

Press release

Linköping, December 6, 2005

Interim report for Sectra AB (publ) for the six months ended October 31, 2005:

## Increased sales and continued strong order bookings

**Sectra reports strong sales and order bookings for the second quarter. Net sales rose 21.3% to SEK 144.7 million (119.3). Profit after net financial items of SEK 13.4 million (29.6) corresponded to a profit margin of 9.3% (24.8). Order bookings for the quarter totaled SEK 139.8 million (145.8).**

Sectra's net sales for the first six months increased 23.6% to SEK 245.5 million (198.6). Profit after net financial items of SEK 18.3 million (32.6) corresponded to a profit margin of 7.5% (16.4). Order bookings for the six-month period totaled SEK 255.3 million (205.3), up 24.4% compared with the year-earlier period.

"In our two largest markets, the US and Scandinavia, our order bookings remain strong," says Jan-Olof Brüer, CEO and President of Sectra AB. "The increase in revenue is attributable to a rise in direct sales in the US and project deliveries in Sweden," he adds.

"Our efforts to secure a strong position in long-term key markets have affected earnings. As reported earlier, Sectra will invest heavily in new marketing, sales and support channels in the next 12 to 24 months," says Jan-Olof Brüer.

Sectra has initiated a drive aimed at expanding the distribution network for medical systems. The objective is to take full advantage of the company's new potential, which is a result of changes in its cooperation with Philips Medical Systems. New cooperation agreements have been established with companies in the US, France, the Netherlands, Finland and Turkey. Sectra has also opened direct-sales offices in Spain and Portugal.

The undertaking involves a considerable strengthening of the service organization for medical systems and Sectra has launched an international service offering for all users of Sectra's PACS products.

"The launch of our new cost-effective service and support for users of Sectra's PACS products was well received. We have already signed a number of strategically important service contracts with US customers," says Jan-Olof Brüer.

In the second quarter, Sectra's secure communications business area received an order from the Austrian authorities. Ahead of the country's EU Presidency, Austria has chosen to protect voice and data communication against eavesdropping using Sectra's Tiger XS product.

"The Austrian order is a breakthrough for our latest generation of Tiger products. We have made substantial investments in the development and marketing of these products and we can now reap the benefits of our efforts," says Jan-Olof Brüer.

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**For further information, please contact:**

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## Interim report for Sectra AB (publ) for the six months ended October 31, 2005

*The figures for the year-earlier period are shown within parentheses.*

### Period in brief

- Order bookings increased by 24.4% to SEK 255.3 million (205.3).
- Net sales rose 23.6% to SEK 245.5 million (198.6).
- Profit after net financial items amounted to SEK 18.3 million (32.6), corresponding to a profit margin of 7.5% (16.4).
- Profit after tax totaled SEK 13.0 million (23.4).
- Earnings per share amounted to SEK 0.35 (0.64).

### Second quarter in brief

- Order bookings totaled SEK 139.8 million (145.8).
- Net sales rose 21.3% to SEK 144.7 million (119.3).
- Profit after net financial items totaled SEK 13.4 million (29.6), corresponding to a profit margin of 9.3% (24.8).
- Profit after tax amounted to SEK 9.5 million (21.0).
- Earnings per share amounted to SEK 0.26 (0.58).

### Significant events during the second quarter

- Sectra expanded its distribution channels for medical systems in the US, France, Finland and Turkey through agreements with new business partners.
- Sectra opened new offices for direct sales of medical systems in Spain and Portugal.
- Sectra sold the Sectra MicroDose Mammography system to new customers in Sweden and Germany.
- Italian care provider, MultiMedica Holding S.p.A., which operates several hospitals in the area around Milan, ordered Sectra's turnkey solution for the management and archiving of radiology images (PACS).
- Sectra sold PACS to the University of Arkansas for Medical Sciences, an American university hospital.
- Sectra expanded its cooperation agreement with the US software company R2 Technology Inc.
- Sectra entered into a strategic cooperative agreement with Kestral Computing Pty, the leading Australian supplier of radiology information systems.
- Austrian authorities purchased Tiger XS, Sectra's encryption product.
- The Swedish Defense Materiel Administration ordered serial delivery of a new generation of encryption modems.
- Restructurings were implemented within the Group's Swedish companies, in part to ensure that secure communication operations generate a profit during the current fiscal year and in part to reallocate resources for the increased focus on marketing, sales and support of medical systems.

### Significant events after October 31, 2005

- Sectra has acquired 20% of ImaXperts, a Dutch company that will distribute Sectra's medical systems in the Benelux region.
- Sectra signed service contracts with several new US customers following the launch of new service and support for all users of Sectra PACS.

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## Order bookings, sales and earnings

### Second quarter

The Group's order bookings totaled SEK 139.8 million (145.8). Sectra enjoyed major sales successes within both medical systems and secure communication systems during the quarter.

