

Press release

Linköping, March 7, 2006

Interim report for Sectra AB (publ) for the nine months ended January 31, 2006

## Strong third quarter

**Sectra reported its strongest quarter for the current fiscal year and the best third quarter ever. Net sales in the third quarter rose to SEK 146.1 million (117.7), an increase of 24.1% compared with the corresponding period in the preceding year. Profit after net financial items increased by 19.8% to SEK 27.2 million (22.7). Order bookings for the quarter amounted to SEK 168.7 million (184.3).**

For the nine-month period, Sectra's net sales rose by 23.8% to SEK 391.6 million (316.4). Profit after net financial items amounted to SEK 45.5 million (55.4), corresponding to a profit margin of 11.6%, (17.5). Order bookings for the period increased 8.9% to SEK 424.1 million (389.6).

“The quarterly figures for sales and profit were the highest we have ever reported for a third quarter. Successful sales of medical systems contributed to the increase through higher revenues from sales, service and support in all markets,” says Jan-Olof Brüer, CEO and President of Sectra AB.

“The profit margin for the nine-month period was affected by our long-term initiatives to strengthen our position in important markets. As previously communicated, we are now in a phase in which we are making significant investments in new sales and support channels,” says Jan-Olof Brüer.

During the quarter, Sectra acquired 20% of ImaXperts BV, a Dutch distributor of medical systems. This acquisition was part of the effort to expand the distribution network and service organization for medical systems.

In mammography, clinics in Switzerland, Austria, Germany, New Zealand and Sweden ordered the digital Sectra MicroDose Mammography system during the third quarter.

“The mammography market is growing rapidly, and revenues from the sale of our digital mammography system are increasing,” says Jan-Olof Brüer.

During the quarter, Sectra signed a three-year framework agreement for deliveries of the Tiger XS mobile encryption unit with the Dutch Defense Department. The new contract means that Sectra can deliver Tiger products to the entire Dutch government and defense market.

### Sectra AB (publ)

Teknikringen 20

SE-583 30 Linköping, Sweden

Tel: + 46 13 23 52 00

Fax: + 46 13 21 21 85

info@sectra.se

www.sectra.se

VAT reg.no. SE556064830401

“There is an increasing need for secure communications among European authorities and defense organizations, and we offer cost-effective and flexible products for these customers,” says Jan-Olof Brüer.

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**For further information, please contact:**

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Jan-Olof Brüer, President and CEO Sectra AB, tel. +46 13 23 52 09

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## Interim report for Sectra AB (publ) for the nine months ended January 31, 2006

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

### Period in brief

- Order bookings increased by 8.9% to SEK 424.1 million (389.6).
- Net sales increased 23.8% to SEK 391.6 million (316.4).
- Profit after net financial items amounted to SEK 45.5 million (55.4), corresponding to a profit margin of 11.6% (17.5).
- Profit after tax amounted to SEK 33.2 million (39.4).
- Earning per share amounted to SEK 0.91 (1.08).

### Third quarter in brief

- Order bookings amounted to SEK 168.7 million (184.3).
- Net sales increased 24.1% to SEK 146.1 million (117.7).
- Profit after net financial items rose 19.8% to SEK 27.2 million (22.7), corresponding to a profit margin of 18.6% (19.3).
- Profit after tax amounted to SEK 20.2 million (16.0).
- Earning per share amounted to SEK 0.55 (0.44).

### Significant events during the third quarter

- Sectra acquired 20% of the Dutch company ImaXperts.
- Several customers in the US signed service contracts directly with Sectra after Sectra launched a new international support service for all users of Sectra PACS (Picture Archiving and Communication System).
- The hospital in the Faeroe Islands ordered Sectra's total solution for PACS and RIS (Radiology Information System).
- The Sectra MicroDose Mammography system was successfully sold to clinics in Switzerland, Austria, Germany, New Zealand and Sweden.
- Sectra launched a new generation of workstations for reviewing radiology images that makes it possible to display large image volumes at least 100 times faster than with traditional methods.
- Sectra signed a three-year framework agreement with the Dutch Defense Department for deliveries of the Tiger XS mobile encryption unit.

