

Annual Report 2001–2002



SECTRA



Annual General Meeting

The Annual General Meeting of shareholders in Sectra AB will be held at 4:00 p.m. on Thursday, June 27, 2002 at Collegium, Teknikringen 7, Mjärdevi Science Park in Linköping, Sweden.

Dividend

A dividend of SEK 0.40 per share is proposed for fiscal 2001/2002. July 2, 2002 is proposed as the record date for the dividend. If the Annual General Meeting adopts the proposal, VPC is expected to pay the dividend on July 5, 2002.

Future reports

- Interim Report May – July 2002: September 3, 2002
- Interim Report May – October 2002: December 10, 2002
- Interim Report May 2002 – January 2003: March 4, 2003
- Preliminary Earnings 2002/2003: 22 May 2003

Press releases, Annual Reports and Interim Reports are available at Sectra's homepage at www.sectra.com or can be ordered from:

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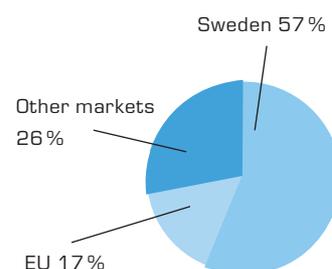
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The year in brief

	2001/02	2000/01
Orders received, SEK million	459.7	310.5
Sales, SEK million	426.3	291.6
Earnings before taxes, SEK million	61.4	39.3
Profit margin, %	14.4	13.5
Earnings per share, SEK ¹⁾	1.23	0.85
Dividend per share, SEK ²⁾	0.40	0.30
No. of employees at year-end	250	185

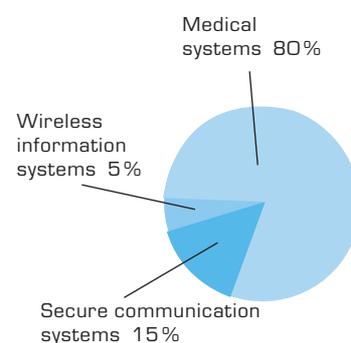
¹⁾ Before dilution. ²⁾ Proposed for 2001/02



Sales by geographical market.

Medical Systems

- Results from testing of Sectra MicroDose Mammography™ – the new cutting-edge digital mammography system – in a clinical environment indicate that the system maintains the quality and low dose levels previously seen in a laboratory setting. The first order for the system was received from the Swedish hospital Helsingborgs Lasarett AB.
- A number of orders for Sectra's digital radiology systems have been received from the Norwegian market. Among other successes, Sectra has been entrusted to deliver one of the world's largest digital radiology solutions to the Mid-Norway Health Region.



Sales by business area.

Secure Communication Systems

- The NATO telephone, based on the eavesdrop-secure GSM system Sectra Tiger®, was approved for communications at the advanced security classification level NATO Secret.
- The Norwegian and the German defense ordered NATO telephones in conjunction with the NATO approval.

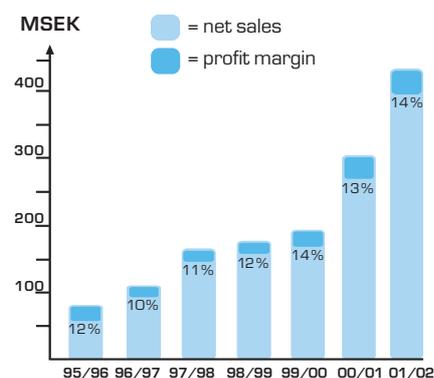
Wireless Information Systems

- Cooperation was begun with SIX, the leading provider of financial information in the Nordic region, concerning a financial service based on Sectra's mobile information terminal CitySurfer®.
- Sectra took its first step into the market for mobile emergency rescue systems with receipt of an order from the Finnish network operator Digita. Sectra's system will enable Digita to provide Finnish emergency rescue services with alarm and warning information in real time.

Sectra in brief

Sectra has successfully developed and sold high-technology medical IT and telecommunications products since the mid-1980s. Today the business includes medical systems, secure communication systems and wireless information systems.

Sectra AB is located in Mjärdevi Science Park in Linköping, Sweden, and grew out of research done at Linköping University. The company has business operations in six countries, with a total of 250 employees. Sectra has been listed on the Stockholm Stock Exchange's O-list since March 1999.



Sales and profit margin.

Sectra's best year ever

“The fact that our digital radiology system again ranked highest in an international survey confirms that our development strategy is working.”

Sectra has enjoyed a successful fiscal 2001/2002, and we can again announce the best year in the company's history. We have achieved record levels in orders, sales and earnings. Our international sales have increased. The products we launched were well received in the markets, and their potential bodes well for the future. We have seen growing interest from potential customers, the media, analysts and institutional investors. This increased attention has strengthened our brand and expanded Sectra's opportunities for winning the confidence of new customers on the international market.