Net sales rose 21.3% to SEK 144.7 million (119.3), with both of Sectra's business areas reporting increased sales compared with the year-earlier period. The increase within medical systems derived from rising revenues from direct sales in the US and project deliveries in Sweden. In the communication systems segment, deliveries of Sectra's Tiger products had a favorable impact on sales.

Profit after net financial items amounted to SEK 13.4 million (29.6), corresponding to a profit margin of 9.3% (24.8). Profit after tax totaled SEK 9.5 million (21.0). Earnings per share amounted to SEK 0.26 (0.58). Earnings were charged with the cost of Sectra's initiatives to expand the distribution network and service organization for medical systems. Earnings are also being affected by an increasing share of direct sales.

Sectra sells medical systems on a proprietary basis in Scandinavia and in other selected markets, as well as through partners. When direct sales are conducted, the transaction normally consists of complete system deliveries that include software and hardware. Sales via partners consist solely of software licenses. Accordingly, a transaction via partners is much smaller in terms of volume. At the same time, such sales generally have very short delivery period, high added value and make a high contribution to profit.

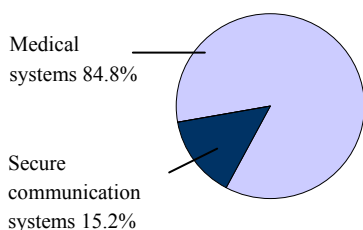
During the second quarter, Sectra implemented restructuring measures within the Group's Swedish companies to reallocate resources for the increased focus on marketing, sales and support of medical systems.

### First half of the fiscal year 2005/2006

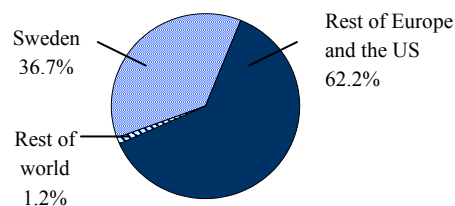
The Group's order bookings during the first six months amounted to SEK 255.3 million (205.3), up 24.4% compared with the year-earlier period. Demand for Sectra's products remain strong, although there are considerable variations in order volumes in terms of individual quarters.

Net sales rose 23.6% to SEK 245.5 million (198.6). Both of Sectra's business areas reported increased sales compared with the year-earlier period. Within medical systems, the upswing was attributable to the increasing share of direct sales. In the communication segment, initiated deliveries of Sectra's new generation of Tiger products contributed to the increased sales.

Profit after financial items amounted to SEK 18.3 million (32.6), corresponding to a profit margin of 7.5% (16.4). Profit after taxes totaled 13.0 million (23.4). Earnings per share amounted to SEK 0.35 (0.64). Earnings were affected with the cost of Sectra's initiatives to expand the distribution network and service organization for medical systems.



Net sales by business segment, 12-month rolling



Net sales by geographical segment, 12-month rolling

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## Net sales by business segment

(SEK million)	3 month	3 month	6 month	6 month	12 month	Full year
	Aug 2005	Aug 2004	May 2005	May 2004	Nov 2004	May - Apr
	- Oct 2005	- Oct 2004	- Oct 2005	- Oct 2004	- Oct 2005	2004/2005
Medical systems	121.2	101.0	207.4	173.2	426.3	392.1
Secure communication systems	23.6	18.2	38.2	25.1	76.5	63.4
Other <sup>1)</sup>	17.6	14.8	30.7	26.4	62.2	57.9
Group eliminations	-17.7	-14.7	-30.8	-26.1	-62.2	-57.5
<b>Total</b>	<b>144.7</b>	<b>119.3</b>	<b>245.5</b>	<b>198.6</b>	<b>502.8</b>	<b>455.9</b>

## Operating profit/loss by business segment

(SEK million)	3 month	3 month	6 month	6 month	12 month	Full year
	Aug 2005	Aug 2004	May 2005	May 2004	Nov 2004	May - Apr
	- Oct 2005	- Oct 2004	- Oct 2005	- Oct 2004	- Oct 2005	2004/2005
Medical systems	5.9	21.3	6.2	25.1	40.1	59.0
Secure communication systems	0.2	-1.5	-2.6	-8.4	-9.7	-15.5
Other <sup>1)</sup>	9.4	10.2	16.1	13.8	33.5	31.2
Group eliminations	-1.3	-0.9	-1.8	-1.4	-3.7	-3.3
<b>Total</b>	<b>14.2</b>	<b>29.1</b>	<b>17.9</b>	<b>29.1</b>	<b>60.2</b>	<b>71.4</b>

## Net sales by geographical market

(SEK million)	3 month	3 month	6 month	6 month	12 month	Full year
	Aug 2005	Aug 2004	May 2005	May 2004	Nov 2004	May - Apr
	- Oct 2005	- Oct 2004	- Oct 2005	- Oct 2004	- Oct 2005	2004/2005
Sweden	66.5	40.6	100.9	74.0	184.5	157.7
Rest of Europe and the US	74.3	78.6	139.2	124.5	312.5	297.8
Rest of world	3.9	0.1	5.4	0.1	5.8	0.4
<b>Total</b>	<b>144.7</b>	<b>119.3</b>	<b>245.5</b>	<b>198.6</b>	<b>502.8</b>	<b>455.9</b>

1) Other pertains to internal services from parent company Sectra AB such as asset management and rights to trademarks, patents, and other intellectual property.

