

Press release

Linköping, September 6, 2005

Sectra's interim report for the three months ended July 31, 2005:

## **Increased sales and continued strong order bookings for Sectra**

**Sectra reports an increase in order bookings, sales and profit for the first quarter. Order bookings rose 93.8% to SEK 115.5 million (59.6) and net sales grew 27.0% to SEK 100.8 million (79.4). Profit after net financial items increased to SEK 4.9 million (3.1), corresponding to a profit margin of 4.9% (3.9).**

Profit after tax amounted to SEK 3.4 million (2.4) and earnings per share were SEK 0.09 (0.07).

“We are reporting strong figures, with a significant improvement in first-quarter order bookings in our two largest markets, the US and Scandinavia, compared with the year-earlier period. However, the outcome would probably have been even better still if our altered relations with Philips had not distorted the picture during the latter part of the quarter,” says Jan-Olof Brüer, CEO and President of Sectra AB.

Sectra's largest partner, Philips Medical Systems, announced during the first quarter that it had acquired a US company that develops PACS (Picture Archiving and Communication Systems) – that is to say, the same type of system that Sectra has delivered to Philips since 1997. Philips has announced that this initially will affect sales to new customers in the US market. In Europe and Asia, Philips has indicated that it wishes to continue its cooperation with Sectra for the time being, since its own product is not yet adapted for these markets.

“The change with regard to our cooperation with Philips provides us with an opportunity to start direct sales in several of our markets. This is the same business model that we use in Scandinavia, where we are the market leader. In combination with new strategic partners, this will strengthen our position in the medical systems market in the long term,” says Jan-Olof Brüer.

Sectra is now focusing intensively on building out its distribution network in North America. In this market Sectra already conducts its own sales in the rapidly growing niche market for orthopedic PACS. In addition, Sectra cooperates with a number of regional PACS resellers and partners in the US.

“We are engaged in talks with several companies that have expressed an interest,” says Jan-Olof Brüer. “We are also planning to reinforce our own service and support organization worldwide in order to be able to serve a greater number of partners and expand our direct service for end users,” he adds.

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After the close of the quarter, Sectra announced that it had strengthened its sales and support channels for breast imaging PACS in North America through expanded cooperation with the US company R2 Technology Inc. Sectra has also initiated a partnership with Kurt & Kurt AŞ, which will distribute Sectra's medical systems products in Turkey.

“Our investment in new marketing, sales and support channels will increase costs over a transition period of one to two years,” says Jan-Olof Brüer.

Sectra's Secure Communication Systems business area reports improved earnings compared with the year-earlier period. To reduce costs and improve efficiency in this business area, Sectra has taken cost-reduction measures during the first quarter and implemented a reorganization after the close of the quarter. This is expected to generate cost savings during the current fiscal year.

“The cost-reduction measures we have taken within Secure Communication Systems are aimed at enabling the business area to operate at a profit by the end of the fiscal year. In conjunction with the reorganization, we also reduced our consultant costs, which has had a slightly positive effect on the business area's earnings during the first quarter,” says Jan-Olof Brüer.

“When the measures we implement within Medical Systems and Secure Communication Systems bear fruit, I am confident that Sectra will be even stronger than we are today,” concludes Jan-Olof Brüer.

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**For further information, please contact:**

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

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## **About Sectra**

Sectra, founded in 1978, has its roots at the Linköping Institute of Technology in Sweden. Since the mid-1980s, Sectra has successfully conducted development and sales of cutting edge products in expansive niche segments. Today, Sectra operations include medical systems and secure communication systems.

Sectra has offices in eight countries and operates through partners all over the world. 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. For more information about Sectra, visit [www.sectra.com](http://www.sectra.com).

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## Interim report for Sectra AB (publ) for the three months ended July 31, 2005

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

### Period in brief

- Order bookings increased by 93.8% to SEK 115.5 million (59.6).
- Net sales rose 27.0% to SEK 100.8 million (79.4).
- Profit after net financial items rose by 58.1% to SEK 4.9 million (3.1), corresponding to a profit margin of 4.9% (3.9).
- Profit after tax is up 41.7% to SEK 3.4 million (2.4).
- Earnings per share were SEK 0.09 (0.07).