Continued internationalization

We are working to gradually increase our international sales, which in fact increased from 30% to 43% during the year. We are committed to expanding niches in which we have the potential to be one of the major players in the world market. We will achieve this through both proprietary operations and cooperative arrangements with strong partners with existing customer bases in local and global markets. Our strategy is to gradually expand our international operations, with an initial emphasis on Western Europe and North America.

One of our goals is to increase institutional ownership in order to support our growth internationally. In keeping with this aim, Sectra's ownership structure was strengthened during the year with the addition of the international institution Fidelity.

Good profitability and strong growth

We again met our strategic growth and earnings targets this year. Sales increased 46% to SEK 426.3 million (291.6), while earnings before taxes rose 56% to SEK 61.4 million

(39.3). Our target is to achieve an average growth rate of 30% per year over a seven-year period, with a profit margin of 10%. Our average growth rate over the last seven years has been 35%, with a profit margin in excess of 10%. Our equity ratio was 46% at year-end, and we have remained financially solid throughout our expansion.

Our operations rest on three main pillars: medical systems, secure communication systems and wireless information systems. The market for medical systems is in a strong growth phase, while the market for wireless information systems is being affected by general market conditions in the financial markets and the airline industry, where investment volumes are low. The market for defense communications is characterized by increasing investment in IT systems, while traditional defense investments are declining.

Sales of **medical systems** have shown continued success, both in Scandinavia and internationally. The Norwegian market has grown dramatically, and Sectra has received a number of major orders from Norway, including a contract to deliver a digital radiology system for the entire Mid-Norway Health Region, one of the largest digital radiology solutions in the world. The number of international installations of our digital system for handling radiology images has increased, and our operations in Western Europe and the U.S. are expanding.

We have received the first order for our cutting-edge digital mammography system, Sectra MicroDose Mammography™, from Helsingborgs Lasarett AB. The mammography system, which is developed in cooperation with Mamea Imaging AB, is based on a revolutionary new detector technology. The new system makes it possible to achieve the

same image quality as current film-based systems, at a radiation dose that is five times lower. Testing of the system in a clinical environment began during the year. The initial test results indicate that the system is maintaining the quality and low dose levels previously predicted.

In the area of **secure communication systems**, we are continuing to focus on Sectra Tiger® – the world's most secure GSM telephone. The Norwegian defense have placed an initial bulk order for NATO telephones based on the Tiger system. As the only eavesdrop-secure GSM telephone on the market, the NATO telephone has been approved for communications at the advanced classification level NATO Secret. In conjunction with this approval, the German defense authorities have also ordered these telephones through our cooperative partner, Kongsberg Defence Communications AS.

With respect to our **wireless information systems**, we are continuing to focus on systems for information services providing real-time data. Cooperation has begun with SIX, the leading provider of financial information in the Nordic region, concerning a financial service based on Sectra's mobile information terminal, CitySurfer®. Sectra also took its first step into the mobile rescue system market with receipt of an order from the Finnish network operator Digita. Sectra's system will enable Digita to provide the Finnish Emergency Rescue Service with alarm and warning information in real time.

Sectra's new aircraft communications development project has seen the completion of the first function tests in an actual airport environment. The results have been highly satisfactory. The new system will make it possible to improve air safety and increase



airspace traffic capacity. However, commercialization of the system will be delayed due to current conditions in the airline market.

New companies in the Sectra family

We acquired the operations of the Danish company Pronosco in February 2002, in order to strengthen and supplement our medical systems offering. Pronosco develops and markets a system for diagnosing and monitoring the development of osteoporosis, a growing problem in the western world.

During the year, Sectra started a new teleradiology company, Paxlink AB, in cooperation with the Örebro Innovation Center and a group of Swedish radiologists. The company offers Scandinavian hospitals support for reading digital radiology images in the case of temporary staff shortages or peak periods. The service increases customer benefit from digital radiology systems.

Research and development

We have made substantial investments in the development of new, advanced systems and products in all three of our business areas. Our development work is carried out in close cooperation with experts and demanding customers to ensure that our systems and products meet their strict requirements in terms of functionality, quality and performance. We are working in cooperation with universities on a number of research projects, which helps to provide our products with unique technical solutions.

Once again our digital radiology system PACS (Picture Archiving and Communication Systems) has received the highest ranking in an international survey, confirming that our development strategy works. This

time the survey compared the leading PACS suppliers in the American market in terms of customer satisfaction with their systems. Philips Medical Systems, which sells Sectra PACS™ under their own trademark in the U.S., ranked highest in terms of performance and design. This confirms that Sectra customers are getting the best solutions on the market, and confirms our position as one of the world's leading suppliers of digital radiology systems.

“We are looking forward to develop our business together with our customers, employees and cooperative partners, so that modern, efficiency-enhancing technology can benefit as many people as possible.”

The future

Many hospitals are opting to improve their operations by implementing digital systems, and more and more countries are seeking the system solutions that Sectra can point to with pride in Sweden. We also foresee major potential for our new digital mammography system. Mammography examinations are the second most commonly performed radiology examinations in the world. We estimate that the first Sectra MicroDose Mammography™ units will be available on the market in 2002.

