

Interim report from Sectra AB (publ) for the period May 1999–January 2000

The Period in Brief (May 1998 – January 1999 in parentheses)

- Sales for the nine-month period increased 23%, to SEK 137.5 (111.5) million.
- Earnings before tax rose 29%, to SEK 6.2 (4.8) million.
- Earnings per share equaled SEK 0.4 (0.34).
- Orders received totaled SEK 147.2 million, SEK 21.8 million of which came in the third quarter.

Significant events in the third quarter

- Sectra received its first order from the non-military market for the Sectra Tiger, the Company's secure mobile phone.
- Sectra completed the acquisition of RadiSoft AB, which makes radiological information systems.
- Sectra received an strategic order for financial mobile networking from a Swiss network operator.
- Sectra acquired a stake in Mamea Imaging AB. The company develops digital x-ray sensors that combine very high image quality with a minimal exposure to radiation for the patients'.
- Sectra was awarded the Electronics Prize 1999 by the Swedish magazine *Elektronik i Norden*.

Significant events after the end of the period

- The Swedish National Pension Insurance Fund Sixth fund board strengthened the Company's shareholder structure by acquiring Sectra shares.

Sectra traditionally experiences seasonal variations as slow sales at the start of each new fiscal year. The majority of invoicing and profit often comes in the spring. This pattern has repeated itself through the past five fiscal years.

Sectra's operations

Since the mid-1980s, Sectra AB has successfully conducted development and sales of high-technology IT and telecommunications products. Today, the business includes products in medical image systems, secure communication systems and digital radio systems. Sectra collaborates with customers in each of these markets to develop commercially robust, user-friendly products embodying high technical quality. Sectra's shares have been quoted on the O list of the OM Stockholm Exchange since March 3, 1999.

Markets and product development

In the third quarter, the medical technology business area was distinguished by procurement processes under way. The U.S. market showed interest in Sectra's new generation of PACS system, which had its premier at the RSNA x-ray technology fair in Chicago in early December. Negotiations are under way with several large hospitals through Sectra's U.S. partner, Philips Medical Systems.

In the area of digital radio systems, Sectra won strategic orders that are key to the Company's participation in building up mobile networking across Europe. The financial institution Ocean-trade S.A., Switzerland ordered 2,000 Sectra Fortuner, an advanced portable information terminal based on DARC technology. As a result of the Swiss order, the network operator SRG/SSR, which provides service throughout Switzerland, ordered mobile networking infrastructure to be able to broadcast information over the Swiss FM network.

In the communication systems area, the Company's secure GSM phone Sectra Tiger took its first important steps into non-military markets. Several contracts

were signed, one with Saab Dynamics. Marketing efforts for Sectra Tiger continue in the Swedish and international markets, for the non-military and military versions.

Sales and earnings

Sales for the period under review increased 23%, to SEK 137.5 (111.5) million. Consolidated profit for the nine months totaled SEK 6.2 (4.8) million, up 29%. Orders received during the third quarter amounted to SEK 21.8 million, putting the figure for the first nine months at SEK 147.2 million.

Financial position

Sectra enjoys a solid financial position. On January 31, 2000, the Company had an equity ratio of 65.2% (50.3) and a liquidity ratio of 3.6 (2.8). The Company's interest-bearing liabilities declined, to SEK 8.5 (10.5) million.

Investments

Investments in the Group reached SEK 6.8 (1.8) million for the period. Investments were made in shares in associated companies as well as computers and other equipment.

Acquisition of RadiSoft

Sectra completed the acquisition of RadiSoft AB on December 13, 2000, in accordance with a letter of intent signed on October 7. RadiSoft develops and supplies administrative systems for radiology, which will complement and strengthen Sectra's product range in the field of medical imaging systems.

Shareholder in Mamea Imaging AB

Sectra acquired a stake in the start-up company Mamea Imaging AB. The company is developing an entirely new type of digital x-ray sensor that enables extremely high image quality while exposing patients to minimal radiation.

The sensors will be useful in mammography and other applications. Sectra will be the exclusive sales channel for Mamea's products.

Sectra stock

In conjunction with the acquisition of RadiSoft AB, the Company issued 420,315 new series B shares. Hence, on January 31 the total number of shares was 10,920,315, with a par value of SEK 2.50 each; 873,564 were series A shares, 10,046,751 series B.

In February, Sweden's National Pension Insurance Fund Sixth fund board strengthened Sectra's shareholder structure by buying 525,000 shares, representing 4.8% of total share capital and 2.8% of votes.

1999 Electronics prize

In November, Sectra was awarded the 1999 Electronics prize by the Swedish magazine *Elektronik i Norden*. The prize is given to the high-technology company that has succeeded best in launching one or more new products during the year and has reported excellent profitability.

Employees

On January 31, Sectra had 161 employees. In the third quarter, staff numbers increased by 24, 20 of whom were added through the acquisition of RadiSoft AB.

