

Interim Report from Sectra AB (publ) for the Period May - October 1999

The period in brief (figures for May–October 1998 in parentheses)

- Sales rose 10%, to SEK 79.6 (72.6) million for the first half, SEK 66.0 million attributable to the second quarter.
- Earnings before tax totaled SEK 0.7 (1.1) million, SEK 7.5 million attributable to the second quarter.
- Earnings per share ended at SEK 0.05 (0.08).
- Orders received totaled SEK 125.4 million, of which SEK 61.3 million came in the second quarter.

Significant events in the second quarter

- Sectra received an order worth NOK 4.5 million for its picture archiving and communication system (PACS) from the Norwegian hospital Namdal Sykehus.
- Sectra received its first export order for the Sectra Tiger, the company's secure GSM telephone, from the Norwegian armed forces, valued at roughly SEK 40 million. The Tiger phone was launched for non-military users at the Telecom '99 trade fair in Geneva.
- On October 7, Sectra signed a letter of intent to acquire Radisoft AB, which makes radiological information systems. The acquisition was completed after the end of the period under review.

Sectra traditionally experiences seasonal variations as slow sales at the start of each new fiscal year. The majority of invoicing and profit often comes in the spring. This pattern has repeated itself through the past five fiscal years.

Sectra's operations

Since the mid-1980s, Sectra AB has successfully conducted development and sales of high-technology IT and telecommunications products. Today, the business includes products in medical image systems, secure communication systems and digital radio systems. Sectra collaborates with customers in each of these markets to develop commercially robust, user-friendly products embodying high technical quality. Sectra's shares have been quoted on the O list of the OM Stockholm Exchange since March 3, 1999.

Markets and product development

For the medical imaging business, the highlight of the second quarter was the completion of Sectra's new generation of picture archiving and communication system (PACS). At the international fair for x-ray technology, RSNA held in Chicago at the end of November, the Company launched the new system and the Sectra IDS5 workstation. The system was developed in close collaboration with end-users and contains a variety of new functions. Sectra IDS5 generated much interest at the fair.

In the second quarter, Sectra received an order worth NOK 4.5 million for PACS from Namdal Sykehus, a hospital in Norway.

During the period, Sectra's communications business achieved a major breakthrough for its secure GSM phone, Tiger, when the Norwegian armed forces became the first client outside Sweden to purchase Tiger. To fulfill the order, Sectra will further develop the system to use a Norwegian encryption

kernel and a communications protocol complying with NATO standards.

The market for secure communication is substantial, and at the international trade fair Telecom '99 in Geneva, Sectra launched an international model of the Tiger phone for non-military users. It is being marketed to government agencies and top executives in multinational corporations.

Sales and earnings

Net sales reached SEK 66.0 million in the second quarter, resulting in a 10% increase in sales for the period May–October, to SEK 79.6 (72.6) million. Consolidated earnings before tax for the second quarter reached SEK 7.6 million, putting the figure for the first six months of fiscal 1999/2000 at SEK 0.7 (1.1) million. Orders received during the quarter totaled SEK 61.3 million, putting the figure for orders received in the first half at SEK 125.4 million.

Sales and earnings followed a pattern typical for the Company, by which the second quarter experienced more activity than the first quarter, which comes at the start of the summer because of the Company's fiscal year being May–April.

Financial position

Sectra enjoys a solid financial position. On October 30, 1999, the Company had an equity ratio of 60.7% (52.5), and an liquidity ratio of 3.0 (2.5). The Company's interest-bearing liabilities declined, to SEK 3.0 (3.4) million.

Investments

Investments in the Group totaled SEK 1.7 (0.8) million for the period. The

majority of investments were in computers and other equipment.

Acquisition of Radisoft

After the close of the period, Sectra completed the acquisition of Radisoft AB, in accordance with a letter of intent signed on October 7. Radisoft develops and supplies administrative systems for radiology, which will complement and strengthen Sectra's product range in the field of medical imaging systems.

