

Press Release

Linköping August 27, 2001

Sectra's first quarter, May–July, fiscal year 2001/2002

Strong start for Sectra in new fiscal year

Sectra reports increased sales and order bookings in the first quarter of the 2001/2002 fiscal year. Sales rose by 4 % to SEK 50.2 million (48.5) and order bookings were up approximately 10 % to SEK 93.8 million (85.2). Profit before tax amounted to SEK 2.1 million (4.4).

“We normally experience a seasonal variation in which the fiscal year, beginning on May 1, starts with low sales and losses,” relates Jan-Olof Brüer, CEO and President of Sectra AB. “For the second consecutive year, this pattern was broken and a profit was reported for the first quarter”.

Sales in the company's core operations of medical IT and secure communications remain favorable. During the first quarter, Sectra received several orders for digital radiology systems in Sweden and abroad. Among other advances, Sectra scored a significant breakthrough in the Danish market with orders for Sectra's radiology information system (RIS) from the Odense and Funen hospitals.

In the secure communications area, Sectra received an order from the Swedish Armed Forces for development of KryptoModem, a flexible solution for communications between stationary as well as portable computers. In August, after the close of the reporting period, Sectra signed an agreement with Kongsberg Defence Communications AS in Norway for the NATO version of the Sectra Tiger telephone. The contract, covering 1,000 telephones with accessories, is Sectra's largest series order to date for the company's new Tiger version.

Sectra's digital radiology system was ranked highest in an American customer survey¹⁾ that evaluated PACS²⁾ systems from eight leading suppliers in the US. Sectra's system, which is sold by Philips Medical Systems under its own brand on the North American market, topped the ranking with the best performance.

“Sectra's digital radiology system has received the highest rating on several occasions in comparisons with systems from all major PACS suppliers. The fact that our end-customers rank the Sectra system high is the best confirmation our development team can receive that they are developing the right products. This is highly important for our continuing sales,” concludes Jan-Olof Brüer.

Sectra have a solid position in several high growth niche markets, both in Sweden and internationally. Based on this the Board of Directors expects that Sectra will continue to expand while maintaining profitability.

¹⁾ The customer survey was conducted by the research and consulting firm KLAS, based in Draper, Utah, and included 143 health clinics in the US

²⁾ PACS – Picture Archive and Communications System

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Sectra's operations

Sectra has its roots in Linköping Technical University and is one of Sweden's fastest growing high-tech companies in the IT area. Since the mid-1980s, Sectra 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.

Business is conducted in six countries with a total of 185 employees. Sales for the fiscal year May 2000–April 2001 reached SEK 292 million. Since March 1999, Sectra's shares have been quoted on the O list of the Stockholm Exchange.

Interim Report from Sectra AB (publ), for the period May - July 2001

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-July 2000 in parentheses)

- Sales rose 4 % to SEK 50.2 million (48.5).
- Profit before tax amounted to SEK 2.1 million (4.4).
- Earnings per share amounted to SEK 0.05 (0.10).
- Order bookings rose 10 % to SEK 93,8 million (85.2).

Significant events during the first quarter

- Sectra was contracted for digitizing the radiology operations at the Huddinge University Hospital and Södertälje Hospital in Sweden as well as the Vestfold County Council in Norway.
- Funen County Council in Denmark ordered Sectra's radiology information system (RIS) for eight X-ray departments and a nuclear-medicine department at the Odense University Hospital and the Funen Hospital.
- Sectra received an order for development of KryptoModem from the Swedish Defence Materiel Administration. KryptoModem provides a flexible security solution for communications between portable computers.

Significant events after the end of the period

- Sectra's digital radiology system, Sectra PACS™, received top overall rating in an American customer survey. The survey evaluated PACS (Picture Archiving and Communications Systems) from eight leading vendors in the US. Sectra's system, which is sold by Philips Medical Systems under its own brand on the North American market, topped the ranking with the best overall performance. This highly favorable survey result is important for Sectra in its future sales.
- Sectra has signed an agreement with the Norwegian partner Kongsberg Defence Communications AS for 1,000 Tiger-telephones with accessories. This is Sectra's largest order to date for the NATO version of Tiger.

