments were made in shares in the associated company Mamea Imaging AB and computers and other equipment.

Bonus issue and share-split

On August 15 2000, 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 are 32,760,945 shares in Sectra, of

which 2,620,692 are series A shares and 30,140,253 series B.

Convertible debentures

In accordance with the decision by the Annual General Meeting the employees, with deviation for the shareholders' preferential rights, have been offered subscription for convertible debentures in a total maximum amount of SEK 30 million. Employees showed great interest and 63% have participated in the program. Assuming full conversion Sectra would have an additional 327,700 B shares, corresponding to no more than 1.0% of the share capital and 0.6% of the voting rights. The convertible debentures mature on July 1, 2003, and have a conversion price of SEK 84.

Employees

On October 31, Sectra had 173 employees, which mean that staff numbers increased by five during the second quarter.

Outlook

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

Future reports

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	August - Oct 3 month 2000	May - October 6 month 2000	May - October 6 month 1999	May - April Full year 1999/2000
Net sales	58 054	106 550	79 591	191 567
Other operating income	427	427	410	846
Change in work in progress	3 914	4 666	6 044	21 193
Operating expenses	- 55 498	- 99 016	- 83 353	- 180 371
Depreciation	- 1 788	- 3 124	- 1 851	- 6 184
Operating profit ¹⁾	5 109	9 503	841	27 051
Net financial items	367	391	- 136	1 609
Earnings after financial items	5 476	9 894	705	28 660
Items affecting comparability ²⁾	-	-	-	- 3 574
Earnings before tax	5 476	9 894	705	25 086
Tax on earnings for the period	- 1 533	- 2 770	- 197	- 8 166
Net earnings	3 943	7 124	508	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 before tax for the period positively with SEK 8.6 million.
- 2) Non-recurring items refer to profits in Sectra RadiSoft AB, subsidiary of Sectra Imtec 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	October 31, 2000 6 month	October 31, 1999 6 month	April 30, 2000 Full year
Assets			
Intangible assets	16 540	-	16 327
Tangible assets	20 647	12 011	14 087
Total fixed assets	37 187	12 011	30 414
Other current assets	100 272	79 373	102 052
Cash and bank balances	41 519	28 090	42 450
Total current assets	141 791	107 463	144 502
Total assets	178 978	119 474	174 916
Equity and liabilities			
Equity (including profit for the period)	110 495	72 496	109 923
Provisions	6 558	4 653	6 558
Long-term liabilities	9 930	3 028	9 134
Current liabilities	51 995	39 297	49 301
Total equity and liabilities	178 978	119 474	174 916

Summary Cash Flow Statement for the Group

SEK Thousands	October 31, 2000 6 month	October 31, 1999 6 month	April 30, 2000 Full year
Cash flow from operations before changes in working capital	10 248	2 358	25 145
Cash flow from operations after changes in working capital	14 722	3 223	13 305
Investing activities	- 5 897	- 1 771	- 24 612
Financing activities	- 9 756	- 6 278	20 841
Change in cash and bank balances	- 931	- 4 826	9 534
Cash and bank balances, opening balance	42 450	32 916	32 916
Cash and bank balances, closing balance	41 519	28 090	42 450

Key Figures

	October 31 2000 6 month	Pro-forma 2) October 31 1999 6 month	30 April 2000 Full year	Pro-forma 3) April 30 2000 Full year
Solvency %	61.7	60.7	62.9	62.9
Liquidity, ratio	3.0	3.0	3.2	3.2
Profit margin %	9.3	0.9	15.0	15.0
Average number of employees	175	135	156	156
Profit per share after tax, SEK	0.22	0.02	1.58	0.52
Equity per share	3.37	2.30	10.07	3.36
Cash flow per share	0.31	0.07	2.30	0.77
No. of shares at end of period ¹⁾	32 760 945	31 500 000	10 920 315	32 760 945

¹⁾ Adjusted for dividends and bonus issues.

²⁾ 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 average 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 December 12, 2000
Sectra AB (publ)

Board of Directors

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