## Medical Systems

### Market

A growing number of hospitals are electing to increase the efficiency of their radiology operations through the introduction of digital systems, and Sectra's market for medical systems is continuing to grow. The largest share of the radiology clinics that use Sectra's medical systems are located in North America, the world's biggest market and one of the fastest growing markets for medical IT. As the number of installations increases, revenue from additional sales, and from service and upgrade agreements, is also growing.

The use of new modalities that produce large volumes of radiology images per examination, generating extremely large data sets, is constantly gaining ground. To meet the demand for systems that enable physicians to efficiently perform diagnostic reviews on such large image volumes, Sectra has invented new ways of retrieving and displaying image data of extreme size and arbitrary dimensions. These methods increase the display speed of large image volumes by a factor of 100 times or more compared with traditional methods. One of the

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innovations is based on research conducted in cooperation between Sectra and the Center for Medical Image Visualization at Linköping University in Sweden. The new methods are incorporated in Sectra's next-generation diagnostic workstation, which was launched in November.

Mammography is the second most prevalent type of medical radiology examinations in the world and a transition from film-based to digital systems has commenced in this area. Although the use of digital mammography remains low, many hospitals are planning to digitize their mammography activities. The transition to digital technology has received new support from an American study published in September, namely "The Digital Mammographic Imaging Screening Trial" which was conducted by the American College of Radiology Imaging Network. The study concluded that in terms of discovering breast cancer, digital systems are as good as, and for certain categories of women better than, film-based systems.

#### *New partnerships and distribution channels*

Sectra has initiated a program aimed at the expansion of the distribution network for medical systems, in order to capitalize on the new potential resulting from the changes in the company's cooperation with Philips Medical Systems. During the quarter, Sectra opened offices for direct sales in Spain and Portugal and new distribution agreements were entered into with:

- R2 Technology Inc, an American company that develops and sells systems for detecting breast cancer. R2 will sell Sectra's PACS products for mammography as part of its offering to customers in the United States and Canada.
- PCCG, Inc, a company that supplies consultancy services and systems integration for radiology IT systems. PCCG will distribute Sectra's medical products in Florida and New Mexico.
- ScanRay, a leading supplier of medical imaging systems in the French market. ScanRay will distribute Sectra's digital mammography systems in France.
- Kurt & Kurt AS, a successful distributor of medical equipment in Turkey and surrounding countries. Kurt & Kurt will sell Sectra's medical products in these markets.
- Petrimed OY, a Finnish supplier of digital radiology equipment, will distribute Sectra's digital mammography system in Finland.

In Australia, Sectra has entered into a strategic cooperation agreement with Kestral Computing Pty Ltd, which develops and sells radiology information systems. As a result of this cooperation, Sectra and Kestral will be able to offer Australian healthcare customers a turnkey solution for the handling of digital radiology images and radiological information.

#### *Order bookings*

The number of customers who use Sectra's medical systems passed 750 during the quarter. New customers include the University of Arkansas for Medical Sciences, which is an American university hospital, and the Italian care company, MultiMedica Holding S.p.A., which ordered Sectra PACS.

In the United States, Sectra signed a five-year service and upgrade agreement during the quarter with Midstate Medical Center in Meriden, Connecticut. Midstate is also the first customer to be connected to PACS-Guard, Sectra's new service for remote monitoring of PACS, which was launched in November. Sectra introduced PACSGuard on the US market and several American customers have already ordered the new service.

Sectra is also experiencing increased demand in the US for the company's orthopedic applications and the focus on direct sales in the American market resulted in several orders during the six month period. Among the customers that have chosen Sectra's orthopedic PACS are Desert Orthopedic Center in Las Vegas and Colorado Orthopedic Specialists in Denver.

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Marketing of the digital mammography system, Sectra MicroDose Mammography, generated new orders from customers in Sweden and Germany. In Sweden, Medicinsk Röntgen AB, a private care provider, ordered Sectra MicroDose Mammography. In Germany, the first German center for digital mammography screening, Mammographie Zentrum Münster, and a private clinic in Kiel selected Sectra's mammography system for their operations. Also in the mammography segment, Sectra sold mammography PACS to additional two regions that are included in BreastScreen Australia, the national screening program for mammography. In the near future, Sectra will also install Sectra MicroDose Mammography at a clinic in Sydney that is operated by BreastScreen New South Wales, which was the first region in the national screening program to order Sectra's PACS mammography system.

