

Interim report for the three-months period ended July 31, 2006:

Sectra increases sales and strengthens its international sales organization

Sectra's net sales for the first quarter increased by 33.8% to SEK 134.9 million (100.8) compared with the year-earlier period. Profit after financial items increased by 2.0% to SEK 5.0 million (4.9), which corresponds to a profit margin of 3.7% (4.9). Order bookings totaled SEK 98.8 million (115.5).

Increased revenues from direct sales of medical systems in the US and the completion of the digitization at the Karolinska University Hospital, one of the largest hospitals in the Nordic region, contributed to the quarter's increase in net sales.

"Direct sale of medical systems in the market outside Scandinavia has gradually increased during the past six months as a result of our ongoing market investments," says Jan-Olof Brüer, CEO and President of Sectra AB.

"As previously announced, we are in the process of developing our international distribution network and our service organization to satisfy the growing demand in the market for our medical systems. During the quarter, we strengthened our international sales and support organizations with about ten new employees," says Jan-Olof Brüer.

During the quarter, Sectra's sales success continued in the mammography market through orders from mammography clinics in Sweden, Norway, France and Australia.

FDA application

In the US there is an ongoing clinical study for Sectra's digital mammography system, Sectra MicroDose Mammography. During the first quarter, data acquisition for the study was completed. Accordingly, Sectra is one step closer to an application for approval from the American Food and Drug Administration.

"The fact that we have completed our data acquisition in the clinical study signifies that we have passed an important milestone on the road to an approval to sell Sectra MicroDose Mammography in the US," says Jan-Olof Brüer. "The analysis of the results from the study is now in progress and when it is finalized, we will submit a formal application," concludes Jan-Olof Brüer.

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Interim report for Sectra AB (publ) for the first quarter, May – July 2006

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

First quarter in brief

- Order bookings amounted to SEK 98.8 million (115.5).
- Net sales increased by 33.8% to SEK 134.9 million (100.8).
- Profit after net financial items increased by 2.0% to SEK 5.0 million (4.9), corresponding to a profit margin of 3.7% (4.9).
- Profit after tax amounted to SEK 3.9 million (3.4).
- Earnings per share amounted to SEK 0.11 (0.09).

Significant events during the quarter

- Sectra opened an office in the Netherlands for sales, service and support of secure communication systems.
- Sectra sold Sectra MicroDose Mammography systems to Södersjukhuset, a large public hospital in Stockholm, Sweden.
- Mammography clinics in Norway, France and Australia ordered Sectra MicroDose Mammography, and the system has thereby been sold to customers in eleven countries.

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Order bookings, sales and earnings

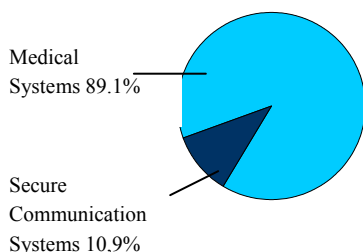
First quarter

Sectra traditionally experiences a seasonal variation, as a result of which the operating year tends to begin with low sales. The major portion of invoicing and earnings generally occurs during the third and fourth quarters.

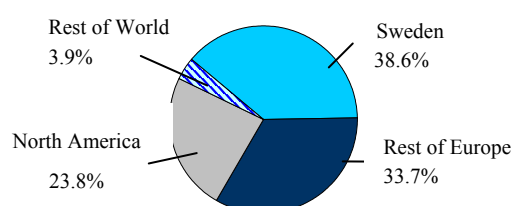
The Group's order bookings amounted to SEK 98.8 million (115.5). The demand for Sectra's products is strong, but the variations in order volumes between individual quarters are significant. International direct sales has increased as a result of Sectra strengthening its sales organization. The change in order bookings compared with the corresponding period in the preceding year is attributable to that the increase in direct sales has yet not compensated for the decline in license sales through Philips Medical Systems.

