

## Interim report for the nine months ended January 31, 2004:

### Sectra's profit up 19%

**For the nine months ended January 31, 2004, Sectra reports a profit after net financial items of SEK 60.7 million (51.0), an increase of 19%. The profit corresponds to a profit margin of 18% (13.8), and earnings per share were SEK 1.24 (1.06). Sales amounted to SEK 332.4 million (369.6) and order bookings to SEK 265.6 million (376.4).**

“Medical Systems, our largest business area, performed well during the third quarter, with an increase in international sales through various partners. A large portion of sales of radiology image management systems in markets outside Scandinavia are pure software sales, where partners are responsible for hardware and services. These transactions give a high contribution margin but the volume of each order is small,” says Jan-Olof Brüer, CEO and President at Sectra.

“Communications operations are affected by the freeze on new orders by the Swedish Defense during the autumn of last year, which meant that procurement processes for planned projects were postponed,” continues Jan-Olof Brüer.

The unique digital mammography system Sectra MicroDose Mammography is now fully in operation at Helsingborg Hospital in Sweden. Nearly 5,000 women have undergone mammography using the new system since the installation in September 2003. During the quarter, Sectra also received its first export order for Sectra MicroDose Mammography from Klinikum Krefeldt in Germany.

“Our challenge is to continue to expand and mammography is a market with good growth potential. The successful installation of Sectra MicroDose Mammography at Helsingborg Hospital constitutes a very important reference for continued sales within this area,” continues Jan-Olof Brüer.

As part of Sectra's strategy to increase international sales within the area of secure communication systems, a new company, Sectra Communications Ltd., was set up in the UK. The UK is one of the largest markets in Europe in terms of defense forces and public authorities and there is a substantial market for advanced encryption products.

During the quarter, Sectra was named as a security partner in the Galileo European satellite navigation project, the European equivalent of the US-developed GPS system.

“This is a prestigious and strategically important assignment that will shape the future of our communications operations. Being appointed a security partner in the Galileo project confirms Sectra's position as Europe's leading company for advanced security systems,” concludes Jan-Olof Brüer.

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Visit Sectra's website: [www.sectra.se](http://www.sectra.se)

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## Interim report for Sectra AB (publ) for the nine-month period May 2003 – January 2004

*Since the mid-1980s, Sectra has successfully conducted development and sales of high-tech products in medical IT and telecom. The Company's operations currently include medical systems, secure communications systems and wireless information systems.*

*Sectra has been listed on the O-List of the Stockholm Exchange since March 3, 1999.*

*Further information about Sectra's operations is available at [www.sectra.se](http://www.sectra.se).*

### **Period in brief** (May 2002 – January 2003 in parentheses)

- Order bookings amounted to SEK 265.6 million (376.4).
- Net sales totaled SEK 332.4 million (369.6).
- Profit after net financial items rose by 18.9% to SEK 60.7 million (51.0), representing a profit margin of 18.3% (13.8).
- Profit after tax increased to SEK 41.1 million (35.2).
- Earnings per share were SEK 1.24 (1.06).

### **The third quarter in brief** (November 2002 – January 2003 in parentheses)

- Order bookings amounted to SEK 113.1 million (141.1).
- Net sales rose by 9.7% to SEK 119.1 million (108.6).
- Profit after net financial items rose by 59.3% to SEK 24.4 million (15.3), corresponding to a profit margin of 20.5% (14.1).
- Profit after tax increased to SEK 17.3 million (11.0).
- Earnings per share amounted to SEK 0.52 (0.33).

### **Significant events during the third quarter**

- Sectra received its first export order for Sectra MicroDose Mammography from Klinikum Krefeld in Germany.
- Brystsenteret, in Tönsberg, Norway, and Brummamo in Brussels, Belgium, ordered Sectra PACS (Picture Archiving and Communication System) for breast imaging.
- Southern Älvsborg Hospital in Sweden ordered Sectra PACS to digitalize its three radiology departments in Borås, Skene and Ulricehamn.
- Sectra was named as a security partner in the Galileo satellite navigation project.
- Sectra opened a new company – Sectra Communications Ltd. – in the UK.

## Market

The market for **Medical Systems** is currently in a strong growth phase, with hospitals increasingly electing to modernize their radiology operations through the introduction of digital systems. Scandinavia is one of the markets that has advanced the furthest in the transition to digital radiology, and an increasing number of countries are seeking the systems solutions Sectra offers. About 90% of the radiology departments in Scandinavia have moved from film-based to digital systems. In the US, for example, it is estimated that 20–25% of radiology departments are film-free. Today, the largest share of Sectra's installations of digital radiology systems is in Scandinavia and the US (via partners). In Scandinavia, Sectra's market share in sales of film-free radiology is about 50%, and the Company is growing rapidly in the US – the world's largest market.