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## Order bookings, sales and earnings

### Third quarter

The Group's order bookings amounted to SEK 168.7 million (184.3). During the corresponding period in the preceding year, several large maintenance and support contracts were signed with Scandinavian customers, which contributed to record-high order volumes. The quarter's order bookings were the highest during the current fiscal year and mainly a result of increased direct sales of medical imaging systems, particularly in the US, and increased sales of mammography systems.

Net sales increased 24.1% to SEK 146.1 million (117.7). The increase is attributable to Sectra's medical systems, which reported increasing revenues from sales, service and support in all markets.

Profit after net financial items rose 19.8% to SEK 27.2 million (22.7), corresponding to a profit margin of 18.6% (19.3). Profit after tax amounted to SEK 20.2 million (16.0). Earnings per share amounted to SEK 0.55 (0.44). Deliveries of medical systems contributed to the quarter's strong results.

### Nine-month period

The Group's order bookings for the nine-month period amounted to SEK 424.1 million (389.6), an increase of 8.9% compared with the corresponding period in the preceding year. Demand for Sectra's products is strong, although variations in order volumes are significant between individual quarters.

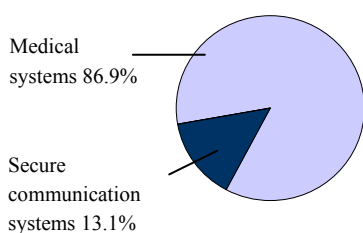
Net sales increased by 23.8% to SEK 391.6 million (316.4). Sales of both medical systems and secure communications systems increased compared with the corresponding period in the preceding year.

Profit after net financial items amounted to SEK 45.5 million (55.4), corresponding to a profit margin of 11.6% (17.5). Profit after tax amounted to SEK 33.2 million (39.4). Earnings per share were SEK 0.91 (1.08). Earnings were affected by Sectra's extensive investments in expanding the distribution network and service organization for medical systems.

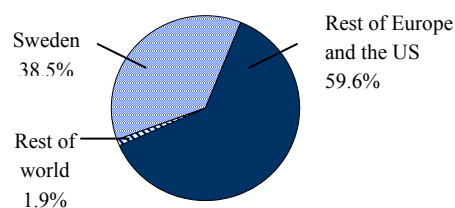
Sectra sells medical systems on a proprietary basis, as well as through partners. In direct sales, a transaction normally consists of complete system deliveries that include hardware and software. Sales via partners consist solely of software license sales. Accordingly, a transaction via partners is much smaller in terms of volume. At the same time, such sales generally have very short delivery times, high added value and a higher contribution to profit. The profit margin is affected by a decreasing share of sales via partners and increasing share of direct sales.

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Net sales by business segment, 12-month rolling



Net sales by geographical segment, 12-month rolling

<b>Net sales by business segment</b>						
(SEK million)	3 month	3 month	9 month	9 month	12 month	Full year
	Nov 2005	Nov 2004	May 2005	May 2004	Feb 2005	May - Apr
	- Jan 2006	- Jan 2005	- Jan 2006	- Jan 2005	- Jan 2006	2004/2005
Medical systems	130.5	95.2	337.9	268.4	461.6	392.1
Secure communication systems	15.6	22.5	53.7	47.6	69.5	63.4
Other <sup>1)</sup>	17.6	14.7	48.4	41.2	65.1	57.9
Group eliminations	-17.6	-14.7	-48.4	-40.8	-65.1	-57.5
<b>Total</b>	<b>146.1</b>	<b>117.7</b>	<b>391.6</b>	<b>316.4</b>	<b>531.1</b>	<b>455.9</b>