#### *Second quarter and first half of the fiscal year 2005/2006*

Second-quarter net sales of medical systems amounted to SEK 121.2 million (101.0). Rising revenues from direct sales in the US and project deliveries in Sweden contributed to the 20% sales increase compared with the year-earlier period. Operating profit for the quarter amounted to SEK 5.9 million (21.3), corresponding to an operating margin of 4.9% (21.1). Efforts to expand the distribution network and the service organization had a negative impact on the operating margin.

Net sales during the six months period rose by 19.8% in the business area to SEK 207.4 million, compared with SEK 173.2 million in the year-earlier period. Operating profit amounted to SEK 6.2 million (25.1), corresponding to an operating margin of 3.0% (14.5).

### **Secure Communication Systems**

#### *Market*

Authorities, organizations and governments are becoming increasingly aware of the need to protect sensitive information against eavesdropping. Information management is an essential aspect of the new defense structures. The current process of restructuring, both within the Swedish defense and in other defense establishments, entails increased needs for new communication systems with powerful security solutions. The Swedish defense resolution in 2004 and increased cooperation between EU member countries represent a growing market for Sectra.

#### *Order bookings*

During the quarter, Sectra secured two orders that exemplify how the expanded cooperation between authorities and defense services within the EU are helping to strengthen the market for Sectra's products. Firstly, an order from Austrian authorities, which prior to the country's EU Presidency, has decided to protect voice and data communications from eavesdropping by using Sectra's Tiger XS product. Secondly, an order from the Swedish Rescue Services, which has purchased Tiger telephones for use during peacekeeping EU missions.

During the quarter, the Swedish Defense Materiel Administration ordered serial delivery of a new generation of encryption modems that were developed by Sectra on behalf of the Swedish defense service.

#### *Second quarter and first half of the fiscal year 2005/2006*

Second-quarter net sales of secure communication systems rose 29.7% to SEK 23.6 million (18.2). Continued partial deliveries for ongoing projects on behalf of the Swedish defense and Dutch authorities contributed to the increase in net sales and earnings compared with the year-earlier period. An operating profit of SEK 0.2 million (loss: 1.5) was reported.

Net sales during the six months period totaled SEK 38.2 million (25.1), up 52.2% compared with the year-earlier period. An operating loss of SEK 2.6 million (loss: 8.4) was reported. A reorganization which will result in cost savings during the current fiscal year was completed during the second quarter.

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## Financial position

The equity/assets ratio on October 31, 2005 was 60.1% (68.2) and liquidity was a multiple of 2.6 (3.1). The company's interest-bearing liabilities at October 31, 2005 totaled SEK 58.8 million (47.2), of which SEK 43.1 million (33.0) related to convertible debentures.

## Investments

Group investments during the six months period totaled SEK 13.3 million (25.1), including SEK 9.5 million (6.7) during the second quarter. Capitalized development costs was SEK 6.8 million (5.2) in the second quarter and amounted to SEK 94.6 million (79.1) at October 31, 2005.

## Employees

The number of employees increased by 13 during the second quarter, bringing the total number of full-time Sectra employees to 385 (358) at October 31, 2005.

## The share

In accordance with a resolution passed at the Annual General Meeting in June 2005, convertible debentures were issued to Group's employees and external Board members during the second quarter. In total, convertible debentures with a nominal value of SEK 11.7 million were subscribed. The conversion price was SEK 71.10 and the term of the debentures is October 31, 2005 through June 15, 2008. Conversion into shares can take place during the period May 26-30, 2008. At full conversion, dilution will be 0.5% of the share capital and 0.3% of the voting rights.

Sectra's share capital at October 31, 2005 amounted to SEK 36,698,188. Full conversion and exercise of the outstanding incentive programs will increase the number of shares by a maximum of 775,000, corresponding to 2.0% of the share capital and 1.3% of the voting rights. After dilution, the total number of shares will amount to 37,473,188.

## 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. Sectra needs to adapt its operations due to the change in its cooperation with Philips. This will affect Sectra's earnings during a transitional period of one to two years. The Board's assessment that Sectra will continue to expand with favorable profitability long term remains valid.

## Nominating Committee

The 2005 Annual General Meeting resolved to establish a Nominating Committee comprising Board Chairman Thomas Ericson (convener) and Viiveke Fåk and Bengt Bengtsson.