### Significant events during the first quarter

- Major changes with regard to Sectra's cooperation with Philips.
- Blekinge County Council in Sweden ordered Sectra's total solution for handling patient information and radiology images at the county's radiology and mammography departments.
- The Radiologische Diagnostik am Bortsigturm mammography clinic in Berlin purchased Sectra's digital mammography system.

### Significant events after July 31, 2005

- Sectra expanded its cooperation agreement with the US software company R2 Technology Inc.
- Sectra signed a partnership agreement with Kurt & Kurt AŞ, a leading distributor of medical equipment in Turkey.
- Sectra sold PACS to the US hospital University of Arkansas for Medical Sciences.
- MultiMedica Holding S.p.A., an Italian healthcare company that operates several hospitals in the Milan area, ordered Sectra's total solution for handling and archiving radiology images.
- Austrian authorities bought Sectra's Tiger XS encryption product.

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### Capital Markets Day and telephone conference

Sectra will present the interim report at 1 p.m. (CET) on September 6 at a Capital Markets Day held at Sectra's head office in Linköping, and at a telephone conference at 4.30 p.m. (CET) the same day.

Analysts, investors and media representatives wishing to participate in the telephone conference should dial in to the meeting on +46 8 727 77 50. Calling can begin 15 minutes before the conference starts.

Presentation material will be available at [www.sectra.se](http://www.sectra.se) about 30 minutes before the telephone conference starts.

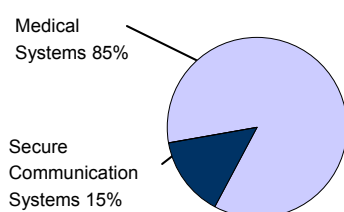
## Order bookings, sales and earnings

### First quarter

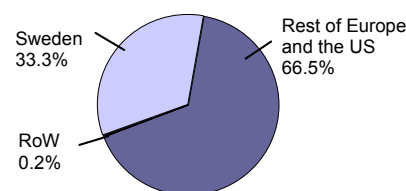
The Group's order bookings rose by 93.8% to SEK 115.5 million (59.6). The substantial increase compared with the year-earlier period is mainly attributable to increased sales of medical systems in Scandinavia and the US. Demand for Sectra's products continues to be strong. However, the volume of orders varies considerably between individual quarters.

Net sales rose 27.0% to SEK 100.8 million (79.4), with sales in international markets accounting for 65.9% of total net sales. The sales increase in the first quarter compared with the year-earlier period is mainly attributable to sales in markets outside Sweden.

Profit after net financial items increased by 58.1% to SEK 4.9 million (3.1), corresponding to a profit margin of 4.9% (3.9). Profit after tax increased to SEK 3.4 million (2.4). Earnings per share were SEK 0.09 (0.07).



Net sales by business 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 2005	May 2004	Aug. 2004	May–Apr.
	–July 2005	–July 2004	–July 2005	2004/2005
Medical Systems	86.2	72.2	406.1	392.1
Secure Communication Systems	14.6	6.9	71.1	63.4
Other <sup>1)</sup>	13.6	11.7	59.8	57.9
Group eliminations	-13.6	-11.4	-59.7	-57.5
<b>Total</b>	<b>100.8</b>	<b>79.4</b>	<b>477.3</b>	<b>455.9</b>

1) Other pertains to internal services, asset management and rights to trademarks, patents and other intellectual property.