<b>Operating profit/loss by business segment</b>						
(SEK million)	3 month	3 month	9 month	9 month	12 month	Full year
	Nov 2005	Nov 2004	May 2005	May 2004	Feb 2005	May - Apr
	- Jan 2006	- Jan 2005	- Jan 2006	- Jan 2005	- Jan 2006	2004/2005
Medical systems	11.7	11.1	17.9	36.2	40.7	59.0
Secure communication systems	0.5	0.6	-2.1	-7.8	-9.8	-15.5
Other <sup>1)</sup>	10.9	8.3	26.9	22.1	36.0	31.2
Group eliminations	0.6	-0.9	-1.1	-2.2	-2.1	-3.3
<b>Total</b>	<b>23.7</b>	<b>19.1</b>	<b>41.6</b>	<b>48.3</b>	<b>64.8</b>	<b>71.4</b>

<b>Net sales by geographical market</b>						
(SEK million)	3 month	3 month	9 month	9 month	12 month	Full year
	Nov 2005	Nov 2004	May 2005	May 2004	Feb 2005	May - Apr
	- Jan 2006	- Jan 2005	- Jan 2006	- Jan 2005	- Jan 2006	2004/2005
Sweden	55.8	35.6	156.7	109.6	204.7	157.7
Rest of Europe & the US	85.7	81.8	224.8	206.4	316.3	297.8
Rest of world	4.6	0.3	10.1	0.4	10.1	0.4
<b>Total</b>	<b>146.1</b>	<b>117.7</b>	<b>391.6</b>	<b>316.4</b>	<b>531.1</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. Consequently, the market for Sectra's medical systems is continuing to grow. The largest share of the radiology clinics using Sectra's medical systems are located in North America, the world's biggest market and one of the fastest growing markets for medical IT. In pace with an increasing number of installations, revenue from additional sales, and from service and upgrade agreements, is also growing.

New types of radiological examinations that result in very large data volumes are increasingly common in the market. To meet customer demands for systems that can handle the growing data volumes, Sectra has developed new methods that make it possible to display large image volumes at least 100 times faster than with traditional methods. Part of the methods is based on

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VAT reg. no. SE556064830401

research that was conducted in cooperation with the Center for Medical Image Science and Visualization (CMIV) at Linköping University in Sweden.

In the mammography market, the transition from film-based to digital systems is in full progress. The transition is supported by a US study published in the autumn of 2005 entitled The Digital Mammographic Imaging Screening Trial conducted by the American College of Radiology Network. According to the study, digital systems are just as good and, for certain groups of women, better than film-based systems in detecting breast cancer.

#### *Investment in ImaXperts*

During the quarter, Sectra acquired 20% of ImaXperts BV, a Dutch company that distributes medical systems in the Netherlands, Belgium and Luxemburg. The acquisition is part of the extensive investments in expanding the distribution network and service organization for medical systems. The acquisition had no significant effect on Sectra's earnings or financial position.

#### *Order bookings*

Order bookings for medical systems during the third quarter were the highest during the current fiscal year. This was a result of increased direct sales of medical imaging systems, particularly in the US, and increased sales of mammography systems. In the US, Sectra signed service contracts with several new customers following the launch of PACS-Guard, a new international support service that was launched in November. This service is a refinement of the maintenance and support service that Sectra has provided for its Scandinavian customers over the past ten years.

Sales of the digital Sectra MicroDose Mammography system generated new orders during the quarter from mammography clinics in New Zealand, Switzerland, Austria, Germany and Sweden. During the quarter, Sectra also sold PACS for breast imaging to the Swedish Södersjukhuset in Stockholm.

#### *Third quarter and nine-month period*

Net sales for medical systems amounted to SEK 130.5 million (95.2) during the third quarter, an increase of 37.1% compared with the corresponding period in the preceding year. The US and Scandinavia accounted for the largest share of the increase, but all of Sectra's medical system markets showed increasing revenues from sales, maintenance and support services. Operating profit for the quarter amounted to SEK 11.7 million (11.1), corresponding to an operating profit of 9.0% (11.7).