Net sales for the first quarter increased by 33.8% to SEK 134.9 million (100.8). Higher revenues from direct sales in the US market and the completion of the major digitization project in Sweden has contributed to the quarter's strong sales.

Profit after net financial items rose by 2.0% to SEK 5.0 million (4.9), corresponding to a profit margin of 3.7% (4.9%). Profit after tax amounted to SEK 3.9 million (3.4). Earnings per share amounted to SEK 0.11 (0.09). The profit margin was impacted by the reduction in the sale of software licenses through partners. Profit was also charged with Sectra's extensive investment in developing its distribution network and service organization for medical systems as a result of the phasing out of the nine-year cooperation with Philips Medical Systems.



Net sales by geographical segment,
12-month rolling



Net sales by geographical segment,
12-month rolling

Net sales by business segment

(SEK million)	3 months	3 months	12 months	Full year
	May 2006	May 2005	Aug 2005	May - Apr
	-Jul 2006	-Jul 2005	-Jul 2006	2005/2006
Medical systems	120.6	86.2	533.2	498.8
Secure communication systems	14.3	14.6	65.5	65.8
Other ^{1) 2)}	5.3	5.5	22.4	22.6
Group eliminations	-5.3	-5.5	-22.7	-22.8
Total	134.9	100.8	598.4	564.4

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Operating profit/loss by business segment				
(SEK million)	3 months	3 months	12 months	Full year
	May 2006	May 2005	Aug 2005	May - Apr
	-July 2006	-July 2005	- Jul 2006	2005/2006
Medical systems ²⁾	8.8	7.2	85.5	83.9
Secure communication systems ²⁾	-2.2	-1.6	-1.3	-0.7
Other ^{1) 2)}	-1.2	-1.3	-5.6	-5.7
Group eliminations	-0.4	-0.6	-1.5	-1.7
Total	5.0	3.7	77.1	75.8

1) Other refers primarily to the Parent Company's debiting of Group-wide services and asset management.

2) During the first quarter of 2006/2007, Sectra changed the principles for the Parent Company's debiting of expenses for asset management and rights to trademarks, patents, and other intellectual property. This will influence the division of costs per segment. In this interim report, the figures reported per segment for the corresponding period in the 2005/2006 fiscal year, were recalculated as if the new principles were applicable during the preceding fiscal year.

Net sales by geographical market				
(SEK million)	3 months	3 months	12 months	Full year
	May 2006	May 2005	Aug 2005	May - Apr
	-July 2006	-July 2005	- Jul 2006	2005/2006
Sweden	68.1	34.4	231.2	197.5
Rest of Europe	32.9	30.0	201.8	199.0
North America	32.5	34.9	142.3	144.7
Rest of world	1.4	1.5	23.1	23.2
Total	134.9	100.8	598.4	564.4

Medical Systems

Market

An increasing number of hospitals are electing to increase the efficiency of their radiology operations through the introduction of digital systems and the market for medical systems is growing. To meet demands in the market, Sectra is continuing its extensive investments in developing its distribution network and service organizations in important markets.

In total, more than 40 million radiology examinations annually are carried out using the company's systems, making Sectra a world leader in the supply of systems for handling digital radiology images. The largest portion of radiology clinics that use Sectra's medical systems are found in the US, the world's largest and one of the fastest growing markets for medical IT. In pace with the growing number of installations, revenues from supplemental sales, maintenance and upgrading contracts increase.

In the mammography market, the transition from film-based to digital mammography system is fully under way worldwide. During the quarter, Sectra experienced continued success in sales of Sectra MicroDose Mammography. The system was ordered by a large public hospital in Sweden and mammography clinics in Norway, France and Australia. The system has thereby been sold to customers in eleven countries.

In the US, data acquisition to the clinical study of Sectra MicroDose Mammography was completed during the period. The clinical study will be the basis for an application to the American Food and Drug Administration and Sectra will thereby be one step closer to an approval to sell Sectra MicroDose Mammography in the US.

