

Press release

Linköping, May 23, 2006

Sectra's year-end report for fiscal year 2005/2006 ended April 30, 2006

Sectra reports more than half billion in annual revenue

Sectra's net sales for the 2005/2006 fiscal year rose to SEK 564.4 million (455.9), up 23.8% compared with the year-earlier period. Profit after net financial items increased to SEK 80.7 million (80.4), corresponding to a profit margin of 14.3% (17.6). Order bookings increased 7.6% to SEK 613.7 million (570.1).

Sectra's profit after net financial items in the fourth quarter rose 40.8% to SEK 35.2 million (25.0), corresponding to a profit margin of 20.4% (17.9) Net sales in the quarter were up 23.9% to SEK 172.8 million (139.5). Order bookings for the quarter increased 5.0% to SEK 189.6 million (180.5).

"Sales, profit and order bookings for the year are the highest ever reported for a fiscal year," says Jan-Olof Brüer, CEO and President of Sectra AB. "The focus on increased direct sales of our medical systems has exceeded expectations and despite added costs for major market investments and phasing out relations with Philips, we increased profit compared with the preceding fiscal year."

Sectra's largest business area, Medical Systems, has contributed to the Group sales increases through rising revenues for sales, services and support. The largest single increase is attributable to the key US market. In total, installation of Sectra's medical systems rose 27% compared with a year earlier.

"Currently, a total of more than 40 million radiology examinations are annually carried out with our systems, which makes us a world leader in the supply of systems for handling digital radiology images," says Jan-Olof Brüer.

Sectra has opened an office for sales, service and support of secure communications in the Netherlands.

"We have framework agreements established with the Defense Department and other government agencies in the Netherlands. Through our new office in the Haag we gain greater possibilities to meet Dutch demands for advanced security products," says Jan-Olof Brüer.

In May, Sectra's CEO Jan-Olof Brüer assumed the position as Acting President of Sectra's operations within secure communications systems after the former President left the company.

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Year-end report for Sectra AB (publ) for the fiscal year May 1, 2005 – April 30, 2006

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

Year in brief

- Order bookings increased by 7.6% to SEK 613.7 million (570.1).
- Net sales rose 23.8% to SEK 564.4 million (455.9).
- Profit after net financial items increased to SEK 80.7 million (80.4), corresponding to a profit margin of 14.3% (17.6).
- Profit after tax was SEK 60.4 million (52.8).
- Earnings per share were SEK 1.64 (1.45).

The quarter in brief

- Order bookings rose by 5.0% to SEK 189.6 million (180.5).
- Net sales were up 23.9% to SEK 172.8 million (139.5).
- Profit after net financial items increased 40.8% to SEK 35.2 million (25.0), corresponding to a profit margin of 20.4% (17.9).
- Profit after tax was SEK 27.1 million (13.4).
- Earnings per share amounted to SEK 0.74 (0.37).

Significant events during the fourth quarter

- Sectra secured the first Danish order for the digital mammography system Sectra MicroDose Mammography from Århus Amt.
- Sectra signed a cooperation agreement with the Italian company Andra S.p.A. for distribution of Sectra's system for handling of digital radiology images (PACS).

Significant events after the balance sheet date

- Sectra opened an office in the Netherlands for sales, service and support of secure communications systems.
- Sectra has sold Sectra MicroDose Mammography to the Förde Hospital in Norway. Consequently, Sectra's digital mammography system is in all three Scandinavian countries.

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Order bookings, sales and earnings

Fiscal year 2005/2006

The Group's order bookings for the fiscal year amounted to SEK 613.7 million (570.1), up 7.6% compared with the preceding fiscal year. Sectra's focus on direct sales of medical systems, combined with new partners in important markets, contributed to the increased order bookings.

Net sales increased 23.8% to SEK 564.4 million (455.9). Both Medical Systems and Secure Communication Systems posted higher sales compared with a year earlier. Revenues from markets outside Sweden rose 23.0% to SEK 366.9 million (298.2) and account for 65.0% of total consolidated net sales. Sales in the North American market accounted of the single largest increase, up 76.5% to SEK 144.7 million.