For the nine-month period, net sales increased by 25.9% to SEK 337.9 million (268.4). Operating profit amounted to SEK 17.9 million (36.2), corresponding to an operating margin of 5.3% (13.5). The operating margin was affected by Sectra's extensive investments in expanding the distribution network and support organization.

#### **Sectra AB (publ)**

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#### **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. Increased cooperation between EU member states and the new security authority within the EU create a new major market for security products for security products featuring a common EU encryption system. Sectra is one of the companies on the forefront with products developed according to the new EU norms.

### *Order bookings*

During the quarter, Sectra signed a three-year framework agreement with the Dutch Defense Department. The framework agreement covers deliveries of the Tiger XS mobile encryption unit and will initially comprise deliveries valued at slightly more than SEK 5 million. Together with the framework agreement that Sectra signed with Dutch authorities in 2005, this means that Sectra can now supply Tiger products to the entire Dutch government and defense market.

### *Third quarter and nine-month period*

Net sales of secure communication systems amounted to SEK 15.6 million (22.5) for the third quarter. The change was a result of lower revenues from development assignments compared with the corresponding quarter in the preceding year. Operating profit amounted to SEK 0.5 million (0.6), corresponding to an operating margin of 3.2% (2.7).

For the nine-month period, net sales amounted to SEK 53.7 million (47.6), an increase of 12.8% compared with the same period in the preceding year. The increase in sales was primarily attributable to the start of deliveries of Sectra's new generation Tiger products. An operating loss of SEK 2.1 million (loss: 7.8) was reported.

### **Financial position**

The equity/assets ratio on January 31, 2006 was 59.1% (66.4) and liquidity was a multiple of 2.4 (3.1). The company's interest-bearing liabilities at January 31, 2006 totaled SEK 60.0 million (57.6), of which SEK 43.7 million (43.1) related to convertible debentures.

### **Investments**

Group investments during the nine months period totaled SEK 26.1 million (32.6), including SEK 12.8 million (7.5) during the third quarter. Capitalized development costs totaled SEK 8.3 million (5.4) in the third quarter and amounted to SEK 100.8 million (82.8) at January 31, 2006.

### **Employees**

The number of full-time Sectra employees amounted to 384 (362) at January 31, 2006.

### **The share**

During the third quarter, Sectra issued 28,333 new B series shares in conjunction with redemption of employee options issued in 2002/2003 to employees in the US. The exercise price was SEK 42.

Sectra's share capital at January 31, 2006 amounted to SEK 36,726,521. Full conversion and exercise of the outstanding incentive programs will increase the number of shares by a maximum of 746,667, corresponding to 2.0% of the share capital and 1.2% of the voting rights. After dilution, the total number of shares will amount to 37,473,188.

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### **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, Sectra's largest partner. This will affect Sectra's earnings during a transitional period of an additional six to 18 months. The Board's assessment that Sectra will continue to expand with favorable profitability long term remains valid.

## Annual General Meeting 2006

The Annual General Meeting of Sectra AB will be held on Tuesday, June 28 in Linköping, Sweden.

Shareholders who wish to submit a proposal for consideration by the Meeting may submit a request to the Sectra Board of Directors by post to Sectra AB, Teknikringen 2, SE-583 30 Linköping, Sweden or by e-mail to [info.investor@sectra.se](mailto:info.investor@sectra.se). To ensure that the matter is processed appropriately and is certain to be included in the notification of the Annual General Meeting, requests must be received not later than May 1, 2006.

## Nominating Committee

The 2005 Annual General Meeting resolved to establish a Nomination Committee comprising Board Chairman Thomas Ericson (convener) and Viiveke Fåk and Bengt Bengtsson. Under the leadership of Viiveke Fåk, the Nomination 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 Nomination Committee shall also discuss and propose the fee to be paid to the Board. When required, the Nomination Committee shall also propose auditors and audit fees.

Shareholders wishing to 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).

## 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 Standards with the transition date of May 1, 2004. This means that the 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 10.