In the healthcare sector, there is a strong focus on integrating the various IT systems used in a hospital environment. At Connectathon, the largest event in the US for testing interoperability between different medical systems, it was demonstrated that Sectra PACS can be integrated with systems from the majority of the world's leading suppliers.

In Scandinavia during the quarter, Sectra received an order from Southern Älvsborg Hospital to digitalize the hospital's radiology departments in Borås, Skene and Ulricehamn.

During the quarter, Sectra also received new orders for Sectra PACS for breast imaging from customers in Norway and

Belgium. Sectra's review workstation for mammography, which forms part of Sectra PACS for breast imaging, was approved during the quarter by the US Food and Drug Administration (FDA) for sale in the US. Sectra is today the only supplier that has an approved mammography workstation for working with images from different suppliers' modalities.

The market for **Secure Communication Systems** is characterized by investments in a new defense structure with network-based information management. The flow of information in network-based defense will require high-security solutions that form an integral feature of communications structures. The demand for high-security solutions also applies to tactical radio systems. Sectra is well advanced in these fields and has core expertise in encryption and advanced radio design.

During the quarter, Sectra received an order for its secure Tiger telephones within the framework of the US Defence Foreign Comparative Testing (FCT) evaluation program.

As a step in Sectra's international expansion within the area of secure communication systems, a new company, Sectra Communications Ltd., was set up in the UK during the quarter. The UK is one of the largest markets in Europe in terms of defense forces and public authorities, and there is a substantial market for advanced encryption products.

Sectra was also named security partner in the Galileo European satellite navigation project. The order involves conducting a

review of the system's security architecture.

The market for **Wireless Information Systems** is adversely affected by the general market situation, with low investment volumes in the financial market and the aviation industry.

## Sales and earnings

During the nine-month period, the Group's order bookings totaled SEK 265.6 million (376.4), of which SEK 113.1 million (141.1) pertained to the third quarter. Net sales for the quarter rose by 9.7% to SEK 119.1 million (108.6), compared with the corresponding quarter in the year-earlier period. This means that sales totaled SEK 332.4 million (369.6) for the nine-month period. Profit after net financial items for the quarter rose by 59.3% to SEK 24.4 million (15.3). Profit after net financial items for the nine-month period increased by 18.9% to SEK 60.7 million (51.0), corresponding to a profit margin of 18.3% (13.8).

Operations within medical systems contributed to the positive outcome during the quarter. Communications operations are affected by the freeze on new orders by the Swedish Defense Forces during last year, which meant that procurement processes for planned projects were postponed.

An increasing share of Sectra's sales in medical systems is accounted for by markets outside Scandinavia, entailing a change in the character of transactions. In direct sales, the model employed by the company in Scandinavia, transactions normally comprise complete system

delivery, including hardware and software. Sales outside Scandinavia are largely conducted through partners and mainly comprise software licenses. A transaction via partners therefore involves a much smaller volume and generally has a very short delivery time. At the same time, such transactions have a high degree of value added and therefore generate a higher profit margin.

Sectra's goal is to increase its international sales. Approximately two-thirds of total sales today are in markets outside Sweden. Sales in these markets are mainly in USD, EUR and NOK.

### **Sectra MicroDose Mammography**

Digital technology has long been used to enhance efficiency in radiology operations and is now also beginning to replace film-based systems in the mammography area. Mammography is the second most common type of radiology examination worldwide. Almost all countries in the Western world offer women the opportunity to participate in some form of mammography program. Estimates indicate that about 30,000 film-based systems are installed worldwide and many countries are extending their mammography programs.

Sectra MicroDose Mammography is a unique digital mammography system developed in cooperation with the associated company Mamea Imaging AB. The system is based on sensor technology that makes it possible to achieve the same high image quality as with film-based systems, but with a fifth of the in Sweden allowed levels for radiation doses, which are

already the lowest in the world for mammography.

Helsingborg Hospital in Sweden is the first medical facility to use Sectra MicroDose Mammography. The system is now fully operational and more than 60 women undergo mammography screening at Helsingborg Hospital every day. Nearly 5,000 women have undergone mammography using the new system since it was installed in September 2003.

During the third quarter, Sectra received its first export order for Sectra MicroDose Mammography from Klinikum Krefeldt in Germany. Sectra also signed a partnership agreement with the US company R2 Technology to integrate R2's breast cancer detection software with Sectra's mammography system.