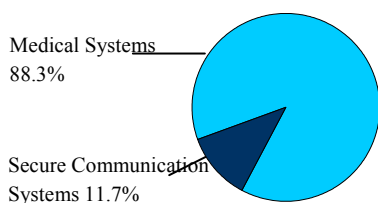
Profit after net financial items increased to SEK 80.7 million (80.4), corresponding to a profit margin of 14.3% (17.6). Profit after tax amounted to SEK 60.4 million (52.8). Earnings per share were SEK 1.64 (1.45). Earnings were charged with Sectra's extensive investment in expanding the distribution network and service organization for medical systems as well as the costs for phasing out the cooperation with Philips Medical Systems.

Fourth quarter

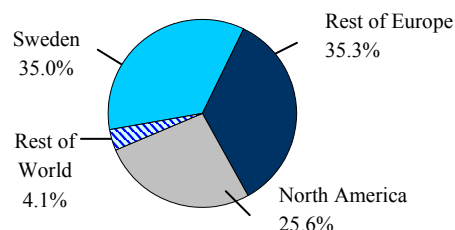
The Group's order bookings increased 5.0% to SEK 189.6 million (180.5). Demand for Sectra's products is strong, but variations in order volume between individual quarters are significant.

Net sales for the quarter rose 23.9% to SEK 172.8 million (139.5). The largest increase was in the US and pertains mainly to sales of PACS (Picture Archive and Communication Systems) to orthopedic clinics.

Profit after net financial items increased 40.8% to SEK 35.2 million (25.0), corresponding to a profit margin of 20.4% (17.9). Profit after tax amounted to SEK 27.1 million (13.4). Earnings per share amounted to SEK 0.74 (0.37). Deliveries of medical systems are the reason that Sectra can report the highest profit figures ever for a single quarter.



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 Feb 2006	3 month Feb 2005	Full year May - Apr 2005/2006	Full year May - Apr 2004/2005
Medical systems	160.9	123.7	498.8	392.1
Secure communication systems	12.1	15.8	65.8	63.4
Other ¹⁾	19.4	16.6	67.8	57.9
Group eliminations	-19.6	-16.6	-68.0	-57.5
Total	172.8	139.5	564.4	455.9

Operating profit/loss by business segment				
(SEK million)	3 month Feb 2006	3 month Feb 2005	Full year May - Apr 2005/2006	Full year May - Apr 2004/2005
Medical systems	26.0	22.8	43.9	59.0
Secure communication systems	-3.8	-7.7	-5.9	-15.5
Other ¹⁾	12.6	9.1	39.5	31.2
Group eliminations	-0.6	-0.7	-1.7	-2.0
Total	34.2	23.5	75.8	72.7

Net sales by geographical market				
(SEK million)	3 month Feb 2006	3 month Feb 2005	Full year May - Apr 2005/2006	Full year May - Apr 2004/2005
Sweden	40.8	48.1	197.5	157.7
Rest of Europe	80.0	70.7	199.0	204.4
North America	42.1	15.0	144.7	82.0
Rest of world	9.9	5.7	23.2	11.8
Total	172.8	139.5	564.4	455.9

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

Many 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. Sectra has increased the number of installations of the company's medical image processing system by about 27% compared with a year earlier. In the US, the world's largest market for medical IT, Sectra increased the number of installations by 25%. In total, more than 40 million radiology examinations annually are carried out with the company's systems, making Sectra a world leader in the supply of image management systems. In pace with the growing number of installations, revenues from supplemental sales, maintenance and upgrading contracts increase.

Sectra is also focusing on products for mammography and orthopedic departments, niche markets that are expected to grow rapidly in the years ahead. Major efforts are being made in the mammography field, in which Sectra has developed the digital mammography system

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Sectra MicroDose Mammography, which features the market's lowest radiation dose. Sectra has had major sales success on the mammography market during the fiscal year in Germany. Systems have also been sold to customers in Sweden and to mammography clinics in six new markets. The transition from film-based to digital mammography system is fully under way worldwide and has been boosted by the ACRIN report, a major US survey that shows that digital mammography provides equal or better results than film-based mammography.

Expansion of distribution network

Sectra efforts to expand the distribution network for medical systems on key markets continue and the company initiated cooperation in the fourth quarter with the Italian company Andra S.p.A. The company will distribute Sectra's system for processing of digital radiology images (PACS) to customers in Italy.

Sales and earnings

Medical Systems' net sales for the full fiscal year amounted to SEK 498.8 million (392.1), up 27.2% compared with corresponding period in the preceding year. The US market accounted for the single largest increase as a result of rising revenues from sales as well as service and support. Most of the medical systems revenues pertain to sales of PACS to radiology departments, but sales to mammography and orthopedic departments have begun to accelerate and developed highly positively during the fiscal year.