### Operating profit/loss by business segment

(SEK million)	3 months	3 months	12 months	Full year
	May 2005	May 2004	Aug. 2004	May–Apr.
	–July 2005	–July 2004	–July 2005	2004/2005
Medical Systems	0.3	3.8	55.5	59.0
Secure Communication Systems	-2.8	-6.9	-11.4	-15.5
Other	6.7	3.6	34.3	31.2
Group eliminations	-0.5	-0.5	-3.3	-3.3
<b>Total</b>	<b>3.7</b>	<b>0.0</b>	<b>75.1</b>	<b>71.4</b>

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## Net sales by geographical market

(SEK million)	3 months	3 months	12 months	Full year
	May –July	May –July	Aug. 2004	May–Apr.
	2005	2004	–July 2005	2004/2005
Sweden	34.4	33.2	158.9	157.7
Rest of Europe and the US	65.8	46.2	317.4	297.8
Rest of world	0.6	0.0	1.0	0.4
<b>Total</b>	<b>100.8</b>	<b>79.4</b>	<b>477.3</b>	<b>455.9</b>

### Changes with regard to Sectra's cooperation with Philips

Sectra conducts direct sales of PACS (Picture Archiving and Communication Systems) in Scandinavia and in selected markets. Sectra also sells the products via partners, the largest being Philips Medical Systems.

During the first quarter, Philips announced that it had acquired a US company that develops PACS – in other words, the same type of system that Sectra has delivered to Philips since 1997. Philips has announced that this initially will affect sales to new customers in the US market. Philips has also indicated that it wishes to continue its cooperation with Sectra in Europe and Asia for the time being, since its own product is not yet adapted for these markets.

Sectra's main contract with Philips expires in 2007. In addition, the company has several separate longer term project agreements. These include an exclusive agreement valid until 2016, whereby Sectra, as a subcontractor to Philips, provides PACS software to public hospitals in the London region. Sectra will strive to ensure that Philips has an opportunity in the long term to provide service, support and upgrades to existing customers and also sell Sectra's products to new customers.

Sectra is now focusing intensively on building out its distribution network. In addition to direct sales, Sectra also has about ten partners and resellers that sell and provide support for the company's medical systems products in various local markets. More than half of these partners are located in the US. Some of the sales currently conducted via Philips will be taken over by partners who operate in the same markets. Sectra will also establish cooperation with new partners and resellers, and plans to start its own direct sales in several markets. These actions involve an increase in costs and reallocation of resources.

Sectra is also reinforcing its own service and support organization worldwide in order to be able to provide service to a greater number of partners and expand the company's service and support for end users.

### Medical Systems

#### Market

A growing number of hospitals are electing to increase the efficiency of their radiology operations through the introduction of digital systems, and Sectra's market for medical systems is continuing to grow. More than 700 radiology clinics are now using Sectra's systems, the greatest share of them in North America, the world's largest and one of the fastest growing markets for medical IT. As the number of installations increases, revenue from additional sales and from service and upgrade agreements is also growing.

Mammography is the second most prevalent type of medical radiology examination in the world and a transition from film-based to digital systems has commenced in this area. This transition is occurring slowly and it is expected to take another few years before digital mammography has achieved widespread acceptance.

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### *Order bookings*

In Sweden during the first quarter, Blekinge County Council purchased Sectra's total solution for handling patient information and radiology images. The County Council already uses Sectra's software for handling digital radiology images and is now introducing a common system for managing all patient data at the County's radiology and mammography departments. The contract also includes a five-year agreement relating to service and upgrades.

The initiative to introduce Sectra's digital mammography systems in Europe resulted in an order from the Radiologische Diagnostik am Bortsigturm mammography clinic in Berlin during the first quarter. Sectra's mammography systems have previously been sold to mammography clinics in Sweden, Germany and Ireland. Outside Europe, Sectra has sold breast imaging PACS (Picture Archiving and Communication System) to BreastScreen NSW, which forms part of Australia's national breast screening program.

### *New sales channels*

After the close of the quarter, Sectra has expanded its cooperation with R2 Technology Inc., a US company that develops and sells systems for breast cancer detection. R2 will now sell Sectra's PACS products for mammography as part of its product offering to customers in the US and Canada. Sectra has also signed a partnership agreement with Kurt & Kurt AŞ, a successful distributor of medical equipment to the healthcare sector in Turkey and neighboring countries. Kurt & Kurt will sell Sectra's PACS and mammography system in these markets.