Under the leadership of Viiveke Fåk, the Nominating Committee will discuss and propose suitable candidates for election at the Annual General Meeting to the posts of Meeting Secretary and Board Chairman, and other Board members. The Nominating Committee shall also discuss and propose the fee to be paid to the Board. When necessary, the Nominating Committee shall also propose auditors and audit fees.

Shareholders wishing submit the names of suitable candidates should contact Viiveke Fåk on tel. +46 13 - 28 17 22 or e-mail: [viiveke@isy.liu.se](mailto:viiveke@isy.liu.se).

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## Accounting principles

This interim report was prepared in accordance with IAS 34, Interim Financial Reporting. As of May 1, 2005, Sectra has prepared its consolidated accounts in accordance with International Financial Reporting Standards (IFRS). The transition to IFRS is reported in accordance with IFRS 1, "First-time Adoption of International Financial Reporting", with the transitional date May 1, 2004. This means that comparative figures for the 2004/2005 fiscal year have been recalculated retroactively. Reported comparative figures have also been recalculated in this interim report. A summary of the recalculations made as a result of the new IFRS is presented on page 11.

**Financial calendar**

Interim report, May 2005–January 2006:

March 7, 2006

Year-end report, May 2005–April 2006:

May 23, 2006

**For further information, contact:**

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*This interim report is unaudited.*

*Linköping, December 6, 2005*

*Board of Directors Sectra AB (publ)*

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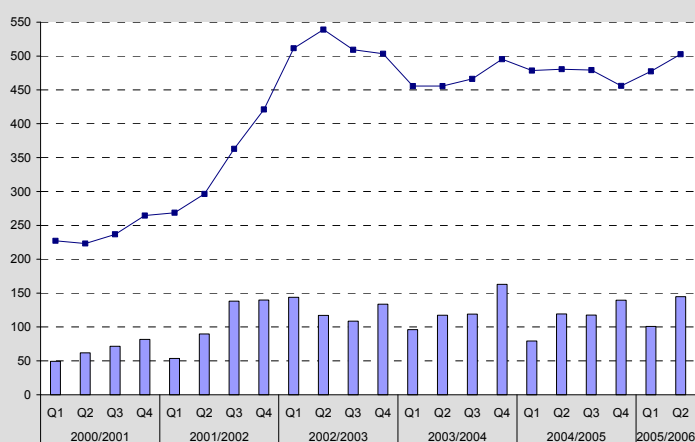
## Condensed income statement for the Group

SEK thousands	3 months	3 months	6 months	6 months	12 months	Full-year
	Aug 2005	Aug 2004	May 2005	May 2004	Nov 2004-	May-Apr
	- Oct 2005	- Oct 2004	- Oct 2005	- Oct 2004	Oct 2005	2004/2005
<b>Net sales</b>	<b>144 670</b>	<b>119 266</b>	<b>245 508</b>	<b>198 616</b>	<b>502 754</b>	<b>455 862</b>
Capitalized work for own use	6 735	5 177	10 456	11 330	23 347	24 221
Operating expenses	-131 877	-90 684	-228 273	-171 861	-447 047	-390 636
Depreciation	-5 340	-4 619	-9 819	-8 937	-18 915	-18 033
<b>Operating profit</b>	<b>14 188</b>	<b>29 140</b>	<b>17 872</b>	<b>29 148</b>	<b>60 139</b>	<b>71 414</b>
Net financial items	-777	423	456	3 490	5 967	9 001
<b>Earnings after financial items</b>	<b>13 411</b>	<b>29 563</b>	<b>18 328</b>	<b>32 638</b>	<b>66 106</b>	<b>80 415</b>
Tax on earnings for the period	-3 868	-8 515	-5 338	-9 532	-23 677	-27 871
Minority interest	-	-	-	313	-	313
<b>Net earnings</b>	<b>9 543</b>	<b>21 048</b>	<b>12 990</b>	<b>23 419</b>	<b>42 429</b>	<b>52 857</b>
<b>Earnings per share</b>						
Before dilution, SEK	0.26	0.58	0.35	0.64	1.16	1.45
After dilution, SEK	0.25	0.56	0.35	0.63	1.13	1.42
<b>No. of shares at end of period</b>						
Before dilution	36 698 188	36 450 638	36 698 188	36 450 638	36 698 188	36 528 638
After dilution <sup>1)</sup>	37 473 188	37 271 988	37 473 188	37 271 988	37 473 188	37 309 988
Average, before dilution <sup>2)</sup>	36 698 188	36 450 638	36 641 671	36 341 019	36 566 321	36 415 995
Average, after dilution <sup>1)2)</sup>	37 363 055	37 168 788	37 279 005	37 136 102	37 282 330	37 210 879

1) Dilution is based on the convertible debenture programs issued in 2003/2004 (330,000), 2004/2005 (154,800), 2005/2006 (165,200), and the personnel options issued in 2002/2003 (28,333), 2003/2004 (56,667) and 2004/2005 (40,000).