The company's largest partner Philips Medical Systems continued to sell Sectra systems during the fiscal year, mostly to customers in markets outside the US, and Sectra is acting to ensure that new as well as existing customers will continue to have access to service, support and upgrading. However, due to Phillips acquiring an American company in the summer of 2005 that develops systems similar to Sectra, Phillips' importance in distribution of Sectra PACS will gradually diminish.

Operating profit for the fiscal year amounted to SEK 43, 9 million (59.0), corresponding to an operating margin of 8.8% (15.0). Earnings were affected by the company's extensive investments in expanding the distribution network and service organization and by the increasing share of direct sales. In direct sales, the transaction normally involves complete system deliveries that include both software and hardware. Sales via partners are solely software licenses. Accordingly, a transaction via 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 margin.

In the fourth quarter, net sales of medical systems rose 30.0% to SEK 160.9 million (123.7). Operating profit was SEK 26.0 million (22.8), corresponding to an operating margin of 16.1% (18.4). The strong increase for the quarter is attributable mainly to sales in the US. Deliveries in Germany and Sweden also contributed to increasing sales in the quarter.

Secure Communication Systems

New senior management

Jan-Olof Brüer has been appointed Acting President of Sectra Communications AB after the company's former President, Tommy Waszkiewicz, left the company.

Market

Authorities, organizations and governments are becoming increasingly aware of the need to protect sensitive information against bugging. Information management is an essential aspect of the new defense structures. To meet customer demands for advanced security products, Sectra has invested in recent years in the development and marketing of the third-generation Tiger products, Tiger XS. This investment is beginning to show results and during the fiscal year Sectra delivered Tiger XS to the authorities in the Netherlands, Austria and Sweden.

Cross-border cooperation is increasing among European authorities and defense agencies, which means that requirements in terms of secure communications systems are becoming less national and more pan-European. This creates a new major market for EU approved crypto

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products and Sectra is one of the first companies to offer products developed in accordance with the new EU standards.

Sales and earnings

Net sales for the full fiscal year for the communication operations rose 3.8% to SEK 65.8 million (63.4) as a result of increased deliveries of Tiger products. Most of the revenues pertain to development assignments and customer-specific products. Operating loss was SEK 5.9 million (loss: 15.8). Increased product sales and the savings measures initiated in conjunction with the reorganization in autumn 2005 have contributed to the improved operating result.

Net sales in the quarter amounted to SEK 12.1 million (15.8). Delays in projects affected sales in the quarter. Operating loss was SEK 3.8 million (loss: 7.7). The continued improvement in the economy of operations contributed to reducing the deficit compared with a year earlier.

Financial position

The equity/assets ratio on April 30, 2006, was 58.9% (61.5) and liquidity was a multiple of 2.4 (2.9). At the end of the period, the company's interest-bearing liabilities totaled SEK 59.6 million (57.0), of which SEK 43.7 (43.0) relates to convertible debentures.

Investments

Group investments during the fiscal year totaled SEK 35.1 million (44.6), of which SEK 9.0 million (12.0) pertained to the fourth quarter.

The capitalized development costs in the fourth quarter were SEK 6.8 million (7.5) and amounted at April 30, 2006 to SEK 105.3 million (88.4).

Employees

The total number of employees with full-time employment at Sectra was 383 (370) at April 30, 2005.

The share

During the fourth quarter, Sectra issued 20,000 new B shares in conjunction with the exercise of employee stock options allotted in 2002/2003 to employees in the US at an exercise price of SEK 42.

Sectra's share capital at April 30, 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 766,667, corresponding to 2.1% of the share capital and 1.3% of the number of votes. After dilution, the total number of shares will amount to 37,513,188.

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. 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 an additional six to 16 months. The Board's assessment that Sectra will continue to expand with favorable profitability remains valid.

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Proposed dividend

It is proposed that a dividend of SEK 0.50 (0.50) per share be paid for the 2005/2006 fiscal year. Monday, July 3, 2006 is proposed as the record date. Assuming the Annual General Meeting approves the proposal, the dividend will be paid by VPC on July 6, 2006.