Outlook

Because of Sectra's solid position in its market niches worldwide and these markets' accelerating growth, the Company expects to continue expanding as planned.

Future reports

| | |
|-----------------------------|--------------|
| Preliminary earnings report | |
| 1999/00 | June 5, 2000 |
| Annual general meeting | |
| 1999/00 | July 5, 2000 |

Summary Income Statement for the Group

| SEK thousands | November-Jan 3 month 1999/00 | May - January 9 month 1999/00 | May - January 9 month 1998/99 | May - April Full year 1998/99 |
|---|------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Net sales | 57.958 | 137 549 | 111 485 | 182 923 |
| Other operating income | 174 | 584 | 854 | 960 |
| Change in work in progress | 7 682 | 13 726 | 1 650 | - 5 791 |
| Operating expenses | -55 566 | - 138 919 | - 107 327 | - 154 333 |
| Depreciation | - 2 863 | - 4 714 | - 2 515 | - 3 491 |
| Operating profit | 7 385 | 8 226 | 4 147 | 20 268 |
| Net financial items | 1 651 | 1 515 | 653 | 991 |
| Earnings after financial items | 9 036 | 9 741 | 4 800 | 21 259 |
| Items affecting comparability ¹⁾ | - 3 574 | -3 574 | - | - |
| Earnings before tax | 5 462 | 6 167 | 4 800 | 21 259 |
| Tax on earnings for the period | - 1 669 | - 1 866 | - 1 422 | - 4 789 |
| Net earnings | 3 793 | 4 301 | 3 378 | 16 470 |

¹⁾ 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 | 31 January 9 month 1999/00 | 31 January 9 month 1998/99 | 30 April Full year 1999 |
|--|----------------------------------|----------------------------------|-------------------------------|
| Assets | | | |
| Intangible assets | 16 781 | 25 | - |
| Tangible assets | 13 117 | 9 092 | 12 093 |
| Total fixed assets | 29 898 | 9 117 | 12 093 |
| Other current assets | 74 260 | 68 135 | 87 996 |
| Cash and bank balances | 44 973 | 21 877 | 32 916 |
| Total current assets | 119 233 | 90 012 | 120 912 |
| Total assets | 149 131 | 99 129 | 133 005 |
| Equity and liabilities | | | |
| Equity (including profit for the period) | 97 305 | 49 909 | 77 238 |
| Provisions | 5 600 | 2 973 | 4 623 |
| Long-term liabilities | 8 498 | 10 479 | 4 059 |
| Current liabilities | 37 728 | 35 768 | 47 085 |
| Total equity and liabilities | 149 131 | 99 129 | 133 005 |

Summary Cash Flow Statement for the Group

| SEK Thousands | 31 January 9 month 1999/00 | 31 January 9 month 1998/99 | 30 April Full year 1999 |
|---|----------------------------------|----------------------------------|-------------------------------|
| Cash flow from operations before changes in working capital | 9 195 | 6 053 | 20 774 |
| Cash flow from operations after changes in working capital | 13 854 | 6 878 | 13 055 |
| Investing activities ¹⁾ | - 986 | - 1 770 | - 3 006 |
| Financing activities | - 811 | 3 618 | 9 716 |
| Change in cash and bank balances | 12 057 | 8 726 | 19 765 |
| Cash and bank balances, opening balance | 32 916 | 13 151 | 13 151 |
| Cash and bank balances, closing balance | 44 973 | 21 877 | 32 916 |

¹⁾ The acquisition of subsidiaries through the issue of shares in the Company was not taken into account in the cash-flow analysis as it did not affect cash and bank balances. The analysis includes cash and bank balances of SEK 5,774 thousand acquired in businesses.

Nyckeltal

| | 31 January 9 month 1999/00 | 31 January 9 month 1998/99 | 30 April Full year 1999 |
|---|----------------------------------|----------------------------------|-------------------------------|
| Solvency % | 65,2 | 50,3 | 58,1 |
| Liquidity, ratio | 3,6 | 2,8 | 2,8 |
| Profit margin % | 4,5 | 4,3 | 11,6 |
| Earning capacity of working capital, % | 7,7 | 8,2 | 30,9 |
| Earning capacity of equity, % | 4,9 | 6,7 | 27,4 |
| Average number of employees | 154 | 141 | 123 |
| Profit per share after tax, SEK ¹⁾ | 0,40 | 0,34 | 1,61 |
| Equity per share | 8,91 | 4,99 | 7,36 |
| Cash flow per share | 0,84 | 0,61 | 1,98 |
| No. of shares at end of period ²⁾ | 10 920 315 | 10 000 000 | 10 500 000 |

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

²⁾ Adjusted for dividends and bonus issues

Solvency: Equity as a percentage of total assets.

Liquidity: Current assets divided by current liabilities.

Earning capacity of equity: Profit before tax reduced by actual tax as a percentage of average adjusted equity.

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

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 February 28, 2000
Sectra AB (publ)

Board of Directors

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