### *First quarter*

First-quarter net sales for the medical systems business segment amounted to SEK 86.2 million (72.2). Operating profit amounted to SEK 0.3 million (3.8), corresponding to an operating margin of 0.3% (5.3). Earnings were affected by lower licensing revenues and increased personnel costs compared with the year-earlier period.

## **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. The current process of restructuring, both within the Swedish defense and in other defense establishments, entails increased needs for new communication systems with powerful security solutions. The Swedish defense resolution in 2004 and increased cooperation between EU member countries entail a growing market for Sectra.

### *First quarter*

First-quarter net sales for secure communication systems amounted to SEK 14.6 million (6.9), generating an operating loss of SEK 2.8 million (loss: 6.9). Partial deliveries for ongoing projects on behalf of the Swedish and Dutch defense establishments contributed to the increase in net sales and earnings compared with the year-earlier period.

Earnings for secure communication systems are improving. Sectra has taken cost-reduction measures aimed at enabling the business area to operate at a profit by the end of the fiscal year. These measures also include a reorganization, which was implemented after the close of the first quarter and which is expected to generate cost savings during the current fiscal year.

## **Financial position**

The equity/assets ratio on July 31, 2005, was 63.6% (68.1) and liquidity was a multiple of 2.8 (3.1). The company's interest-bearing liabilities declined by SEK 10.7 million due to the exercise of convertible debentures. Interest-bearing liabilities at July 31, 2005 totaled SEK 46.3 million (45.8), of which SEK 31.9 million (31.5) related to convertible debentures.

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## Investments

Group investments during the first fiscal quarter totaled SEK 3.8 million (18.4). Capitalized development costs amounted to SEK 3.7 million (6.2) during the first quarter and amounted to SEK 90.0 million (75.7) at July 31, 2005.

## Employees

The number of employees increased by two during the first quarter, bringing the total number of employees with full-time employment at Sectra to 372 (348) at July 31, 2005.

## The share

Sectra's share capital at July 31, 2005 amounted to SEK 36,698,188. Full conversion and exercise of the outstanding incentive programs will increase the number of shares by a maximum of 609,800, corresponding to 1.7% of the share capital and 1.0% of the number of votes. After dilution, the total number of shares will amount to 37,307,988.

In June, convertible debentures corresponding to 169,550 Series B shares were converted at a rate of SEK 64.80 as part of the convertible loan issued to Group employees in fiscal year 2002/2003. The remainder of the convertible loan, SEK 0.1 million, was repaid when the loan matured on July 1, 2005.

At the Sectra Annual General Meeting in June 2005, a decision was taken to issue convertible debentures corresponding to a maximum amount of SEK 35 million to the Group's employees and also a maximum of SEK 3.5 million to external Board members. The conversion price shall correspond to 135% of the volume-weighted average of registered bid prices for the company's share on the Stockholm Stock Exchange during the period August 30, 2005 through September 13, 2005. The subscription period is October 3-14, 2005. The convertible debentures mature on June 15, 2008 and conversion into shares can take place during the period May 26-30, 2008. The dilution effect in the event of full subscription and full conversion shall not exceed 1.0% of the share capital.

The Meeting also adopted the Board's proposal for the issue of an additional maximum 40,000 employee options for the Group's employees in the US. If these options are exercised in full, the employees will acquire shares in the company in a maximum amount corresponding to approximately 0.1% of the share capital and 0.1% of the votes.

## Authorization

At the Sectra Annual General Meeting in June, the Board was authorized by the Meeting to approve the new issue of not more than 3,600,000 Series B shares on one or more occasions until the next Annual General Meeting. 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. If the mandate is utilized in full, the share capital will be diluted by approximately 10% and the voting rights by about 6%.

## Share buybacks

The Annual General Meeting in June also issued the Board with a mandate to, on one or more occasions until the next Annual General Meeting, decide to buy back or divest the company's own shares. The purpose of the mandate is to enable the use of repurchased shares in connection with the acquisition of entire companies and operations or parts thereof, in connection with market investments, in order to cover the costs that arise from the company's incentive programs and to be able to continuously adapt the company's capital structure and thereby contribute to generating increased shareholder value.