Annual General Meeting

The Annual General Meeting of Sectra AB will take place at 4 p.m. on Wednesday, June 28, 2006 at Collegium, Teknikringen 7 in Linköping, Sweden.

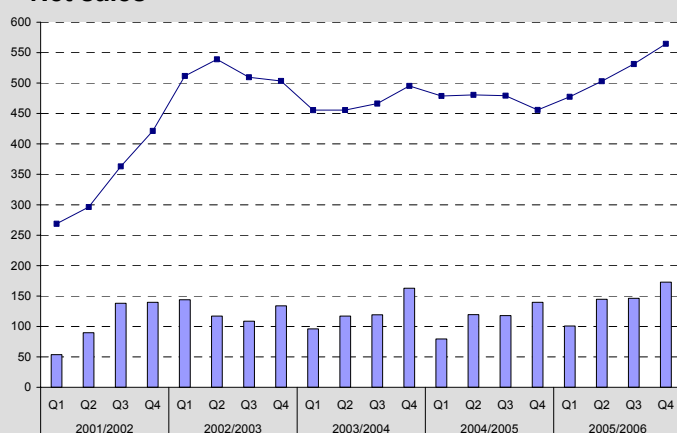
Condensed income statement for the Group

SEK thousands	3 months	3 months	Full-year	Full-year
	Feb 2006	Feb 2005	May -April-	May-Apr
	- Apr 2006	- Apr 2005	2005/ 2006	2004/2005
Net sales	172 806	139 502	564 382	455 862
Capitalized work for own use	6 787	7 477	25 572	24 221
Operating expenses	-140 104	-119 279	-494 062	-390 636
Depreciation	-5 360	-4 560	-20 134	-18 033
Operating profit	34 129	23 140	75 758	71 414
Net financial items	1 073	1 875	4 988	9 001
Earnings after financial items	35 202	25 015	80 746	80 415
Tax on earnings for the period	-8 062	-11 579	-20 396	-27 871
Net earnings	27 140	13 436	60 350	52 544
Profit attributable to equity holders of the:				
Parent Company	27 140	13 436	60 350	52 857
Minority interest	0	0	0	-313
Earnings per share				
Before dilution, SEK	0.74	0.37	1.65	1.45
After dilution, SEK	0.72	0.36	1.61	1.42
No. of shares at end of period				
Before dilution	36 746 521	36 528 638	36 746 521	36 528 638
After dilution ¹⁾	37 513 188	37 709 988	37 513 188	37 309 988
Average, before dilution ²⁾	36 733 188	36 513 083	36 681 041	36 415 995
Average, after dilution ¹⁾²⁾	37 486 521	37 294 433	37 379 430	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 (36,667), 2004/2005 (40,000) and 2005/2006 (40,000).

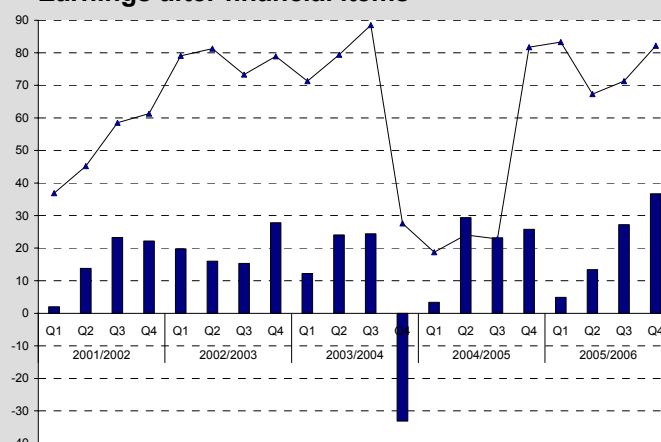
2) Average number of shares has been adjusted for implemented share splits and share issues.