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Sales and earnings

Medical Systems' net sales for the first quarter increased by 39.9% to SEK 120.6 million (86.2). Higher revenues from direct sales in the US market and large digitization projects in Sweden contributed to the major increase in net sales compared with the year-earlier period. The Swedish market was responsible for the single largest increase as a result of the completion of a digitization project at the Karolinska University Hospital, one of the largest hospitals in the Nordic region.

Operating profit rose by 22.2% to SEK 8.8 million (7.2), corresponding to a profit margin of 7.3% (8.4). The profit margin was influenced by the cost for the company's extensive market investments and by the reduction in sales of the software licenses through cooperation partners. In direct sales of medical systems, a transaction normally involves complete system deliveries that include both the software and hardware. Sales through partners consist solely of software licenses. Accordingly, a transaction through partners is much smaller in terms of volume. At the same time, the delivery time is generally very short, and the transaction has high added value and higher contribution margins.

Secure Communication Systems

Market

Among European authorities and defense agencies, pan-national cooperation is increasing, which means that demands for secure communications systems shift from being national to a common issue for the entire EU. This creates a new major market for EU-approved crypto products.

To meet customer demands, Sectra has invested in recent years in the development and marketing of the third-generation Tiger products, Tiger XS, and is one of the first companies to offer products developed in accordance with the new EU standards. One of the markets that has shown significant interest in the company's products is the Netherlands, where Sectra has delivered Tiger products to both authorities and defense customers. To satisfy the demand for advanced security products in the Dutch market, Sectra opened an office in the Haag during the quarter. At Sectra's office in the UK, cut-backs were implemented during the quarter to adapt resources to the demand from this market.

Sales and earnings

Net sales for secure communication systems for the quarter amounted to SEK 14.3 million (14.6). Most of the revenues pertained to development assignments and customer-specific products. Operating loss was SEK 2.2 million (loss: 1.6). Earnings were charged with SEK 1.3 million in expenses for the cut-backs in the UK. These are expected to have a positive impact on earnings of SEK 2.5 million annually.

Financial position

The equity/asset ratio on July 31, 2006 was 61.8% (63.6) and liquidity was a multiple of 2.7 (2.8).

Interest-bearing liabilities declined by SEK 20.7 million during the first quarter, which was primarily due to the redemption of convertibles. The company's interest-bearing liabilities at the end of the period amounted to SEK 38.9 million (46.3), of which SEK 23.1 million (31.9) pertains to convertible debentures.

Investments

Group investments during the quarter totaled SEK 9.7 million (3.8). Capitalized development costs during the first quarter amounted to SEK 8.1 million (3.7) and on July 31, 2006 to SEK 112.9 million (90.0).

Employees

The number of employees with full-time employment at Sectra during the first quarter increased by 13 persons and on July 31, 2006 totaled 396 (372).

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The share

Sectra's share capital at July 31, 2006 amounted to SEK 36,746,521. Full conversion and exercise of the outstanding incentive programs will increase the number of shares by a maximum of 436,667, corresponding to 1.2% of the share capital and 0.7% of the votes. After dilution, the total number of shares will amount to 37,183,188.

On June 30, 2006, Sectra's convertible loans issued to the Group's employees and external Board members in the 2002/2003 fiscal year matured. A conversion to shares did not occur and the convertible loans in the amount of SEK 20.6 million were repaid on the due date.

At Sectra's Annual General Meeting (AGM) in June 2006, a decision was made to issue new convertibles to the Group's employees and to external Board members. At full allocation and full conversion, the dilution effect may amount to a maximum of 1.0% of the share capital. The conversion rate shall correspond to 135% of the volume-weighted average price paid for the company's share on the Stockholm Stock Exchange's O-list during the period August 30, 2006 through September 13, 2006. The convertibles will be available for subscription during the period October 2 – 13, 2006 and conversion of shares to Series B shares should occur between May 26 – 29, 2009.