Like other defense organizations worldwide, the Swedish defense are in the process of transitioning to an entirely new defense structure that utilizes network-based IT. The information flow encountered in network-based defense imposes heavy demands in terms of security, which means that Sectra has major potential in this field. We have also made our first inroads in the NATO market, which is of tremendous importance to our future international expansion in this area.

The long-term trend in the wireless information systems market is toward increasing demand for access to information in real time. The market niches on which we are focusing, i.e. financial and aircraft communication, will see increasing demand in the future as we move beyond the current economic downturn.

Sectra has a strong technology platform. The products and system solutions that Sectra is developing target markets with substantial growth potential. Sectra's strong position in

the domestic market provides a solid platform for continued international expansion.

In light of the foregoing, I am confident that the niches in which we are active will increase in volume over the next 10 years. We are looking forward to develop our business together with our customers and cooperative partners, so that modern, efficiency-enhancing technology can benefit as many people as possible.

I would also like to thank all our employees for their magnificent efforts, which have contributed to yet another highly successful year for Sectra!

Linköping, May 22, 2002

Jan-Olof Brüer
President and CEO

Sectra – Cutting edge solutions in expanding niches

Since the mid-1980s, Sectra has successfully developed and sold high-technology products within expansive niche segments in which Sweden is an early adopter and leads the technical development. Current operations include medical systems, secure communication systems and wireless information systems – three niches in which Sectra has the potential to achieve international leadership. Sectra has over 250 employees in six countries, and the company’s products are used by customers in Europe, North America, Asia and Australia.

The combination of business areas enables Sectra to offer its customers, employees, cooperative partners and shareholders long-term security and stability as a major company. At the same time, Sectra’s organization preserves and protects the advantages of a small company, such as proximity and sensitivity to customer needs.

All system and product development is conducted in close cooperation with customers. This approach, combined with Sectra’s comprehensive expertise in each market segment and the company’s close ties with research institutions, has resulted in cutting-edge products characterized by high quality and strong user-friendliness.

Visions

- Our trademark shall be a high-value brand for high-tech solutions and products.
- All our operations shall have the potential to achieve international leadership.
- All our operations shall contribute to strengthening our financial position.
- All our operations shall contribute to strengthening our brand.

- We shall continuously innovate and make improvements at the cutting-edge of technology.

Goals

Sectra’s aims from a commercial, customer and investor perspective:

- To establish a strong global brand.
- To achieve annual average growth of 30% over a seven-year period.
- To finance new development projects together with customers or partners.
- To create high-quality solutions.
- To be as responsive as a really small company.
- To be as long-term and trustworthy as a major company.
- To ensure long-term appreciation of the share price.
- To achieve a profit margin of 10%.

Strategies

- To develop all products in close cooperation with customers.
- To find the most qualified customers in order to ensure that our systems and products meet the market’s highest requirements in terms of performance, quality and user-friendliness.
- To strive for modular design in our products.
- To recruit and cultivate highly qualified employees.
- To outsource everything that does not fall within our core technology or strategic expertise.

Group structure



Sectra’s s three business areas are organized into the following companies: Sectra Imtec AB, Sectra Communications AB and Sectra Wireless Technologies AB. In addition to Sweden, Sectra Imtec also has subsidiaries in Norway, Germany, the U.S., Denmark and Italy.



History

2000

Establishment of Sectra in Italy and Denmark.

1999

Acquisition of RadiSoft AB, which develops and sells administrative systems for radiology departments and mammography screening.

IPO, listing on Stockholm Stock Exchange's O-list.

Sectra wins the 1999 Electronic Prize, which is awarded to the hi-tech company that most successfully launches one or more new products during the year while at the same time achieving exceptional profitability. The prize is awarded by the Swedish magazine Elektronik i Norden, the Swedish Electronics Industry Association and the Swedish Association for Instruments and Measurement Technology.

1998

Establishment of Sectra in Germany.

1997

Establishment of Sectra in the U.S.

1996

Sectra named "IT Company of the Year" by the Swedish magazine Datavärlden, which justifies its choice as follows:

"Very strong expertise combined with a long-term, market analysis-based approach has laid the groundwork for Sectra's success. With roots in Swedish university research, Sectra is currently leading the way in Sweden in two areas: digital imaging in healthcare and advanced encryption for demanding customers such as the military."

1995

Establishment of Sectra in Norway.

1994

Acquisition of Imtec AB, which is now fully integrated into Sectra's medical operations.

1993

Sectra begins developing systems for the DARC digital radio channel under a Swedish defense contract. This marks the beginning of Sectra's operations in the area of wireless information systems.

1988

Sectra begins focusing its activities within digital image coding for digital imaging systems used by radiology departments.

1987

Sectra receives its first contract from the Swedish defense. It concerns the development of an encryption module and marks the beginning of Sectra's focus on data security for encrypted communication systems for defense departments and public authorities.