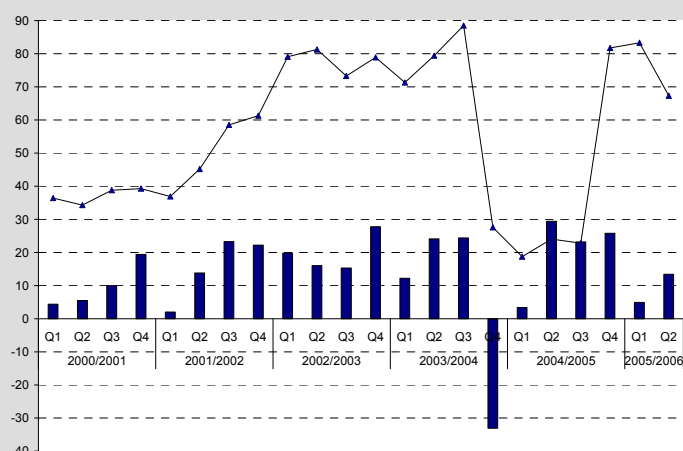
2) Average number of shares has been adjusted for implemented share splits and share issues.

### Net sales



The bars show quarterly net sales and the line 12-month net sales.

### Earnings after financial items



The bars show quarterly earnings and the line 12-month earnings after financial items.

## Condensed balance sheet for the Group

SEK thousands	Oct 31, 2005	Oct 31, 2004	April 30, 2005
<b>Assets</b>			
Intangible assets	120 118	105 983	115 807
Tangible assets	22 320	21 731	23 700
Financial assets	24 848	1 983	13 554
<b>Total fixed assets</b>	<b>167 286</b>	<b>129 697</b>	<b>153 061</b>
Other current assets	201 535	183 975	226 488
Cash and bank balances	361 020	271 575	320 176
<b>Total current assets</b>	<b>562 555</b>	<b>455 550</b>	<b>546 664</b>
<b>Total assets</b>	<b>729 841</b>	<b>585 247</b>	<b>699 725</b>
<b>Equity and liabilities</b>			
Equity (including profit for the period)	438 658	399 333	430 655
Provisions	26 631	878	27 057
Long-term liabilities	38 166	35 173	45 914
Current liabilities	226 386	149 863	196 099
<b>Total equity and liabilities</b>	<b>729 841</b>	<b>585 247</b>	<b>699 725</b>

## Change in equity

SEK thousands	6 months May 2005 – Oct 2005	6 months May 2004 – Oct 2004	Full-year May–Apr 2004/2005
Equity at start of period	430 655	393 033	393 033
New issue/conversion	10 987	3 513	6 905
Dividend paid	-18 264	-18 196	-18 196
Reclassified <sup>1)</sup>	-	533	-3 552
Change in share of capital	-	-2 562	-
Change in translation difference	2 290	-406	-459
Change in present value calculation	-	-	67
Net earnings for the period	12 990	23 418	52 857
<b>Equity at end of period</b>	<b>438 658</b>	<b>399 333</b>	<b>430 655</b>

1) Reclassification for full year 2004/05 relates partly to reclassification in foreign subsidiaries amounting to a negative SEK 4,866 thousand and partly to reclassification in accordance with IFRS 2 Share-based Payments of a positive SEK 1,314 thousand. Reclassification for May-Oct 2004 also relates to IFRS 2.

## Condensed cash-flow statement for the Group

SEK thousands	6 months May 2005 – Oct 2005	6 months May 2004 – Oct 2004	Full-year May–Apr 2004/2005
Cash flow from operations before changes in working capital	8 919	36 008	66 013
<b>Cash flow from operations after changes in working capital</b>	<b>67 670</b>	<b>21 025</b>	<b>84 475</b>
Investing activities	-13 267	-22 264	-40 384
Financing activities	-16 907	-58 829	-55 738
<b>Change in cash and bank balances</b>	<b>37 496</b>	<b>-60 068</b>	<b>-11 647</b>
Cash and bank balances, opening balance	320 176	332 342	332 342
Exchange rate difference in liquid assets	3 348	-699	-519
Cash and bank balances, closing balance	361 020	271 575	320 176

## Key figures

	6 months	6 months	12 months	Full-year
	Oct 31, 2005	Oct 31, 2004	Oct 31, 2005	Apr 30, 2005
Equity/assets ratio, %	60.1	68.2	60.1	61.5
Liquidity, multiple	2.6	3.1	2.6	2.9
Profit margin %	7.5	16.4	13.1	17.6
Return on shareholders' equity %			10.1	12.8
Return on capital employed %			14.6	17.1
Value added, SEK Million			308.1	300.6
Average number of employees	374	345	366	350
Equity per share, SEK	11.95	10.96	11.95	11.79
Equity per share after dilution, SEK	11.71	10.76	11.71	11.54
Cash flow per share, SEK	0.24	0.99	2.03	1.81
Cash flow per share after dilution, SEK	0.24	0.97	1.99	1.77
P/E ratio, multiple			41.5	49.7
Share price at end of period, SEK	48.2	50.0	48.2	74.0