Sectra's new mammography system attracts a high level of interest and Mammography specialists from hospitals all over the world are now queuing to visit the mammography department at Helsingborg Hospital.

### **Financial position**

The equity ratio at January 31, 2004 was 48.0% (45.1) and the liquidity multiple was 2.0 (2.3). The Company's interest-bearing liabilities amounted to SEK 75.9 million (86.5), of which SEK 47.0 million (56.4) pertains to convertible debentures.

### **Investments**

Group investments during the period totaled SEK 1.9 million (3.0), of which SEK 0.7 million (1.5) pertains to the third quarter. Investments mainly related to computer and other equipment.

Sectra's investment in convertible debentures in the associated company Mamea Imaging AB is reported as long-term receivables and raised financial assets by SEK 38.9 million during the nine-month period.

### **Personnel**

The number of employees rose during the third quarter by 16. As a result, the total number of employees in Sectra at January 31, 2004 amounted to 309 (272).

### **The Sectra share**

During the third quarter, Sectra carried out a new issue of 75,000 series B shares in conjunction with the redemption of 50,000 employee stock options issued in 2001/2002 and a further 25,000 stock options issued in 2002/2003, all with an exercise price of SEK 42. The options issued in 2000/2001 with an exercise price of SEK 62 expired on November 30, 2003 without any exercise.

In accordance with a decision at Sectra's Annual General Meeting in June, the Board of Directors has issued 80,000 stock options for the Group's personnel in the US. If these stock options are fully exercised, employees will acquire shares in the company amounting to a maximum of 0.2% of the share capital and 0.1% of the voting rights.

Sectra's share capital amounted to SEK 33,151,511 at January 31, 2004. Full conversion and exercise of the convertibles program and employee stock options issued during 2001/2002, 2002/2003 and 2003/2004 will result in a maximum increase of 2.9% in share capital and 1.7% in voting rights. The total number of shares after dilution of convertibles and

employee stock options, amounts to 34,126,261.

### Outlook

Sectra has a strong technology platform. The products and system solutions that Sectra develops are aimed at markets with high growth potential. The Company's strong position in the home market provides a solid platform for ongoing international expansion. The Board's assessment that Sectra will continue to expand with favorable profitability remains valid.

### Nomination Committee

In accordance with information issued at the Annual General Meeting held in June 2003, the names of the members of Sectra's Nomination Committee are hereby announced. In consultation with owners representing more than 50% of the

voting rights, the following have been appointed as members of the Committee:

Thomas Ericson, Chairman of the Board, Bengt Bengtsson representative of shareholder and Viiveke Fåk, major shareholder and founder

Under the guidance of the Chairman of the Board, the Committee shall prepare proposals for the election of members of the Board and Board fees. These proposals shall be presented to the Annual General Meeting for a decision to be taken.

Shareholders wishing to submit proposals for Board members should contact Sectra's Chairman of the Board on:

Tel: +46 13 28 13 12

E-mail: [thomas@isy.liu.se](mailto:thomas@isy.liu.se)

### Accounting principles

This report was prepared in accordance with the Swedish Financial Accounting

Standards Council's recommendation RR20. The accounting principles presented in the 2002/2003 Annual Report are unchanged.

### Financial calendar

Year-end report for 2003/2004:  
May 25, 2004

2004 Annual General Meeting:  
June 29, 2004

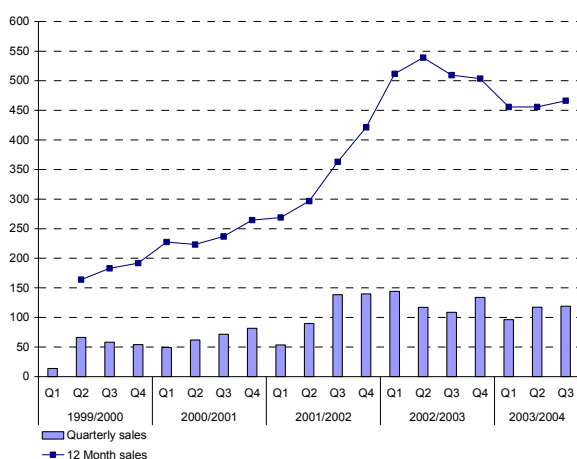
### For further information, please contact:

CEO Jan-Olof Brüer

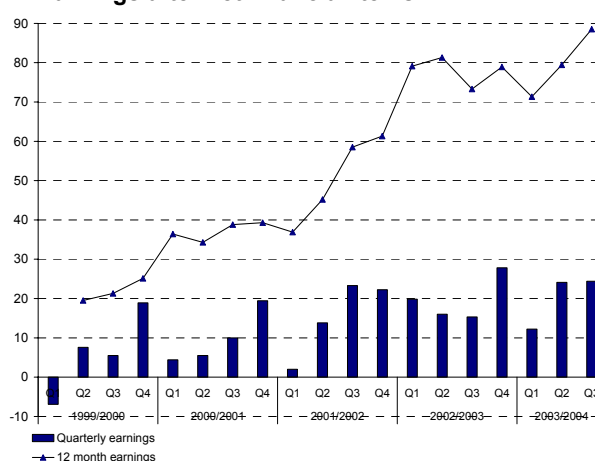
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**Net sales**



**Earnings after net financial items**



This interim report is unaudited.