## Financial calendar

Year-end report, May 2005 - April 2006:	May 23, 2006
Annual General Meeting	June 28, 2006

## For further information, contact:

CEO Jan-Olof Brüer	Tel +46 13 23 52 09
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*This interim report is unaudited.*

*Linköping, March 7, 2005*

*Board of Directors Sectra AB (publ)*

## Sectra AB (publ)

Teknikringen 20

SE-583 30 Linköping, Sweden

Ph: + 46 13 23 52 00

Fax: + 46 13 21 21 85

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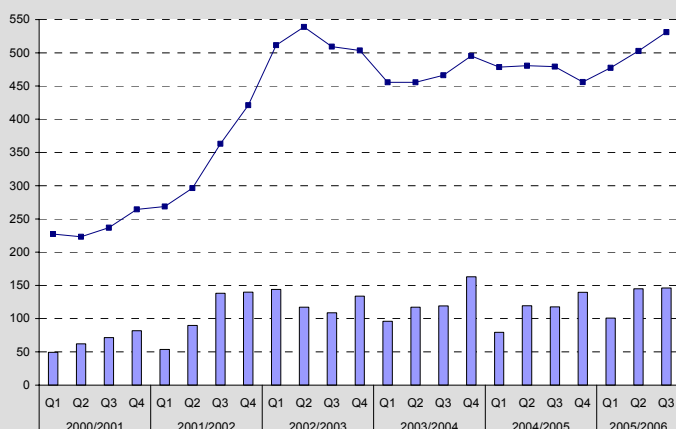
## Condensed income statement for the Group

SEK thousands	3 months	3 months	9 months	9 months	12 months	Full-year
	Nov 2005	Nov 2004	May 2005	May 2004	Feb 2005-	May-Apr
	- Jan 2006	- Jan 2005	- Jan 2006	- Jan 2005	Jan 2006	2004/2005
<b>Net sales</b>	<b>146 068</b>	<b>117 744</b>	<b>391 576</b>	<b>316 360</b>	<b>531 078</b>	<b>455 862</b>
Capitalized work for own use	8 329	5 414	18 785	16 744	26 262	24 221
Operating expenses	-125 685	-99 495	-353 958	-271 358	-473 235	-390 636
Depreciation	-4 955	-4 536	-14 774	-13 474	-19 333	-18 033
<b>Operating profit</b>	<b>23 757</b>	<b>19 127</b>	<b>41 629</b>	<b>48 272</b>	<b>64 772</b>	<b>71 414</b>
Net financial items	3 459	3 636	3 915	7 126	5 790	9 001
<b>Earnings after financial items</b>	<b>27 216</b>	<b>22 763</b>	<b>45 544</b>	<b>55 398</b>	<b>70 562</b>	<b>80 415</b>
Tax on earnings for the period	-6 996	-6 760	-12 334	-16 292	-23 913	-27 871
Minority interest	-	-	-	313	-	313
<b>Net earnings</b>	<b>20 220</b>	<b>16 003</b>	<b>33 210</b>	<b>39 419</b>	<b>46 649</b>	<b>52 857</b>
<b>Earnings per share</b>						
Before dilution, SEK	0.55	0.44	0.91	1.08	1.27	1.45
After dilution, SEK	0.54	0.43	0.89	1.06	1.25	1.42
<b>No. of shares at end of period</b>						
Before dilution	36 726 521	36 505 305	36 726 521	36 505 305	36 726 521	36 528 638
After dilution <sup>1)</sup>	37 473 188	37 269 988	37 473 188	37 269 988	37 473 188	37 309 988
Average, before dilution <sup>2)</sup>	36 707 632	36 468 860	36 663 658	36 383 633	36 626 014	36 415 995
Average, after dilution <sup>1)2)</sup>	37 473 188	37 271 321	37 343 732	37 181 175	37 331 408	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 2003/2004 (56,667) and 2004/2005 (40,000).