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

Authorization

At the AGM in June, the Board was authorized by the Meeting to issue, on one or several occasions during the period until the next AGM, not more than 3,600,000 Series B shares for payment in cash, payment by set-off of claims or payment in kind and to thereby disregard the shareholders' preferential rights. The dilution effect, if the entire authorization is exercised, on the share capital will be approximately 10% and votes approximately 6%. The purpose of this authorization is to enable the company to issue new shares to implement or finance the acquisition of companies or operations, or parts thereof, and in conjunction with market investments.

In addition, the Meeting decided to authorize the Board to, on one or more occasions during the period until the next AGM, make decisions regarding acquisitions or transfer of own shares. The authorization is limited to the company's holding of own shares not exceeding 10% of all shares in the company at any time.

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 change in the cooperation with the largest partner Philips Medical Systems means a realignment of Sectra's operations. This will impact on earnings during a transition period of another six to 13 months. The Board's assessment that, in the long term, Sectra will continue to expand with favorable profitability remains valid.

Accounting principles

This interim report was prepared in accordance with IAS 34, Interim Financial Reporting, and RR31, Interim Reporting for Groups. The same accounting principles and calculation methods apply as in the most recent Annual Report. This means that the consolidated accounts were prepared in accordance with International Financial Reporting Standards (IFRS) and statements from International Financial Reporting Interpretations Committee (IFRIC) that were approved by the EU Commission for application within the EU. A description of the accounting principles is found in the Annual Report for the 2005/2006 fiscal year.

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Financial calendar

Six-months interim report, May–October 2006:	December 5, 2006
Nine-months interim report, May 2006–January 2007:	March 6, 2007
Year-end report, May 2006–April 2007:	May 23, 2007

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This interim report is unaudited.

Linköping, Sweden, September 5, 2006

Board of Directors Sectra AB (publ)

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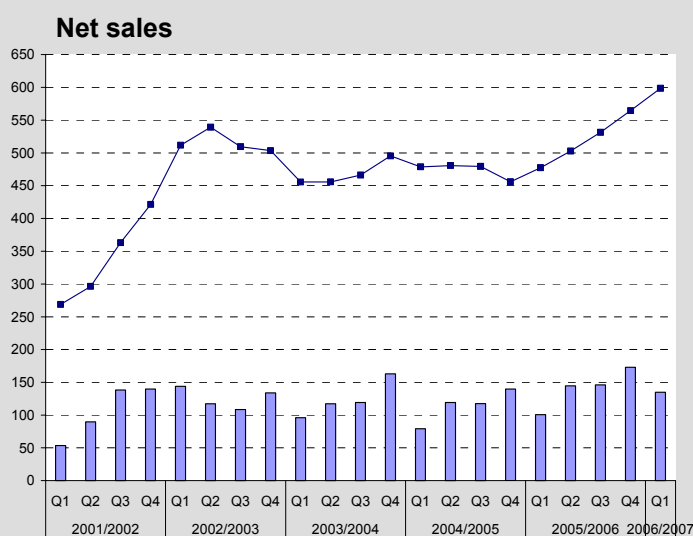
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Condensed income statement for the Group