Market and product development

The markets in which Sectra conducts its operations are in a growth phase and affected to only a limited extent by the general economic downturn. The market for medical systems has entered a period of strong growth. An increasing number of hospitals are opting to improve the efficiency of their operations by introducing digital systems. The market for secure communications systems is characterized by the restructuring of the Swedish Defense in recent years and the associated low investment levels. The market for mobile Internet is growing. Increased mobility among individuals is driving development within the communications field and demand for mobile information services is growing.

In the field of **medical systems**, Sectra has posted continued sales successes, in Sweden and internationally. Among others, the Huddinge University Hospital and the Södertälje Hospital ordered Sectra's digital radiology system. Digitizing of radiology operations at these hospitals improve the possibilities of exchange X-ray images between hospitals in Stockholm County. Today, the Ersta Hospital, Norrtälje Hospital and the Astrid Lindgren Children's Hospital use Sectra's system for digital X-rays. The system is also currently being installed at the Stockholm Söder Hospital and is scheduled to be in operation in spring 2002.

In Norway, Sectra received orders for digitizing the entire Vestfold County healthcare system. In Denmark, the Funen County Council ordered Sectra's radiology information system (RIS) for eight X-ray departments and

a nuclear-medicine department at the Odense University Hospital and the Funen Hospital. This is an important breakthrough in the Danish market.

In the **secure communications** area, Sectra received an order for development of KryptoModem from the Swedish Armed Forces. Sectra has previously developed equipment for encryption of communications between computers with a fixed connection to the Swedish Defense telecom and datacom network. With KryptoModem, the Armed Forces will secure communications between stationary as well as portable computers with connections to various types of networks.

Sectra's new development projects within mammography and flight communications are proceeding according to plan.

Sales and earnings

The Group's net sales for the reporting period increased 4 % to SEK 50.2 million (48.5). Profit before tax amounted to SEK 2.1 million (4.4). Order bookings increased by 10 % to SEK 93.8 million (85.2).

Sectra's sales traditionally show seasonal variations, meaning that the fiscal year begins with low revenues and losses during the first quarter. For the second consecutive year, this pattern was broken, and a profit was reported for the first quarter.

Financial position

The equity ratio at July 31, 2001 was 56.6 % (65.2) and the liquidity was 3.8 (3.5). The Group's interest-bearing liabilities equaled SEK 36.6 million

(9.1), of which SEK 33.0 million (5.5) refers to convertible debentures.

Investments

Investments in the Group amounted to SEK 1.0 million (3.6) during the period and pertained mainly to computers and other equipment.

Personnel

The number of employees increased by ten during the first quarter. Accordingly, the total number of employees at July 31, 2001 was 195.

The Sectra Share

Sectra's share capital at July 31, 2001 was SEK 32,760,945 distributed among 32,760,945 shares. Assuming full conversion and exercise of issued convertible debentures and personnel options, the number of shares would increase to 33,493,645.

Convertible debentures and personnel options

At Sectra's Annual General Meeting in June, it was decided to carry out an issue of convertible debentures in a total nominal amount of SEK 25 million. The convertible debentures may be subscribed by the Group's employees and elected members of the Board. The dilution effect on share capital assuming full subscription and full conversion would be 1.0 % and on voting rights 0.6 %.

The Meeting also approved the Board's proposal to issue an additional maximum of 80,000 personnel options for the Group's employees in the US. If these personnel options are fully exercised, employees in the Group will acquire shares in the company corresponding to 0.3 % of the share capital and 0.1 % of the votes.

Dividend

In accordance with the Board's proposal, the Meeting resolved to distribute a dividend of SEK 0.30 per share, totaling SEK 9,828,283.50. Payment from VPC was made on July 9, 2001.

Outlook

Sectra has a strong technical platform that has achieved considerable success in international evaluations comparing it with competing solutions. The products and systems that Sectra develops are targeted to markets with high growth potential, both domestically and internationally.

Based on this the Board of Directors expects that Sectra will continue to expand while maintaining profitability.

Accounting principles

This report was prepared in accordance with the Swedish Financial Accounting Standards Council's recommendation RR20. The accounting principles presented in the 2000/2001 Annual Report are unchanged.

Future financial reports

Interim report May – September 2001:
December 5, 2001.