## 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 need to adapt it's

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operation with regard to the change in Sectra's cooperation with Philips. This will affect Sectra's earnings during a transition period of one to two years. The Board's assessment that Sectra long term will continue to expand with favorable profitability remains valid.

### **Nominating Committee**

The 2005 Annual General Meeting resolved to establish a Nominating Committee comprising Board Chairman Thomas Ericson (convener) and also Viiveke Fåk and Bengt Bengtsson.

Under the leadership of Viiveke Fåk, the Nominating 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 Nominating Committee shall also discuss and propose the fee to be paid to the Board. When necessary, the Nominating Committee shall also propose auditors and audit fees.

Shareholders wishing 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 Sectra International Financial Reporting Standards (IFRS). The transition to IFRS is reported in accordance with IFRS 1, "First-time Adoption of International Financial Reporting", with the transition date May 1, 2004. This means that 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 given on page 10.

### **Financial calendar**

Interim report, May–October 2005:	December 6, 2005
Interim report, May 2005–January 2006:	March 7, 2006
Year-end report, May 2005–April 2006:	May 23, 2006

### **For further information, contact:**

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*This interim report is unaudited.*

*Linköping, September 6, 2005*

*Board of Directors*

*Sectra AB (publ)*

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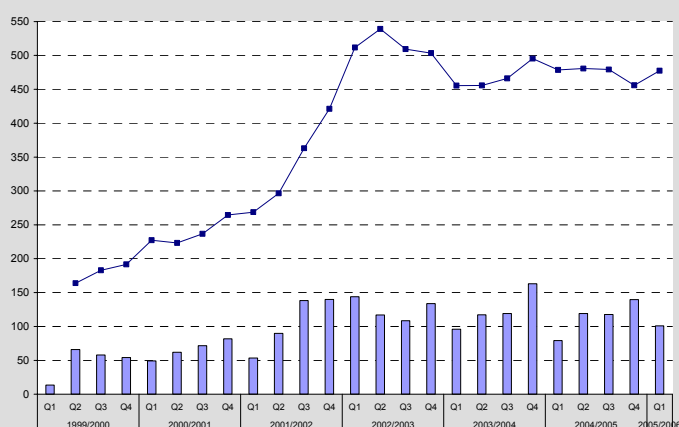
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## Condensed income statement for the Group

SEK thousands	3 months	3 months	12 months	Full-year
	May 2005	May 2004	Aug- Jul	May-Apr
	-Jul 2005	-Jul 2004	2004/2005	2004/2005
<b>Net sales</b>	<b>100 838</b>	<b>79 350</b>	<b>477 350</b>	<b>455 862</b>
Capitalized work for own use	3 721	6 153	21 789	24 221
Operating expenses	-96 397	-81 178	-405 855	-390 636
Depreciation	-4 479	-4 318	-18 195	-18 033
<b>Operating profit</b>	<b>3 683</b>	<b>7</b>	<b>75 089</b>	<b>71 414</b>
Net financial items	1 233	3 067	7 167	9 001
<b>Earnings after financial items</b>	<b>4 916</b>	<b>3 074</b>	<b>82 256</b>	<b>80 415</b>
Tax on earnings for the period	-1 470	-1 017	-28 324	-27 871
Minority interest	-	313	-	313
<b>Net earnings</b>	<b>3 446</b>	<b>2 370</b>	<b>53 932</b>	<b>52 857</b>
<b>Earnings per share</b>				
Before dilution, SEK	0.09	0.07	1.47	1.45
After dilution, SEK	0.09	0.06	1.45	1.42
<b>No. of shares at end of period</b>				
Before dilution	36 698 188	36 450 638	36 698 188	36 528 638
After dilution <sup>1)</sup>	37 307 988	37 117 188	37 307 988	37 309 988
Average, before dilution <sup>2)</sup>	36 585 155	36 231 400	36 504 434	36 415 995
Average, after dilution <sup>1)2)</sup>	37 194 955	37 103 417	37 233 763	37 210 879