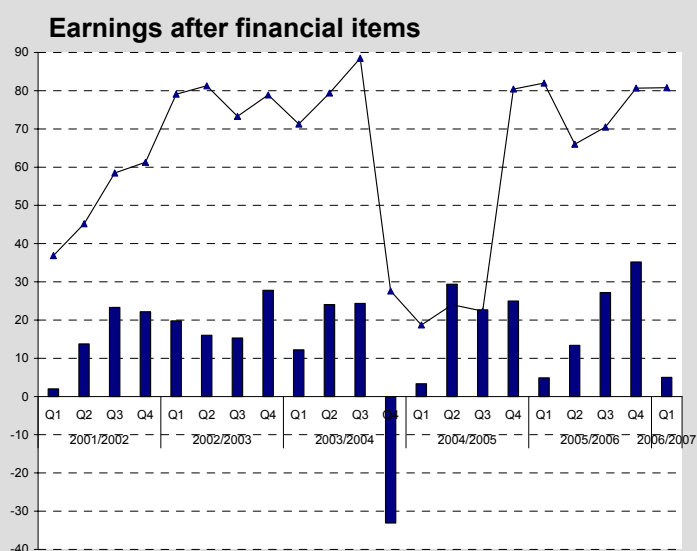
SEK thousands	3 months	3 months	12 months	Full-year
	May 2006	May 2005	Aug - Jul	May-Apr
	- Jul 2006	- Jul 2005	2005/ 2006	2005/2006
Net sales	134 886	100 838	598 430	564 382
Capitalized work for own use	8 086	3 721	29 937	25 572
Operating expenses	-132 624	-96 397	-529 667	-494 062
Depreciation	-5 321	-4 479	-21 598	-20 134
Operating profit	5 027	3 683	77 102	75 758
Net financial items	12	1 233	3 767	4 988
Earnings after financial items	5 039	4 916	80 869	80 746
Tax on earnings for the period	-1 183	-1 470	-20 109	-20 396
Net earnings	3 856	3 446	60 760	60 350
Profit attributable to equity holders of the:				
Parent Company	3 856	3 446	60 760	60 350
Minority interest	0	0	0	0
Earnings per share				
Before dilution, SEK	0.11	0.09	1.65	1.65
After dilution, SEK	0.10	0.09	1.62	1.61
No. of shares at end of period				
Before dilution	36 746 521	36 698 188	36 746 521	36 746 521
After dilution ¹⁾	37 183 188	37 307 988	37 183 188	37 513 188
Average, before dilution ²⁾	36 746 521	36 504 434	36 721 382	36 681 041
Average, after dilution ¹⁾²⁾	37 403 188	37 233 763	37 431 488	37 379 430

1) Dilution is based on the convertible debenture programs issued in 2004/2005 (154,800) and 2005/2006 (165,200), and the personnel options issued in 2003/2004 (36,667), 2004/2005 (40,000) and 2005/2006 (40,000).

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



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



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

Condensed balance sheet for the Group

SEK thousands	Jul 31, 2006	Jul 31, 2005	Apr 30, 2006
Assets			
Intangible assets	134 413	116 467	127 806
Tangible assets	21 934	22 835	24 137
Financial assets	15 415	13 554	15 604
Total fixed assets	171 762	152 856	167 547
Other current assets	235 707	185 953	243 725
Cash and bank balances	356 693	332 811	414 297
Total current assets	592 400	518 764	658 022
Total assets	764 162	671 620	825 569
Equity and liabilities			
Equity (including profit for the period)	471 961	427 317	486 495
Provisions	24 775	26 796	1 326
Long-term liabilities	38 857	25 530	62 592
Current liabilities	228 569	191 977	275 156
Total equity and liabilities	764 162	671 620	825 569

Change in equity

SEK thousands	3 months May 2006 – Jul 2006	3 months May 2005 – Jul 2005	Full-year May–Apr 2005/2006
Equity at start of period	486 495	430 655	430 655
New issue/conversion	-	10 987	13 117
Dividend paid	-18 373	-18 264	-18 264
Change in translation difference	-17	493	637
Net earnings for the period	3 856	3 446	60 350
Equity at end of period	471 961	427 317	486 495

Condensed cash-flow statement for the Group

SEK thousands	3 months May 2006 – Jul 2006	3 months May 2005 – Jul 2005	Full-year May–Apr 2005/2006
Cash flow from operations before changes in working capital	1 016	1 201	73 942
Cash flow from operations after changes in working capital	-7 406	33 210	131 343
Investing activities	-9 656	-3 488	-35 092
Financing activities	-39 527	-18 211	-3 965
Change in cash and bank balances	-56 589	11 511	92 286
Cash and bank balances, opening balance	414 297	320 176	320 176
Exchange rate difference in liquid assets	-1 015	1 124	1 835
Cash and bank balances, closing balance	356 693	332 811	414 297