Radisoft's sales totaled SEK 19 million in 1998/1999, and the number of employees averaged 16. The consideration was SEK 24 million, paid as new shares in Sectra AB.

Employees

In accordance with the decision of the Annual Meeting of June 29, during the period Sectra implemented a program of convertible debentures aimed at the Company's personnel. Employees showed great interest, and the program was fully subscribed. As a result, 81% of Sectra's employees participate in the program.

During the quarter, the number of employees increased by two, to 137.

Outlook

Because of Sectra's solid position in its market niches worldwide and the market's accelerating growth, the Company expects to continue expanding as planned.

Future reports

Interim report
May 1999–Jan 2000 February 28, 2000

Preliminary earnings report
1999/2000 June 5, 2000

Summary Income Statement for the Group

SEK thousands	Aug-October 3 month 1999	May-October 6 month 1999	May-October 6 month 1998	Full year 1998/99
Net sales	65 982	79 591	72 645	182 923
Other operating income	410	410	-	960
Change in work in progress	- 14 955	6 044	662	- 5 791
Operating expenses	- 42 681	- 83 353	- 71 163	- 154 333
Depreciation	- 936	- 1 851	- 1 600	- 3 491
Operating profit	7 820	841	544	20 268
Net financial items	- 247	- 136	567	991
Earnings before tax	7 573	705	1 111	21 259
Tax on earnings for the period	- 2 120	- 197	- 311	- 4 789
Net earnings	5 453	508	800	16 470

Summary Balance Sheet for the Group

SEK thousands	October 31 6 month 1999	October 31 6 month 1998	April 30 Full year 1999
Assets			
Intangible assets	-	50	-
Tangible assets	12 011	8 990	12 093
Total fixed assets	12 011	9 040	12 093
Other current assets	79 373	59 527	87 996
Cash and bank balances	28 090	33 551	32 916
Total current assets	107 463	93 078	120 912
Total assets	119 474	102 118	133 005
Equity and liabilities			
Equity (including profit for the period)	72 496	47 178	77 238
Provisions	4 653	2 973	4 623
Long-term liabilities	3 028	3 427	4 059
Current liabilities	39 297	36 240	47 085
Total equity and liabilities	119 474	102 118	133 005

Summary Cash Flow Statement for the Group

SEK Thousands	October 31 6 month 1999	October 31 6 month 1998	April 30 Full year 1999
Cash flow from operations before changes in working capital	2 358	2 400	20 774
Cash flow from operations after changes in working capital	3 223	12 300	13 055
Investing activities	- 1 771	- 766	- 3 006
Financing activities	- 6 278	- 3 434	9 716
Change in cash and bank balances	- 4 826	8 100	19 765
Cash and bank balances, opening balance	32 916	13 151	13 151
Cash and bank balances, closing balance	28 090	21 251	32 916

Key Data

	October 31 6 month 1999	October 31 6 month 1998	April 30 Full year 1998/99
Solvency %	60,7	52,5	58,1
Liquidity, ratio	3,0	2,5	2,8
Profit margin %	0,9	1,5	11,6
Earning capacity of working capital, %	1,3	2,2	30,9
Earning capacity of equity, %	0,7	1,6	27,4
Average number of employees	135	127	123
Profit per share after tax, SEK ¹⁾	0,05	0,08	1,61
Equity per share	6,90	4,72	7,36
Cash flow per share	0,22	0,24	1,98
No. of shares at end of period ²⁾	10 500 000	10 000 000	10 500 000

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

²⁾ Adjusted for dividends and bonus issues

Solvency: Equity as a percentage of total assets.
Liquidity: Current assets divided by current liabilities.

Earning capacity of equity: Profit after net financial items reduced by actual tax as a percentage of average adjusted equity.

Earning capacity of working capital: Profit after net financial items plus financial expenses as a percentage of average working capital.

Profit per share: Profit after net financial items reduced by actual tax divided by the number of shares.

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

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

Profit margin: Profit after net financial items as a percentage of sales.

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Linköping December 13, 1999
Sectra AB (publ)

Board of Directors

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