Linköping, March 2, 2004

Sectra AB (publ)

Board of Directors

## Summary Income Statement for the Group

SEK Thousands	3 month Nov 2003 - Jan 2004	3 month Nov 2002 - Jan 2003	9 month May 2003 - Jan 2004	9 month May 2002 - Jan 2003	12 month Feb 2003 - Jan 2004	Full year May - Apr 2002/2003
<b>Net sales</b>	<b>119 084</b>	<b>108 570</b>	<b>332 382</b>	<b>369 577</b>	<b>466 223</b>	<b>503 418</b>
Operating expenses	-95 380	-93 277	-273 023	-316 351	-376 521	-419 849
Depreciation	-2 040	-1 383	-4 444	-4 419	-6 874	-6 849
<b>Operating profit</b>	<b>21 664</b>	<b>13 910</b>	<b>54 915</b>	<b>48 807</b>	<b>82 828</b>	<b>76 720</b>
Net financial items	2 723	1 395	5 784	2 232	5 754	2 202
<b>Earnings after financial items</b>	<b>24 387</b>	<b>15 305</b>	<b>60 699</b>	<b>51 039</b>	<b>88 582</b>	<b>78 922</b>
Tax on earnings for the period	-7 126	-4 299	-19 564	-15 984	-29 283	-25 703
Minority interest	-	10	-	96	-	96
<b>Net earnings</b>	<b>17 261</b>	<b>11 016</b>	<b>41 135</b>	<b>35 151</b>	<b>59 299</b>	<b>53 315</b>
<b>Profit per share</b>						
Before dilution, SEK	0.52	0.33	1.24	1.06	1.79	1.62
After dilution, SEK	0.51	0.32	1.21	1.03	1.74	1.57
<b>No. of shares at end of period</b>						
Before dilution	33 151 511	33 076 511	33 151 511	33 076 511	33 151 511	33 076 511
After dilution <sup>1)</sup>	34 126 261	34 133 961	34 126 261	34 133 961	34 126 261	33 806 261
Average, before dilution <sup>2)</sup>	33 101 511	33 076 511	33 084 844	33 006 385	33 082 761	33 023 917
Average, after dilution <sup>1)2)</sup>	34 072 928	34 107 294	33 885 150	33 922 246	33 920 044	33 947 867

1) The dilution include convertible debentures issued 2001/02 (308,200), 2002/03 (171,550), 2003/2004 (330,000) and personnel options issued 2001/02 (30,000), 2002/03 (55,000) and 2003/04 (80,000)

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

## Summary Balance Sheet for the Group

SEK Thousands	9 month 31 January 2004	9 month 31 January 2003	Full year 30 April 2003
<b>Assets</b>			
Intangible assets	9 850	11 771	11 202
Tangible assets	14 008	15 329	14 352
Financial assets <sup>1</sup>	122 264	40 774	83 340
<b>Total fixed assets</b>	<b>146 122</b>	<b>67 874</b>	<b>108 894</b>
Other current assets	123 822	153 640	193 155
Cash and bank balances	213 053	203 040	170 479
<b>Total current assets</b>	<b>336 875</b>	<b>356 680</b>	<b>363 634</b>
<b>Total assets</b>	<b>482 997</b>	<b>424 554</b>	<b>472 528</b>
<b>Equity and liabilities</b>			
Equity (including profit for the period)	232 003	191 747	206 030
Provisions	15 390	11 610	15 389
Minority interests	-	42	42
Long-term liabilities	58 100	58 957	57 626
Current liabilities	177 504	162 198	193 441
<b>Total equity and liabilities</b>	<b>482 997</b>	<b>424 554</b>	<b>472 528</b>

1) The change during the year in financial fixed assets pertains to an increase in long-term receivables due from Mamea Imaging AB totaling SEK 38.9 million.