Key figures

	3 months May 2006 – Jul 2006	3 months May 2005 – Jul 2005	12 months Aug - Jul 2005/2006	Full-year May–Apr 2005/2006
Order bookings, SEK M	98.8	115.5	597.0	613.7
Equity/assets ratio, %	61.8	63.6	61.8	58.9
Liquidity, multiple	2.7	2.8	2.7	2.4
Profit margin %	3.7	4.9	13.5	14.3
Return on shareholders' equity %	-	-	13.5	13.2
Return on capital employed %	-	-	16.9	16.0
Value added, SEK Million	73.5	60.3	349.2	335.8
Average number of employees	383	376	375	373
Equity per share, SEK	12.84	11.64	12.84	13.24
Equity per share after dilution, SEK	12.69	11.45	12.69	12.97
Cash flow per share, SEK	0.03	0.03	2.01	2.01
Cash flow per share after dilution, SEK	0.03	0.03	1.98	1.97
P/E ratio, multiple	-	-	40.3	35.7
Share price at end of period, SEK	66.7	46.2	66.7	58.8

Consolidated income statement, quarterly

SEK M	2006/2007			2005/2006		2004/2005			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net sales	134.9	172.8	146.1	144.7	100.8	139.5	117.7	119.3	79.4
Capitalized work for own use	8.1	6.8	8.3	6.7	3.7	7.5	5.4	5.1	6.2
Operating expenses	-132.7	-140.1	-125.7	-131.9	-96.4	-119.3	-99.5	-90.7	-81.2
Depreciation	-5.3	-5.4	-5.0	-5.3	-4.4	-4.6	-4.5	-4.6	-4.3
Operating profit	5.0	34.1	23.7	14.2	3.7	23.1	19.1	29.1	0.1
Net financial items	0.0	1.1	3.5	-0.8	1.2	1.9	3.6	0.4	3.0
Earnings after financial items	5.0	35.2	27.2	13.4	4.9	25.0	22.7	29.5	3.1
Tax on earnings for the period	-1.1	-8.1	-7.0	-3.9	-1.5	-11.6	-6.7	-8.5	-1.0
Minority interest	-	-	-	-	-	-	-	-	0.3
Net earnings	3.9	27.1	20.2	9.5	3.4	13.4	16.0	21.0	2.4

Five-year summary

	2005/2006	2004/2005	2003/2004	2002/2003	2001/2002
Net sales, SEK M	564.4	455.9	495.3	503.4	410.0
Earnings before tax ¹⁾ , SEK M	80.7	80.4	27.6	78.9	61.4
Earnings after tax, SEK M	60.4	52.8	21.0	53.3	40.4
Profit margin, %	14.3	17.6	5.6	15.7	15.0
Return on equity, %	13.2	12.8	5.8	28.7	26.9
ROCE, %	16.0	17.1	8.8	32.5	30.0
Earnings per share before dilution, SEK	1.64	1.45	0.63	1.62	1.23
Earnings per share after dilution, SEK	1.61	1.42	0.61	1.57	1.20
Equity per share before dilution, SEK	13.24	11.79	10.96	6.23	5.03
Equity per share after dilution, SEK	12.97	11.54	10.52	6.09	4.91
Dividend per share, SEK	0.50	0.50	0.50	0.50	0.40
Stock market price at year end, SEK	58.8	74.0	58.5	38.0	62.0
P/E ratio	35.7	49.7	92.9	23.6	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.

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 after 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, successfully conducts development and sales of high-tech products in expansive niche segments. The operations include medical systems and secure communication systems. Sectra has offices in eleven 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.

Since 1999, Sectra's shares have been quoted on the O-list of the Stockholm Stock Exchange. More information about Sectra's operations is available on the company's website: www.sectra.com.