Mid-1980s

New guidelines for future operations. Sectra makes the transition from consulting operations to developing and selling products and system solutions.

1978

Sectra is founded by Professor Ingemar Ingemarsson and three of his doctoral students at the Linköping Institute of Technology. The company started as a sideline to its founders' academic research, with a focus on consulting services in the areas of data security and image coding. Three of Sectra's founders are still associated with the company in an ownership and advisory capacity.



Medical Systems

FACTS

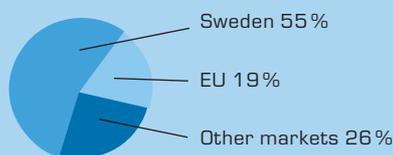
Business concept: Increase effectiveness of health care, while maintaining or increasing quality in patient care.

Offices: Sweden, Norway, Denmark, Germany, Italy and the U.S.

No. of employees, incl. subsidiaries: 163 (106)

Sales: SEK 343,2 M (215,7)

Exports: 45% (29)



Sales by market.

Year in brief:

- Sectra received its first order for the Sectra MicroDose Mammography™ digital mammography system.
- The Mid-Norway Health Region, one of the largest healthcare-related IT projects in the world, ordered Sectra's digital radiology system.
- Acquisition of the operations of the Danish Pronosco A/S, which develops and markets software for diagnosing osteoporosis.
- Working in cooperation with Örebro Innovation Center and a group of Swedish radiologists, Sectra started a teleradiology company, Paxlink AB. The company offers Scandinavian hospitals assistance in evaluating digital X-ray images.

Sectra's operations in medical systems are conducted through its wholly-owned subsidiary Sectra Imtec AB. These operations are focused on digital imaging and information systems for radiology departments. End customers consist of both public and private hospitals located mainly in Scandinavia, Western Europe and the U.S.

Sectra is one of the world's leading suppliers of IT systems for digital radiology, and Sectra's systems are found in radiology departments throughout the world. Sectra is established in numerous markets and has offices in Sweden, Norway, Denmark, Germany, Italy and the U.S. Sectra is the market leader in Scandinavia with respect to both imaging systems (PACS) and administrative systems (RIS) for radiology departments.

In addition to direct sales operations, Sectra works in cooperation with business partners that sell Sectra's digital imaging systems worldwide. Sectra has enjoyed major sales successes as a result of these partnerships, particularly in the U.S., Germany and Holland.

The bulk of Sectra's sales currently derive from Scandinavia, although sales to the rest of the world are increasing. International sales accounted for 45% (29) of total sales for the year. Most revenues derive from licensing fees for systems used in film-free radiology departments and other software for digital radiology. Aftermarket sales such as supplemental sales, maintenance and upgrade agreements are also increasing.

Market for digital radiology continues to expand

The number of elderly people is increasing throughout the entire western world, resul-

ting in increasing healthcare costs. Given today's structure and resources in healthcare services, it will be impossible to meet this increasing demand while still maintaining quality standards. The only viable alternative is to sharply increase the efficiency of existing operations. New modalities and technologies can contribute to time and cost savings while also improving quality. This requires major investment in support systems, with a particular emphasis on IT. The world market for digital imaging and information systems in the healthcare sector is expected to grow accordingly.

Hospital radiology departments have traditionally used technologies based on paper referrals and film. This approach entails extensive manual labor to distribute and store both paper documents and films. Digital systems have begun to replace these analog techniques to an increasing extent in parallel with the rapid technological advances in recent years. Virtually every new hospital built in the western world today is designed for film-free operation.

The hospitals in Scandinavia have come the farthest in adopting digital radiology, followed by the U.S. and Germany. However, only a fraction of the radiology clinics in these countries are currently film-free.

The majority of hospitals in Sweden have already digitized or are planning to digitize their radiology operations. There are some 120 radiology departments of various sizes throughout Sweden, over half of which are film-free or have begun to install digital radiology systems.

The U.S. is the largest single market, with roughly 10,500 radiology clinics, including some 6,500 hospitals with radiology depart-



“New modalities and technologies in the healthcare sector can contribute to time and cost savings while also improving quality.”



ments. Germany, another very large market, has about 2,000 private radiology clinics and another 1,500 hospitals with radiology departments. However, the extents to which digital radiology systems are used in these countries do not even approach the level of penetration seen in Sweden, which serves as an indication of the market potential for these systems over the next few years.

There are about 10 players in the world market who compete directly with Sectra. These include large groups such as General Electric and Agfa, and specialized medium-sized software companies. With a market share of over 60% in Sweden, Sectra has a strong base for continued international expansion.

Good references vital to success

When hospitals are choosing suppliers for business-critical IT systems, it is very impor-

tant to be able to furnish good references, and especially references from the customer's own country. As a result, Sectra is working systematically to build up reference bases in a number of key markets.