## Change in Equity

SEK Thousands	9 month May 2003 - Jan 2004	9 month May 2002 - Jan 2003	Full year May-April 2003/2004
Equity at start of period	206 030	164 660	164 660
New issue/Conversion	3 150	5 460	5 460
Dividend	-16 538	-13 104	-13 104
Change in minority interests	-2 366	-420	-583
Change in translation difference	-43	-	-5 629
Change in present value computation	635	-	1 911
Net earnings for the period	41 135	35 151	53 315
<b>Equity at end of period</b>	<b>232 003</b>	<b>191 747</b>	<b>206 030</b>

## Summary Cash Flow Statement for the Group

SEK Thousands	9 month May 2003 - Jan 2004	9 month May 2002 - Jan 2003	Full year May – Apr 2002/2003
Cash flow from operations before changes in working capital	53 446	59 563	63 571
<b>Cash flow from operations after changes in working capital</b>	<b>105 288</b>	<b>92 362</b>	<b>106 536</b>
Investing activities	-1 908	-3 043	-3 196
Financing activities <sup>1</sup>	-60 806	-16 718	-63 300
<b>Change in cash and bank balances</b>	<b>42 574</b>	<b>72 601</b>	<b>40 040</b>
Cash and bank balances, opening balance	170 479	130 439	130 439
Cash and bank balances, closing balance	213 053	203 040	170 479

1) Increases in long-term loans to Mamea Imaging AB are reported under financing activities.

## Key Figures

	9 month 31 January 2004	9 month 31 January 2003	12 month 31 January 2004	Full year 30 April 2003
Solvency %	48.0	45.1	48.0	43.6
Liquidity, ratio	2.0	2.3	2.0	2.0
Profit margin %	18.3	13.5	19.2	15.7
Earning capacity of equity	-	-	28.3	28.7
Earning capacity of working capital	-	-	32.5	32.5
Average number of employees	291	259	286	262
Equity per share	7.0	5.8	7.0	6.2
Equity per share after dilution	6.8	5.6	6.8	6.1
Cash flow per share	1.6	1.8	1.7	1.9
Cash flow per share after dilution	1.6	1.7	1.7	1.9
P/E ratio	-	-	31.7	23.6
Share price	57.5	44.5	57.5	38.0

## Quarterly income statement

SEK million	2003/2004			2002/2003				2001/2002			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net sales	119.0	117.3	96.0	133.8	108.6	117.1	143.9	139.8	138.2	89.7	53.5
Operating expenses	-95.3	-94.4	-83.3	-103.4	-93.3	-100.3	-122.8	-116.6	-113.2	-74.5	-50.4
Depreciation	-2.0	-0.8	-1.6	-2.5	-1.4	-1.4	-1.6	-1.7	-1.8	-1.6	-1.7
<b>Operating profit</b>	21.7	22.1	11.1	27.9	13.9	15.4	19.5	21.5	23.2	13.6	1.4
Net financial items	2.7	2.0	1.1	-0.1	1.4	0.6	0.3	0.7	0.1	0.2	0.6
<b>Earnings after financial items</b>	24.4	24.1	12.2	27.8	15.3	16.0	19.8	22.2	23.3	13.8	2.0
Tax on earnings for the period	-7.2	-8.6	-3.8	-9.6	-4.3	-6.0	-5.8	-9.9	-6.6	-4.0	-0.6
Minority interest	-	-	-	-	-	-	0.1	0.1	-	-	-
<b>Net earnings</b>	17.2	15.5	8.4	18.2	11.0	10.0	14.1	12.4	16.7	9.8	1.4

## Five year summary

	2002/2003	2001/2002	2000/2001	1999/2000	1998/1999
Net sales, SEK million	503.4	410.0	264.9	211.8	177.6
Earnings after financial items, SEK million	78.9	61.4	39.3	27.7	21.8
Earnings after tax, SEK million	53.3	40.4	27.7	16.2	16.8
Profit margin, %	15.7	15.0	13.5	14.4	11.9
Earnings capacity of equity, %	28.7	26.9	22.7	20.1	27.7
Earnings capacity of working capital, %	32.5	30.0	26.7	26.9	31.0
Earnings/share before dilution, SEK	1.62	1.23	0.85	0.51	0.56
Earnings/share after dilution, SEK	1.57	1.20	0.84	0.49	0.56
Equity/share before dilution, SEK	6.23	5.03	4.12	3.36	2.46
Equity/share after dilution, SEK	6.09	4.91	4.04	3.33	2.46
Dividend/share, SEK	0.50	0.40	0.30	0.20	0.17
Share price at fiscal year end, SEK	38.0	62.0	42.5	59.0	12.8
P/E ratio, times	23.6	50.0	50.0	115.7	22.8

## Definition key figures

**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.