## Consolidated income statement, quarterly

SEK million	2005/2006		2004/2005				2003/2004			
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net sales	144.7	100.8	139.5	117.7	119.3	79.4	163.0	119.0	117.3	96.0
Capitalized work for own use	6.7	3.7	7.5	5.4	5.1	6.2	-	-	-	-
Operating expenses	-131.9	-96.4	-119.3	-99.5	-90.7	-81.2	-125.8	-95.3	-94.4	-83.3
Depreciation	-5.3	-4.4	-4.6	-4.5	-4.6	-4.3	-1.6	-2.0	-0.8	-1.6
Items affecting comparability <sup>1)</sup>	-	-	-	-	-	-	-70.9	-	-	-
<b>Operating profit</b>	<b>14.2</b>	<b>3.7</b>	<b>23.1</b>	<b>19.1</b>	<b>29.1</b>	<b>0.0</b>	<b>-35.3</b>	<b>21.7</b>	<b>22.1</b>	<b>11.1</b>
Net financial items	-0.8	1.2	1.9	3.6	0.4	3.0	2.3	2.7	2.0	1.1
<b>Earnings after financial items</b>	<b>13.4</b>	<b>4.9</b>	<b>25.0</b>	<b>22.7</b>	<b>29.5</b>	<b>3.1</b>	<b>-33.0</b>	<b>24.4</b>	<b>24.1</b>	<b>12.2</b>
Tax on earnings for the period	-3.9	-1.5	-11.6	-6.7	-8.5	-1.0	9.4	-7.2	-8.6	-3.8
Minority interest	-	-	-	-	-	0.3	3.5	-	-	-
<b>Net earnings</b>	<b>9.5</b>	<b>3.4</b>	<b>13.4</b>	<b>16.0</b>	<b>21.0</b>	<b>2.4</b>	<b>-20.1</b>	<b>17.2</b>	<b>15.5</b>	<b>8.4</b>

1) Items affecting comparability pertain to the writedown of capitalized development costs in Sectra Mamea AB.

## Five-year summary

	2004/2005	2003/2004	2002/2003	2001/2002	2000/2001
Net sales, SEK M	455.9	495.3	503.4	410.0	264.9
Earnings before tax <sup>1)</sup> , SEK M	80.4	27.6	78.9	61.4	39.3
Earnings after tax, SEK M	52.8	21.0	53.3	40.4	27.7
Profit margin, %	17.6	5.6	15.7	15.0	13.5
Return on equity, %	12.8	5.8	28.7	26.9	22.7
ROCE, %	17.1	8.8	32.5	30.0	26.7
Earnings per share before dilution, SEK	1.45	0.63	1.62	1.23	0.85
Earnings per share after dilution, SEK	1.42	0.61	1.57	1.20	0.84
Equity per share before dilution, SEK	11.79	10.96	6.23	5.03	4.12
Equity per share after dilution, SEK	11.54	10.52	6.09	4.91	4.04
Dividend per share, SEK	0.50	0.50	0.50	0.40	0.30
Stock market price at year end, SEK	74.0	58.5	38.0	62.0	42.5
P/E ratio	49.7	92.9	23.6	50.0	50.0

1) A non-recurring writedown of capitalized development costs within Sectra Mamea AB had a negative effect of SEK 70.9 million on operating profit for full-year 2003/2004.

## Effects of transition to IFRS

Reported comparative figures in this interim report have been recalculated in accordance with IFRS. The table below shows the adjustments between previous accounting principles and the new IFRS.

### Effect on Group earnings

SEK thousands	Second quarter		Six months		Full year	
	Aug-Oct 2004	Aug-Oct 2004 in accordance with IFRS	May-Oct 2004	May-Oct 2004 in accordance with IFRS	2004/05	2004/05 in accordance with IFRS
Net sales	119 266	119 266	198 616	198 616	455 862	455 862
Capitalized work for own use	5 177	5 177	11 330	11 330	24 221	24 221
Operating expenses	-90 408	-90 684	-171 329	-171 861	-389 322	-390 636
Depreciation	-4 619	-4 619	-8 937	-8 937	-18 033	-18 033
<b>Operating profit</b>	<b>29 416</b>	<b>29 140</b>	<b>29 680</b>	<b>29 148</b>	<b>72 728</b>	<b>71 414</b>
Net financial items	423	423	3 490	3 490	9 001	9 001
Tax and minority interest	-8 515	-8 515	-9 219	-9 219	-27 558	-27 558
<b>Net earnings</b>	<b>21 324</b>	<b>21 048</b>	<b>23 951</b>	<b>23 419</b>	<b>54 171</b>	<b>52 857</b>