Sectra systems are currently found in over 250 radiology departments worldwide. Some of the hospitals that are currently using Sectra systems to work entirely film-free include the Astrid Lindgren Children's Hospital in Stockholm, all the hospitals in Örebro county, Riverside Medical Center⁹⁾ just outside of Los Angeles, Harlem Hospital Center⁹⁾ in New York, Carolus van den Bosch⁹⁾ in Holland and the Deggendorf Clinic⁹⁾ in Germany. More references are available on Sectra's homepage at www.sectra.se/medical.

Sectra's digital radiology system

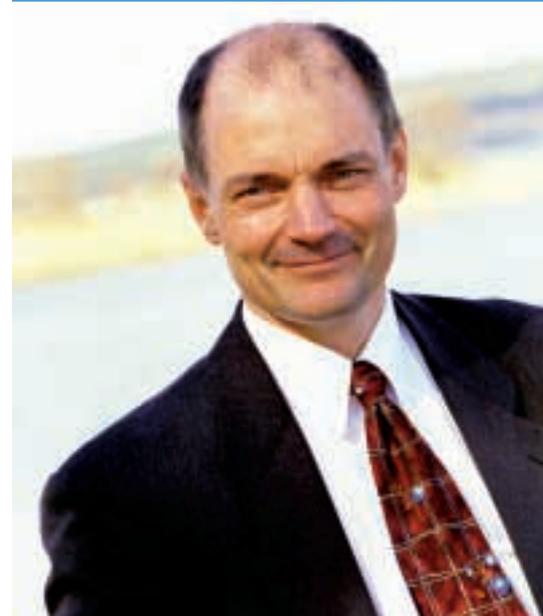
Sectra is one of the few companies in the world to offer a complete digital radiology system, which is known as PACS (Picture Archiving and Communication Systems). The system is entirely modular and error-tolerant. It includes both clients and servers that enable integration and communication with systems from other suppliers. Because of its modular design, the Sectra system can be tailored to the size of any radiology department, and thus represents a good solution for both small independent radiology departments and major hospital chains.

Sectra's digital radiology system covers the entire workflow within a radiology department, from receiving incoming referrals and evaluating images to issuing referral responses. A RIS (Radiology Information System) facilitates administrative tasks such as appointment scheduling, billing and referrals.

A PACS streamlines the process of evaluating, processing, distributing and storing X-ray images.

The use of digital radiology offers major benefits to both healthcare personnel and patients. The work is streamlined and facilitated because all the information is always available. Questions posed by referring clinics can be answered more quickly. The ability to monitor image quality and process images directly reduces the number of retakes needed. Furthermore, the patient does not need to be in the same place as the doctor. Sending the images across digital networks cuts shipping costs and shortens waiting times for both doctors and patients. Physicians can also review images of emergency patients from home. Another advantage of digital radiology is that it eliminates the use of environmentally harmful chemicals and films, as well as heavy lifting of X-ray films that often results in injuries on the job.

Torbjörn Kronander, President



⁹⁾Installed in cooperation with Philips Medical Systems.

“All systems and product development is carried out in close cooperation with the end users.”



highest in terms of performance and design. Such a high ranking in a study in which the system users themselves make the judgements confirms that Sectra's development strategy works, and that Sectra offers the best solution. This will clearly have a major positive impact on future sales.

International successes

The Norwegian market expanded dramatically over the course of the year, with Sectra receiving a number of substantial orders. Both individual hospitals such as the prestigious National Norwegian Hospital in Oslo and entire counties containing numerous hospitals and radiology departments, such as Østfold county in southeastern Norway, have entrusted Sectra with digitizing their radiology operations.

One of the world's largest total digital radiology solutions was launched during the year in the Mid-Norway Health Region. This region is the largest healthcare region in Norway, with nine hospitals. About 460,000 radiological examinations are performed there each year. The radiology departments of all these hospitals will function as one single virtual department in the future, and Sectra has been entrusted with delivering both RIS and PACS for the entire region.

An order from Funen county represents an important step for Sectra in the Danish market. The order involves RIS for eight radiology departments and one nuclear medicine department. Sectra has also acquired new customers in Sweden, and received votes of continuing confidence in the form of supplemental sales to existing customers.

Unique solution for the Scandinavian market

The need for integration among the various IT systems used in the healthcare sector has increased over time. Sectra is working very hard to meet this need, and has developed a unique total radiology solution for the Scandinavian market – a fully integrated clinical IT system that includes both RIS and PACS.

In light of the major differences that exist in terms of the structure of healthcare in various countries, Sectra Radisoft RIS is sold only in the Scandinavian market. Outside of

Scandinavia, Sectra is working in cooperation with local RIS companies.

Sectra PACS ranked highest by American customers

Sectra's digital radiology system has placed highly in various evaluations on more than one occasion. In a study conducted during the year by the American consulting firm KLAS, the leading PACS suppliers in the American market were evaluated based on customer satisfaction with their systems. Philips Medical Systems, which sells Sectra PACS under its own trademark in the U.S., ranked



Sectra's American subsidiary has worked in cooperation with business partners to sell and install Sectra PACS in nearly 30 more hospitals in the U.S. and Canada. Through its business partners, Sectra has also received a number of large orders from Germany, Holland and Japan.