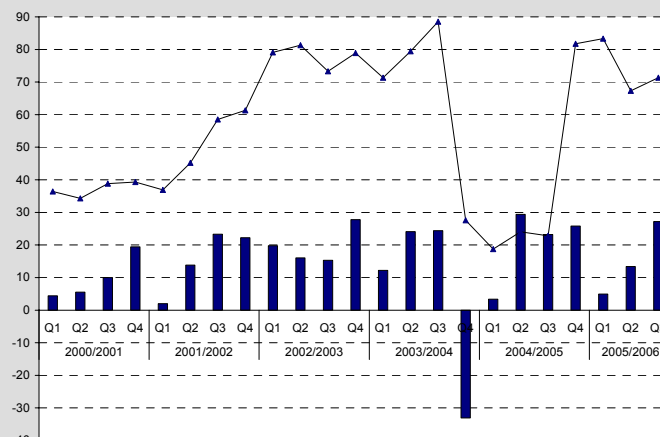
2) Average number of shares has been adjusted for implemented share splits and share issues.

### 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	Jan 31, 2006	Jan 31, 2005	April 30, 2005
<b>Assets</b>			
Intangible assets	125 304	108 829	115 807
Tangible assets	23 806	22 456	23 700
Financial assets	27 681	13 550	13 554
<b>Total fixed assets</b>	<b>176 791</b>	<b>144 835</b>	<b>153 061</b>
Other current assets	223 449	181 194	226 488
Cash and bank balances	375 267	303 279	320 176
<b>Total current assets</b>	<b>598 716</b>	<b>484 473</b>	<b>546 664</b>
<b>Total assets</b>	<b>775 507</b>	<b>629 308</b>	<b>699 725</b>
<b>Equity and liabilities</b>			
Equity (including profit for the period)	458 083	417 800	430 655
Provisions	26 862	1 612	27 057
Long-term liabilities	39 397	46 480	45 914
Current liabilities	251 165	163 416	196 099
<b>Total equity and liabilities</b>	<b>775 507</b>	<b>629 308</b>	<b>699 725</b>

## Change in equity

SEK thousands	9 months May 2005 – Jan 2006	9 months May 2004 – Jan 2005	Full-year May–Apr 2004/2005
Equity at start of period	430 655	393 033	393 033
New issue/conversion	12 177	5 809	6 905
Dividend paid	-18 264	-18 196	-18 196
Reclassified <sup>1)</sup>	-	924	-3 552
Change in share of capital	-	-2 875	-
Change in translation difference	305	-314	-459
Change in present value calculation	-	-	67
Net earnings for the period	33 210	39 419	52 857
<b>Equity at end of period</b>	<b>458 083</b>	<b>417 800</b>	<b>430 655</b>

1) Reclassification for full year 2004/2005 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 2004 -January 2005 also relates to IFRS 2.

## Condensed cash-flow statement for the Group

SEK thousands	9 months May 2005 – Jan 2006	9 months May 2004 – Jan 2005	Full-year May–Apr 2004/2005
Cash flow from operations before changes in working capital	32 981	50 750	66 013
<b>Cash flow from operations after changes in working capital</b>	<b>94 970</b>	<b>57 606</b>	<b>84 475</b>
Investing activities	-26 694	-29 635	-40 384
Financing activities	-14 117	-56 191	-55 738
<b>Change in cash and bank balances</b>	<b>54 159</b>	<b>-28 220</b>	<b>-11 647</b>
Cash and bank balances, opening balance	320 176	332 342	332 342
Exchange rate difference in liquid assets	932	-843	-519
Cash and bank balances, closing balance	375 267	303 279	320 176