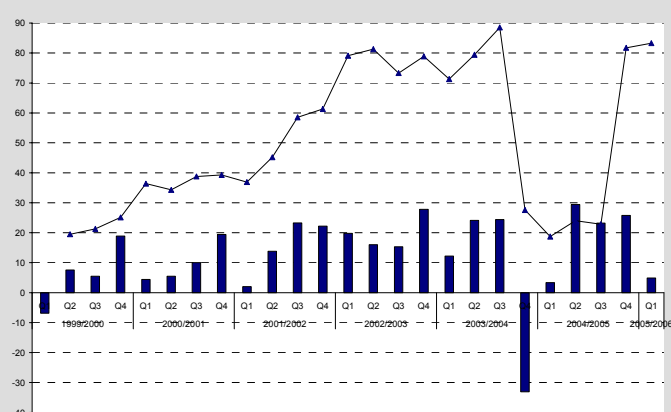
- Dilution is based on the convertible debenture programs issued in 2003/2004 (330,000) and 2004/2005 (154,800) and the personnel options issued in 2002/2003 (28,333), 2003/2004 (56,667) and 2004/2005 (40,000).
- Average number of shares has been adjusted for implemented share splits and share issues.

### 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	July 31, 2005	July 31, 2004	April 30, 2005
<b>Assets</b>			
Intangible assets	116 467	103 564	115 807
Tangible assets	22 835	23 819	23 700
Financial assets	13 554	2 042	13 554
<b>Total fixed assets</b>	<b>152 856</b>	<b>129 425</b>	<b>153 061</b>
Other current assets	185 953	132 657	226 488
Cash and bank balances	332 811	293 224	320 176
<b>Total current assets</b>	<b>518 764</b>	<b>425 881</b>	<b>546 664</b>
<b>Total assets</b>	<b>671 620</b>	<b>555 306</b>	<b>699 725</b>
<b>Equity and liabilities</b>			-
Equity (including profit for the period)	427 317	378 195	430 655
Provisions	26 796	1 235	27 057
Minority interests	-	-	-
Long-term liabilities	25 530	34 319	45 914
Current liabilities	191 977	141 557	196 099
<b>Total equity and liabilities</b>	<b>671 620</b>	<b>555 306</b>	<b>699 725</b>

## Change in equity

SEK thousands	3 months May 2005 –Jul 2005	3 months May 2004 –Jul 2004	Full-year May–Apr 2004/2005
Equity at start of period	430 655	393 033	393 033
New issue/conversion	10 987	3 513	6 905
Dividend paid	-18 264	-18 196	-18 196
Reclassified <sup>1)</sup>	-	257	-3 552
Change in share of capital	-	-2 561	-
Change in translation difference	493	-221	-459
Change in present value calculation	-	-	67
Net earnings for the period	3 446	2 370	52 857
<b>Equity at end of period</b>	<b>427 317</b>	<b>378 195</b>	<b>430 655</b>

1) Reclassification for full year 2004/05 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-July also relates to IFRS 2.

## Condensed cash-flow statement for the Group

SEK thousands	3 months May 2005 –Jul 2005	3 months May 2004 –Jul 2004	Full-year May–Apr 2004/2005
Cash flow from operations before changes in working capital	1 201	432	66 013
<b>Cash flow from operations after changes in working capital</b>	<b>33 210</b>	<b>39 120</b>	<b>84 475</b>
Investing activities	-3 488	-18 034	-40 384
Financing activities	-18 211	-59 937	-55 738
<b>Change in cash and bank balances</b>	<b>11 511</b>	<b>-38 851</b>	<b>-11 647</b>
Cash and bank balances, opening balance	320 176	332 342	332 342
Exchange rate difference in liquid assets	1 124	-267	-519
Cash and bank balances, closing balance	332 811	293 224	320 176