Success in the domestic market

In April 2000, Sectra was entrusted to digitize the radiology operations for all of Östergöt-

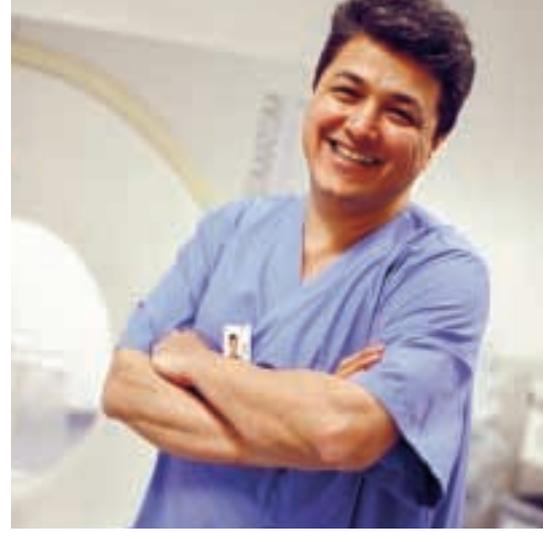
land county in Sweden. Digitization of the entire county was completed in the spring of 2002, and the county council is now functioning without X-ray film.

Development of a Center for Diagnostic Imaging at Södersjukhuset Hospital in Sweden also began in the spring of 2002. Sectra was engaged as the total contractor to deliver the entire imaging diagnostics system, i.e. RIS, PACS and radiology equipment. The center was commissioned in April 2002.

The Sectra MicroDose Mammography™ system makes it possible to substantially reduce the X-ray radiation to which a patient is exposed during a mammography examination in comparison with traditional film-based systems.

Sectra MicroDose Mammography™ installed in Helsingborg

Sectra is working in cooperation with Mamea Imaging AB to develop a new cutting-edge digital mammography system, Sectra MicroDose Mammography™. This system makes it possible to substantially reduce the X-ray radiation to which a patient is exposed during a mammography examination in comparison with both traditional film-based systems and other digital systems on the market.



Special applications expand the product line

To optimize workflow efficiency in a radiology department, it is important to meet the needs of both the department personnel and those who are referring patients to the department. To this end, Sectra can offer both special proprietary applications and applications created via the Sectra Clinical Solutions Network™—a network of third-party suppliers with cutting-edge expertise in highly specialized fields.

With Sectra Clinical Solutions Network™, Sectra will offer a broad range of special applications as a supplement to the company's own products. This will make it possible to further facilitate the work of both radiologists and referring physicians such as orthopedic specialists and surgeons. Because a large number of applications are integrated with Sectra's digital radiology system, customers will gain access to a broad array of functionalities and can select the applications that are relevant to their particular hospital.

Research and development

All systems and product development is carried out in close cooperation with the end users, thus making it possible to meet extremely stringent customer requirements in terms of quality, performance and user-friendliness. Sectra is working cooperatively with hospitals throughout Europe and the U.S., producing highly effective and efficient solutions that have been integrated with other IT systems used at hospitals.

Sectra continued to develop both RIS and PACS during the course of the year. New functions have been added, and efforts to simplify installation and service have continued.

Testing of the system in a clinical environment at St Görans Hospital in Stockholm began during the fiscal year. The initial test results indicate that the system maintains the quality and low dose levels seen earlier in the laboratory setting. This spring Sectra also received its first order for the system, from the Swedish Helsingborg Hospital. (Sectra MicroDose Mammography is presented in greater detail on page 14.)

New companies in the Sectra family

In February 2002 Sectra acquired the operations of the Danish firm Pronosco A/S. Pronosco develops and markets software for diagnosing and monitoring the development

of osteoporosis, which is a growing problem in the western world. Digital image analysis of an X-ray of the patient's hand is used to assess bone structure. This enables early diagnosis, which is critical in arresting the progress of the disease. Sectra's commitment to women's health is described on page 14.

During the year Sectra started a new tele-radiology company, Paxlink AB, in cooperation with Örebro Innovation Center and a group of Swedish radiologists. The company offers Scandinavian hospitals assistance in reviewing digital X-ray images during heavy workload periods or temporary staff shortages. The service, which is fully integrated into Sectra's system, enhances the customer benefit derived from digital radiology systems.



“Sectra is working cooperatively with hospitals throughout Europe and the U.S., producing highly effective and efficient solutions that have been integrated with other IT systems used at hospitals.”

Sectra’s effort to integrate these systems more fully has become an important factor as market demand for such integration continues to intensify.

A research center for digital imaging technology was established during the fall of 2001 in Linköping as a cooperative venture involving the University of Linköping, the Östergötland County Council and Sectra. Research at the center will focus on ways in which digital radiology can make the work of the radiologist easier, particularly with respect to the processing and management of the overwhelming quantities of data produced by modern digital radiology equipment.

