

Interim report from Sectra AB (publ) for the period May - July 1999

This is the first fiscal year in which the Company has published a three-month report, so there are no wholly comparable figures for the corresponding period in the preceding fiscal year. Sectra traditionally experiences seasonal variations, resulting in the majority of invoicing occurring in the latter part of the year.

The period in brief

- Sales totaled SEK 13.6 million
- Earnings before tax equaled SEK - 6.9 million
- Orders received totaled SEK 64.1 million
- The Swedish Defense placed multiple orders for Sectra's secure mobile telephone system Sectra Tiger and the bulk encryption device PPK 532.
- Gävleborg county council placed an order for the continued digitalization of radiology in the council's health services
- Sectra's activities in digital radio systems were transferred to a new wholly owned subsidiary, Sectra Wireless Technologies AB

Sectra's operations

Sectra AB is an IT company that grew out of research at the Linköping Institute of Technology. Since the mid-1980s, the Company has successfully conducted development and sales of high-technology IT and telecommunications products. Today, the business includes products in the expanding fields of medical imaging systems, secure communication systems and digital radio systems. Sectra collaborates with customers in each of these markets to develop commercially strong, user-friendly products embodying high technical quality.

In the market for medical imaging systems, Sectra enjoyed keen interest from Sweden and abroad during the period. In the communications segment, uncertainty concerning the Swedish Defense's cutbacks has been resolved. One result of this was that Sectra received multiple orders for its secure mobile telephone system Tiger, which is also attracting interest outside Sweden.

In the first quarter, Sectra began negotiations on strategic acquisitions.

Sales and earnings

Net sales for the period totaled SEK 13.6 million. Consolidated earnings before tax equaled SEK - 6.9 million. During the first three months, Sectra received orders totaling SEK 64.1 million.

Financial position

Sectra enjoys a solid financial position. The equity ratio at July 31, 1999, was 54.9 %. The Company's interest-bearing liabilities totaled SEK 8.1 million. The majority of assets

consisted of bank balances, accounts receivable from customers and equipment.

Investments

Investments in the Group totaled SEK 0.5 million for the period. Investments were mainly attributable to computers and other equipment.

Sectra Wireless Technologies AB

Since May 1, 1999, Sectra's operations in digital radio systems have been conducted through the new wholly owned subsidiary Sectra Wireless Technologies AB. The operations were previously conducted within Sectra's wholly owned subsidiary Sectra Communications AB.

Issue of convertible debentures

The Company's annual meeting of shareholders at June 29 approved the issue of convertible debentures with a total nominal value of SEK 5,460,000, corresponding to 105,000 shares, to be issued this autumn. The convertible debentures will be offered to employees for subscription, neglecting shareholders' preferential rights. (If the debentures are fully subscribed, the dilution will be 1%.)

Outlook

The Board of Directors and management of Sectra believe that operations will continue to develop satisfactorily this fiscal year.

Future reports

Semi-annual report May–October 1999	December 13, 1999
Interim report May 1999–January 2000	February 28, 2000
Preliminary earnings 1999/2000	June 5, 2000

Summary Income Statement for the Group

SEK thousands	May-July 1999	Full year 1998/99
Net sales	13 609	182 923
Other operating income	-	960
Change in work in progress	20 999	- 5 791
Operating expenses	-40 672	- 154 333
Depreciation and amortization	-915	- 3 491
Operating profit/loss	-6 979	20 268
Net financial items	111	991
Earnings before tax	-6 868	21 259
Tax on earnings for the period	-	- 4 789
Net earnings	-6 868	16 470

Summary Balance Sheet for the Group

SEK thousands	July 31 1999	April 30 1999
Assets		
Tangible assets	11 648	12 093
Total fixed assets	11 648	12 093
Other current assets	78 796	87 996
Cash and bank balances	27 728	32 916
Total current assets	106 524	120 912
Total assets	118 172	133 005
Equity and liabilities		
Equity (including profit for the period)	64 878	77 238
Provisions	4 623	4 623
Long-term liabilities	8 149	4 059
Current liabilities	40 522	47 085
Total equity and liabilities	118 172	133 005

Summary Cash Flow Statement for the Group

SEK thousands	July 31 1999	30 April 1999
Cash flow from operations before changes in working capital	-6 195	20 774
Cash flow from operations after changes in working capital	-3 558	13 055
Investing activities	-470	- 3 006
Financing activities	-1 160	9 716
Change in cash and bank balances	-5 188	19 765
Cash and bank balances, opening balance	32 916	13 151
Cash and bank balances, closing balance	27 728	32 916

Key Data

	Maj-Juli 1999	Helår 1997/98
Profit margin %	-	11.6
Earning capacity of working capital, %	-	30.9
Profit per share after tax, SEK ¹⁾	-	1.61
Solvency %	54.9	58.1
Liquidity, ratio	2.6	2.9

¹⁾ Based on the average number of shares and standard tax

Linköping September 6, 1999
Sectra AB (publ)

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Board of Directors

This report has not been examined by the Company's
auditor.

Please visit our web site at www.sectra.se,
where you can read more about our operations
and most recent business activity