### Effect on Group shareholders' equity and balance sheet

SEK thousands	31 Oct, 2004	Six months		31 Oct, 2004 in accordance with IFRS	30 Apr, 2005	Full year	
		IFRS adjustm.				IFRS adjustm.	30 Apr, 2005 in accordance with IFRS
Goodwill	25 542	-25 542	0	26 258	-26 258	0	
Intangible fixed assets	80 441	25 542	105 983	89 549	26 258	115 807	
Other fixed assets	23 714	-	23 714	37 254	-	37 254	
Current assets	455 550	-	455 550	546 664	-	546 664	
<b>Total assets</b>	<b>585 247</b>	<b>0</b>	<b>585 247</b>	<b>699 725</b>	<b>0</b>	<b>699 725</b>	
Restricted equity	312 550	532	313 082	349 377	1 314	350 691	
Unrestricted equity	86 783	-532	86 251	81 278	-1 314	79 964	
<b>Total equity</b>	<b>399 333</b>	<b>0</b>	<b>399 333</b>	<b>430 655</b>	<b>0</b>	<b>430 655</b>	
Provisions and long-term liabilities	36 051	-	36 051	72 971	-	72 971	
Current liabilities	149 863	-	149 863	196 099	-	196 099	
<b>Total shareholders' equity and liabilities</b>	<b>585 247</b>	<b>0</b>	<b>585 247</b>	<b>699 725</b>	<b>0</b>	<b>699 725</b>	

### Share-based Payment, IFRS 2

IFRS 2, Share-based Payment, is applied in accordance with the transition rules for share-related payments that are granted after November 7, 2002 and have an effective vested date after May 1, 2006. In accordance with these rules, the difference between what the employee pays and the fair value of the equity instruments is expensed as a personnel cost in the consolidated income statement. Sectra applies the transition rules relating to share-based payment. The effect of this expensing in accordance with the new accounting principle impacted consolidated earnings for Aug–Oct 2004 by SEK -276 thousand, for May–Oct 2004 by SEK -532 thousand and for the full fiscal year 2004/2005 by SEK -1,314 thousand.

### Business Combinations, IFRS 3

In accordance with IFRS 3, Business combinations, a more detailed acquisition analysis is prepared in conjunction with company acquisitions in which identifiable intangible assets shall be valued at fair value and reported separately from goodwill. Identifiable intangible assets such as patents, customer relations, contracts, order backlog, licenses, brands, etc. shall be depreciated over the fixed lifetime in accordance with the estimated useful life. In contrast, goodwill is not amortized, but is subject to periodic impairment tests to determine if there is a write-down requirement.

Sectra applies the transition rules, which means that goodwill relating to acquisitions prior to May 1, 2004 is reclassified to intangible assets and the difference in depreciation is reported directly against shareholders' equity. Acquisitions after May 1, 2004 have been revalued, which resulted in reclassification of goodwill to intangible assets. These reclassifications have not had any effect on depreciation expenses in 2004/2005.

## Definition of key figures

**Adjusted equity:** Reported shareholders' equity increased by 72% of untaxed reserves.

**Capital employed:** Total assets reduced by non interest-bearing debts.

**Cash flow per share:** Cash flow divided by the number of shares at the end of the period.

**Earnings per share:** Profit/loss before tax reduced by actual tax divided by the average number of shares.

**Equity/assets ratio:** Equity as a percentage of total assets.

**Equity per share:** Equity divided by the number of shares at the end of the period.

**Liquidity:** Current assets divided by current liabilities.

**P/E ratio:** Share price at the end of the period in relation to the twelve-month period's earnings per share.

**Profit margin:** Profit before tax as a percentage of sales.

**Return on equity:** Profit after tax as a percentage of average adjusted equity.

**Return on capital employed (ROCE):** Profit before tax plus financial expenses as a percentage of average capital employed.

**Value added:** Operating profit plus labor costs.

## Sectra in brief

Sectra, founded 1978, has since the mid-1980s successfully conducted development and sales of high-tech products in expansive niche segments. Today, the operations include medical systems and secure communication systems. Sales for the fiscal year 2004/2005 totaled SEK 456 million. Since March 1999, Sectra's shares have been quoted on the O-list of the Stockholm Stock Exchange.

Sectra has offices in ten countries and operates through partners all over the world. The company's systems and products are used by customers worldwide to increase the efficiency of the healthcare sector and to protect sensitive information. More information about Sectra's operations is available on the company's website: [www.sectra.com](http://www.sectra.com).