Future prospects

The market for radiological imaging and information systems continues to grow. Sectra’s presence in the international market is increasing, and efforts to amass reference installations in new markets are ongoing. Sectra’s strong position in its domestic market combined with strategic foreign reference installations will provide a stable platform for continued international expansion.

Radiation dose is a key factor in a context where large population groups of healthy women are being exposed to radiation. With its revolutionary new Sectra MicroDose Mammography™ system, Sectra has strong potential to become a major player in mammography screening, which is one of the world’s most common radiological procedures.





Focus on women's health

As life spans continue to increase, the incidence of geriatric diseases is also increasing. Examples of such diseases include breast cancer and osteoporosis, diseases that affect mainly women in late middle-age. Early diagnosis is one means of arresting the increasing prevalence of these diseases.

Sectra offers two revolutionary products for improving women's health: a unique digital mammography system that substantially reduces the radiation dose, and an effective tool for diagnosing and monitoring osteoporosis.

Mammography with only one-fifth of the radiation dose

The trend toward digitization that has occurred in radiology departments has not affected mammography to any great extent, since existing digital systems have been unable to meet the extremely rigorous image-quality demands associated with mammography

examinations. In 2000 Sectra, in cooperation with Mamea Imaging AB, introduced the Sectra MicroDose Mammography™, a system that enables digital mammography in which the image quality is maintained or even improved while the radiation dose is, at the same time, substantially reduced.

One-fifth of the dose

Sectra MicroDose Mammography™ is based on an entirely new digital detector technology developed by Mamea Imaging AB. The new technology makes it possible to combine extremely high image quality with a significantly lower radiation dose to the patient. Sectra MicroDose Mammography™ enables a five-fold reduction in the radiation dose compared to traditional film-based examinations – a revolutionary advance. Minimizing the radiation dose is particularly important in connection with screening programs, where the preponderance of women being examined are healthy.

Major market potential

Women have opportunities to participate in some type of mammography program in almost every country in the western world. Mammography is the second most common radiological examination performed, and the market potential for cost-effective X-ray detectors that use low radiation doses is considered to be great. It is estimated that 30,000 mammography systems are currently installed, and that some 4,500 new systems are sold and installed each year.

Because of a shortage of mammography specialists, it is currently difficult to offer women mammography to the extent that would be medically desirable. Sectra

MicroDose Mammography™ can help compensate for this shortage in that it enables digital images to be transferred electronically and reviewed wherever the physician might be. This enables major cost savings in e.g. sparsely populated areas.

Total mammography solution

During the year the system was tested in a clinical environment at St Görans Hospital in Stockholm, with very promising results. Sectra also received its first order for Sectra MicroDose Mammography™ in February 2002 from the Swedish hospital Helsingborgs Lasarett AB, with delivery scheduled for the fall. The purpose of the mammography project is to integrate the new system with Sectra's PACS and RIS systems to create solutions for totally film- and paper-free mammography.

Osteoporosis

The silent disease

Osteoporosis is a disease that causes the skeleton to lose a portion of its calcium content, thereby decreasing the strength of the bones. Patients with osteoporosis are prone to fractures that occur spontaneously or in connection with mild stress, such as lifting.

“Osteoporosis can be detected early on with the Pronosco tool.”

Osteoporosis is sometimes called “the silent disease,” since diminished bone mass produces no apparent symptoms per se. The disease is often discovered only after fractures occur, at which point it may already have

OSTEOPOROSIS FACTS

- Manifested mainly in hip, wrist and back fractures.
- Women over 55 comprise the primary risk group. 80% of osteoporosis patients are women.
- 50% of all women and 25% of men over the age of 50 are at risk of sustaining fractures due to osteoporosis.
- Osteoporosis results in over 2.3 million fractures a year in the U.S. and Europe.
- Fractures caused by osteoporosis cost more than SEK 210 billion annually in Europe and the U.S.

Source: Riksföreningen Osteoporotiker /National Swedish Association of Osteoporosis Specialists

“Minimizing the radiation dose is particularly important in connection with screening programs, where the preponderance of women being examined are healthy.”



progressed to an advanced stage. However, osteoporosis can be detected early on with the help of bone mass measurements. Regular measurements also make it possible to assess the rate at which skeletal decalcification is progressing, and the potential effects of therapy. Early diagnosis is essential, since no method of rebuilding the skeleton currently exists, and preventing the progress of the disease is the only countermeasure available at present.

Expanding the product portfolio

With its acquisition of Danish Pronosco in February 2002, Sectra has expanded its product portfolio with a tool for diagnosing and monitoring osteoporosis, the Pronosco X-posure System®. The bone analysis that this tool performs is based on an X-ray image of the patient's hand. Bone mass is evaluated using digital image analysis, and the procedu-

re is simple for both the patient and health care personnel.

The system has been on the market for some time, and Pronosco has enjoyed sales successes, particularly in Germany. This success is attributable to the structure of the German health care system, which involves numerous private clinics that have a strong interest in systems that deliver strong returns at relatively low cost.