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	April 30, 2006	April 30, 2005
Assets		
Intangible assets	127 806	115 807
Tangible assets	24 137	23 700
Financial assets	15 604	13 554
Total fixed assets	167 547	153 061
Other current assets	243 725	226 488
Cash and bank balances	414 297	320 176
Total current assets	658 022	546 664
Total assets	825 569	699 725
Equity and liabilities		
Equity (including profit for the period)	486 495	430 655
Provisions	24 937	27 057
Long-term liabilities	38 981	45 914
Current liabilities	275 156	196 099
Total equity and liabilities	825 569	699 725

Change in equity

SEK thousands	Full-year May–Apr 2005/2006	Full-year May–Apr 2004/2005
Equity at start of period	430 655	393 033
New issue/conversion	13 117	6 906
Dividend paid	-18 264	-18 196
Reclassified ¹⁾	-	-3 552
Change in share of capital	-	-
Change in translation difference	637	-459
Change in present value calculation	-	66
Net earnings for the period	60 350	52 857
Equity at end of period	486 495	430 655

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

Condensed cash-flow statement for the Group

SEK thousands	Full-year May–Apr 2005/2006	Full-year May–Apr 2004/2005
Cash flow from operations before changes in working capital	73 942	66 019
Cash flow from operations after changes in working capital	131 343	84 482
Investing activities	-35 092	-41 103
Financing activities	-3 965	-55 026
Change in cash and bank balances	92 286	-11 647
Cash and bank balances, opening balance	320 176	332 342
Exchange rate difference in liquid assets	1 835	-519
Cash and bank balances, closing balance	414 297	320 176

Key figures

	Full-year Apr 30, 2006	Full-year Apr 30, 2005
Equity/assets ratio, %	58.9	61.5
Liquidity, multiple	2.4	2.9
Profit margin %	14.3	17.6
Return on shareholders' equity %	13.2	12.8
Return on capital employed %	16.0	17.1
Value added, SEK Million	335.8	301.9
Average number of employees	373	350
Equity per share, SEK	13.24	11.79
Equity per share after dilution, SEK	12.97	11.54
Cash flow per share, SEK	2.01	1.81
Cash flow per share after dilution, SEK	1.97	1.77
P/E ratio, multiple	35.7	49.7
Share price at end of period, SEK	58.8	74.0

Consolidated income statement, quarterly

SEK million	2005/2006				2004/2005				2003/2004			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net sales	172.8	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	6.8	8.3	6.7	3.7	7.5	5.4	5.1	6.2	-	-	-	-
Operating expenses	-140.1	-125.7	-131.9	-96.4	-119.3	-99.5	-90.7	-81.2	-125.8	-95.3	-94.4	-83.3
Depreciation	-5.4	-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 ¹⁾	-	-	-	-	-	-	-	-	-70.9	-	-	-
Operating profit	34.1	23.7	14.2	3.7	23.1	19.1	29.1	0.1	-35.3	21.7	22.1	11.1
Net financial items	1.1	3.5	-0.8	1.2	1.9	3.6	0.4	3.0	2.3	2.7	2.0	1.1
Earnings after financial items	35.2	27.2	13.4	4.9	25.0	22.7	29.5	3.1	-33.0	24.4	24.1	12.2
Tax on earnings for the period	-8.1	-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	-	-	-
Net earnings	27.1	20.2	9.5	3.4	13.4	16.0	21.0	2.4	-20.1	17.2	15.5	8.4

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

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.

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			
	Fourth quarter		Full year	
	Feb – Apr	Feb-Apr in accordance with IFRS	May – Apr	May-Apr in accordance with IFRS
Net sales	139 502	139 502	455 862	455 862
Capitalized work for own use	7 477	7 477	24 221	24 221
Operating expenses	-118 888	-119 279	-389 322	-390 636
Depreciation	-4 560	-4 560	-18 033	-18 033
Operating profit	23 531	23 140	72 728	71 414
Net financial items	1 875	1 875	9 001	9 001
Tax and minority interest	-11 579	-11 579	-27 558	-27 558
Net earnings	13 827	13 436	54 171	52 857

Effect on Group shareholders' equity and balance sheet

SEK thousands	2004/2005		
	Full year		
	30 Apr, 2005	IFRS adjustm.	30 Apr, 2005 in accordance with IFRS
Goodwill	26 258	-26 258	0
Intangible fixed assets	89 549	26 258	115 807
Other fixed assets	37 254	-	37 254
Current assets	546 664	-	546 664
Total assets	699 725	0	699 725
Restricted equity	349 377	1 314	350 691
Unrestricted equity	81 278	-1 314	79 964
Total equity	430 655	0	430 655
Provisions and long-term liabilities	72 971	-	72 971
Current liabilities	196 099	-	196 099
Total shareholders' equity and liabilities	699 725	0	699 725

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 full fiscal year 2004/2005 by SEK -1,314 thousand and for fiscal year 2005/2006 by SEK -1,890 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, 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.