Interim report May 2001 – January 2002:
March 5, 2002.

Preliminary Earnings 2000/2001:
May 22, 2002.

Summary Income Statement for the Group

SEK Thousands	3 month May – Jul 2001	3 month May – Jul 2000	12 month Aug – Jul 2000/2001	Full year May-Apr 2000/2001
Net sales	50 223	48 496	293 370	291 643
Other operating income	-	-	80	80
Change in work in progress	3 341	752	-24 145	- 26 734
Operating expenses	-50 390	- 43 518	-226 697	- 219 825
Depreciation	-1 707	- 1 336	-6 705	- 6 334
Operating profit	1 467	4 394	35 903	38 830
Net financial items	611	24	1 096	509
Earnings before tax	2 078	4 418	36 999	39 339
Tax on earnings for the period	- 634	- 1 237	-10 998	-11 601
Net earnings	1 444	3 181	26 001	27 738
Profit per share				
Before dilution	0.05	0.10	0.80	0.85
Assuming full conversion	0.05	0.10	0.78	0.83
No. of shares				
At end of period	32 760 945	32 760 945	32 760 945	32 760 945
Assuming full conversion of issued convertible debentures and personnel options ¹⁾	33 493 645	33 075 945	33 493 645	33 493 645
Average, before dilution ²⁾	32 760 945	32 760 945	32 760 945	32 760 945
Average, assuming full conversion ²⁾	33 493 645	33 075 945	33 284 795	33 284 795

1) Issued convertible debentures 315, 000 (1999/00) and 327,700 (2000/01) and personnel options 90,000 (2000/01).

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

Summary Balance Sheet for the Group

SEK Thousands	3 Month July 31, 2001	3 Month July 31, 2000	Full Year April 30, 2001
Assets			
Intangible assets	12 215	17 024	12 609
Tangible assets	28 993	15 613	29 405
Total fixed assets	41 208	32 637	42 014
Other current assets	94 673	89 254	119 431
Cash and bank balances	87 217	41 474	87 401
Total current assets	181 890	130 728	206 832
Total assets	223 098	163 365	248 846
Equity and liabilities			
Equity (including profit for the period)	126 233	106 552	134 702
Provisions	8 439	6 558	8 439
Long-term liabilities	36 575	9 056	37 966
Current liabilities	51 851	41 199	67 739
Total equity and liabilities	223 098	163 365	248 846

Summary Cash Flow Statement for the Group

SEK Thousands	3 Month May - Jul 2001	3 Month May - Jul 2000	Full Year May-Apr 2000/2001
Cash flow from operations before changes in working capital	3 128	4 517	34 072
Cash flow from operations after changes in working capital	11 998	9 213	37 012
Investing activities	-963	- 3 559	- 10 341
Financing activities	-11 219	- 6 630	18 280
Change in cash and bank balances	-184	- 976	44 951
Cash and bank balances, opening balance	87 401	42 450	42 450
Cash and bank balances, closing balance	87 217	41 474	87 401

Change in Equity

SEK Thousands	3 Month July 31, 2001	3 Month July 31, 2000	Full Year April 30, 2001
Equity at end of period	134 702	109 923	109 923
Dividend	- 9 828	- 6 552	- 6 552
Change in share of equity	- 85	-	3 593
Net earnings for the period	1 444	3 181	27 738
Equity at end of period	126 233	106 552	134 702

Key Figures

	3 month May – Jul 2001	3 month May – Jul 2000	12 month Aug – Jul 2000/2001	Full year May-Apr 2000/2001
Solvency %	56.6	65.2	56.6	54.1
Liquidity, ratio	3.8	3.5	3.8	3.3
Profit margin %	4.1	9.1	12.2	13.5
Earning capacity of equity			22.3	22.7
Earning capacity of working capital			26.3	26.7
Average number of employees	204	173	189	182
Equity per share	3.86	3.25	3.86	4.12
Equity per share assuming full conversion of issued convertible debentures and personnel options	3.77	3.23	3.77	4.04
Cash flow per share	0.09	0.14	1.00	1.04
P/E ratio			52.5	50.0
Share price	42.00	59.66	42.00	42.50

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.

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Sectra AB (publ)

Board of Directors

The Company's auditor has not examined the report.