## Key figures

	3 months May 2005	3 months May 2004	12 months Aug- Jul 2004/2005	Full-year May-Apr 2004/2005
	-Jul 2005	-Jul 2004		
Equity/assets ratio, %	63.6	68.1	63.6	61.5
Liquidity, multiple	2.8	3.1	2.8	2.9
Profit margin %	4.9	3.9	17.2	17.6
Return on shareholders' equity %			13.3	12.8
Return on capital employed %			18.8	17.1
Value added, SEK M	60.3	51.3	309.6	300.6
Average number of employees	376	336	359	350
Equity per share, SEK	11.64	10.38	11.64	11.79
Equity per share after dilution, SEK	11.45	10.19	11.45	11.54
Cash flow per share, SEK	0.03	0.01	1.82	1.81
Cash flow per share after dilution, SEK	0.03	0.01	1.79	1.77
P/E ratio, multiple			30.3	49.7
Share price at end of period, SEK	46.2	60.0	46.2	74.0

## Consolidated income statement, quarterly

SEK million	2005/2006		2004/2005				2003/2004			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	
Net sales	100.8	139.5	117.7	119.3	79.4	163.0	119.0	117.3	96.0	
Capitalized work for own use	3.7	7.5	5.4	5.1	6.2	-	-	-	-	
Operating expenses	-96.4	-119.3	-99.5	-90.7	-81.2	-125.8	-95.3	-94.4	-83.3	
Depreciation	-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	-	-	-	
Operating profit	3.7	23.1	19.1	29.1	0.0	-35.3	21.7	22.1	11.1	
Net financial items	1.2	1.9	3.6	0.4	3.0	2.3	2.7	2.0	1.1	
Earnings after financial items	4.9	25.0	22.7	29.5	3.1	-33.0	24.4	24.1	12.2	
Tax on earnings for the period	-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	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 writedown 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, %	17.6	5.6	15.7	15.0	13.5
Return on equity, %	12.8	5.8	28.7	26.9	22.7
ROCE, %	17.1	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 writedown 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	First quarter 2004/2005			Full year 2004/2005		
	May 2004 –Jul 2004	IFRS adjustment	May – Jul in accordance with IFRS	2004/05	IFRS adjustment	2004/05 in accordance with IFRS
Net sales	79 350	-	79 350	455 862	-	455 862
Capitalized work for own use	6 153	-	6 153	24 221	-	24 221
Operating expenses	-80 921	-257	-81 178	-389 322	-1 314	-390 636
Depreciation	-4 318	-	-4 318	-18 033	-	-18 033
<b>Operating profit</b>	<b>264</b>	<b>-257</b>	<b>7</b>	<b>72 728</b>	<b>-1 314</b>	<b>71 414</b>
Net financial items	3 067	-	3 067	9 001	-	9 001
Tax and minority interest	-704	-	-704	-27 558	-	-27 558
<b>Net earnings</b>	<b>2 627</b>	<b>-257</b>	<b>2 370</b>	<b>54 171</b>	<b>-1 314</b>	<b>52 857</b>

## Effect on Group shareholders' equity

and balance sheet	July 31, 2004			April 30, 2005		
	July 31, 2004	IFRS adjustment	July 31, in accordance with IFRS	2004/05	IFRS adjustment	2004/05 in accordance with IFRS
Goodwill	26 395	-26 395	0	26 258	-26 258	0
Intangible fixed assets	77 169	26 395	103 564	89 549	26 258	115 807
Other fixed assets	25 861	-	25 861	37 254	-	37 254
Current assets	425 881	-	425 881	546 664	-	546 664
<b>Total assets</b>	<b>555 306</b>	<b>0</b>	<b>555 306</b>	<b>699 725</b>	<b>0</b>	<b>699 725</b>
Restricted equity	308 090	257	308 347	349 377	1 314	350 691
Unrestricted equity	70 105	-257	69 848	81 278	-1 314	79 964
<b>Total equity</b>	<b>378 195</b>	<b>0</b>	<b>378 195</b>	<b>430 655</b>	<b>0</b>	<b>430 655</b>
Provisions and long-term liabilities	35 554	-	35 554	72 971	-	72 971
Current liabilities	141 557	-	141 557	196 099	-	196 099
<b>Total shareholders' equity and liabilities</b>	<b>555 306</b>	<b>0</b>	<b>555 306</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 in May–July 2004 by SEK -257 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.*

*Sectra has more than 370 employees in eight countries. 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).*