## Key figures

	9 months	9 months	12 months	Full-year
	Jan 31, 2006	Jan 31, 2005	Jan 31, 2006	Apr 30, 2005
Equity/assets ratio, %	59.1	66.4	59.1	61.5
Liquidity, multiple	2.4	3.1	2.4	2.9
Profit margin %	11.6	17.5	13.3	17.9
Return on shareholders' equity %	-	-	10.7	13.1
Return on capital employed %	-	-	14.6	17.4
Value added, SEK Million	-	-	320.8	300.6
Average number of employees	373	347	371	350
Equity per share, SEK	12.47	11.44	12.47	11.79
Equity per share after dilution, SEK	12.22	11.21	12.22	11.54
Cash flow per share, SEK	0.90	1.39	1.31	1.81
Cash flow per share after dilution, SEK	0.88	1.36	1.29	1.77
P/E ratio, multiple	-	-	41.6	49.7
Share price at end of period, SEK	53.0	75.5	53.0	74.0

## Consolidated income statement, quarterly

SEK million	2005/2006			2004/2005				2003/2004			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net sales	146.1	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	8.3	6.7	3.7	7.5	5.4	5.1	6.2	-	-	-	-
Operating expenses	-125.7	-131.9	-96.4	-119.3	-99.5	-90.7	-81.2	-125.8	-95.3	-94.4	-83.3
Depreciation	-5.0	-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>23.7</b>	<b>14.2</b>	<b>3.7</b>	<b>23.1</b>	<b>19.1</b>	<b>29.1</b>	<b>0.1</b>	<b>-35.3</b>	<b>21.7</b>	<b>22.1</b>	<b>11.1</b>
Net financial items	3.5	-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>27.2</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	-7.0	-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>20.2</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 write down 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, %	17.9	5.6	15.7	15.0	13.5
Return on equity, %	13.1	5.8	28.7	26.9	22.7
ROCE, %	17.4	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 write down 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	2004/2005					
	Third quarter		Nine months		Full year	
	Nov-Jan	Nov - Jan in accordance with IFRS	May-Jan	May-Jan in accordance with IFRS	May - Apr	May - Apr in accordance with IFRS
Net sales	117 744	117 744	316 360	316 360	455 862	455 862
Capitalized work for own use	5 414	5 414	16 744	16 744	24 221	24 221
Operating expenses	-99 105	-99 495	-270 433	-271 358	-389 322	-390 636
Depreciation	-4 536	-4 536	-13 474	-13 474	-18 033	-18 033
<b>Operating profit</b>	<b>19 517</b>	<b>19 127</b>	<b>49 197</b>	<b>48 272</b>	<b>72 728</b>	<b>71 414</b>
Net financial items	3 636	3 636	7 126	7 126	9 001	9 001
Tax and minority interest	-6 760	-6 760	-15 979	-15 979	-27 558	-27 558
<b>Net earnings</b>	<b>16 393</b>	<b>16 003</b>	<b>40 344</b>	<b>39 419</b>	<b>54 171</b>	<b>52 857</b>

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

SEK thousands	2004/2005					
	Nine month			Full year		
	31 Jan, 2005	IFRS adjustm.	31 Jan, 2005 in accordance with IFRS	30 Apr, 2005	IFRS adjustm.	30 Apr, 2005 in accordance with IFRS
Goodwill	24 639	-24 639	0	26 258	-26 258	0
Intangible fixed assets	84 190	24 639	108 829	89 549	26 258	115 807
Other fixed assets	36 006	-	36 006	37 254	-	37 254
Current assets	484 473	-	484 473	546 664	-	546 664
<b>Total assets</b>	<b>629 308</b>	<b>0</b>	<b>629 308</b>	<b>699 725</b>	<b>0</b>	<b>699 725</b>
Restricted equity	309 977	924	310 901	349 377	1 314	350 691
Unrestricted equity	107 823	-924	106 899	81 278	-1 314	79 964
<b>Total equity</b>	<b>417 800</b>	<b>0</b>	<b>417 800</b>	<b>430 655</b>	<b>0</b>	<b>430 655</b>
Provisions and long-term liabilities	48 092	-	48 092	72 971	-	72 971
Current liabilities	163 416	-	163 416	196 099	-	196 099
<b>Total shareholders' equity and liabilities</b>	<b>629 308</b>	<b>0</b>	<b>629 308</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 the third quarter by SEK -391 thousand, for the nine month by SEK -1,173 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).