High precision improves chances for halting the progress of the disease

Because bone generally loses calcium at a rate of 1 – 2% per year, high precision is critical in determining whether, e.g. medication is producing the desired result. One important advantage of Pronosco's technology is the extremely high degree of precision in the results it produces: the deviation between two consecutive examinations of the same patient

is as low as 0.35 – 0.7%. Many similar systems are encumbered by deviations of up to 3 – 4%. In such cases it may be necessary for a number of years to elapse between measurements in order to detect an actual change in bone mass. Using Sectra's new tool, it is generally possible to detect changes after about 9 – 12 months.



Danbury Hospital – Advantages of a digital environment

In November 2001, the radiology department at Danbury Hospital in Connecticut, USA, went into full-digital operation.

“Now, six months into go-live, we can clearly see more and more advantages of working in a digital environment”, says Dr Patrick Malloy, chairman of the radiology department at Danbury Hospital.

Danbury Hospital is a teaching health care institution, serving approximately 360,000 residents of western Connecticut and southeastern New York, U.S.. Danbury hospital is the area’s largest employer with close to 3,000 employees, including 509 physicians and 600 registered nurses. The Department of Radiology at Danbury Hospital offers patients a full range of diagnostic imaging and radiation oncology services, and performs in total approximately 160,000 examinations annually, a number that increases by about 10 % each year. About 65 % of the examinations are outpatients, and the rest are inpatient examinations. Danbury Hospital is a hospital who

purchased its digital radiology system, PACS, from Philips Medical System, based on software from Sectra.

Solving archiving problems

Before digitizing, Danbury Hospital put away large volumes of X-ray films and the archive space on site at the hospital was not sufficient. Instead, substantial parts of the X-ray image archive had to be stored in a warehouse located outside the hospital premises. This caused severe availability problems when older images were needed in order to make an accurate diagnosis, particularly in emergency patient cases.

“Before we went into digital radiology operations, it was often difficult to make sure that the people who needed images in order to make an appropriate diagnose, got them in time. It is often of vital importance that images are available at multiple sites in the hospital at the same time”, Dr Malloy explains.

In a timely fashion

The radiology department at Danbury Hospital “went digital” in November 2001, and the advantages have already become apparent.

“The greatest advantage in my opinion is the possibility for several doctors to look at the same image at the same time, but at different sites in the enterprise. This is especially important when treating trauma patients or Intensive Care Unit patients where constant availability to images is critical. It may even be a matter of life or death”, Dr Malloy says.

Facilitating radiology

Only a few months into the digitization project at Danbury Hospital, the major part of

the clinicians find the digitized radiology department to be a great advantage.

“Several referring clinicians have explained how their work has been facilitated by the PACS. Before the digitization, there was a lot of down time for the clinicians, since they always had to come over to the radiology department to look at images or to get a radiologist’s opinion on a patient. Now, we conduct conferences on the fly, which saves a lot of time. Furthermore, an electronic radiology department makes it easier for the referring clinicians and the radiologists to decide on whether additional images are necessary, which saves time and money. Already after three months of full digital operations in the radiology department, we had lowered our costs for film by 60 %, after one month we entirely stopped routine printing of all images”, Dr Malloy explains.

Outpatient imaging center

Enterprise plans to open a large outpatient imaging center outside of the hospital was an important reason to implement the PACS. In the new, conveniently located outpatient imaging center, patients can have their radiology examinations performed without having to travel to the hospital. Radiologists can now review images at the two sites simultaneously, since the facilities share the same workflow manager and image archive.

“The possibility for seamless integration of the systems in the outpatient center and the main system at the hospital was a very significant key point when choosing which PACS to buy”, says Dr Patrick Malloy.

Client-Server architecture

In North America Sectra works in partnership with Philips Medical Systems, which sells and installs Sectra’s products, supported by

WHAT IS A PACS?

A PACS, Picture Archiving and Communication Systems, is a system that handles and stores radiology images in a digital format. A PACS helps radiology departments make the workflow and patient throughput more efficient by enhancing availability of the images.



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Dr Patrick Malloy, chairman of the radiology department at Danbury Hospital.

Sectra's local office in Shelton, Connecticut. Philips Medical Systems offers very experienced project management and is a well-renowned vendor of medical IT equipment. Danbury Hospital was one of many new clinical sites that were delivered in the fiscal year 2001-2002.

The PACS installed at Danbury Hospital by Philips Medical Systems and Sectra is based on a modular client-server architecture, which means that the servers that handle the system are centrally located, and the clients, or workstations, can be installed anywhere on the network. This is an important advantage, especially when working with large enterprises, where several different departments need

access to the same information even though they are not physically located close to each other.

"Sectra in cooperation with Philips was an early leader in the client-server architecture, and at Danbury we appreciated how Sectra's digital imaging system was configured. The other vendors have followed, but by being an early leader, Philips and Sectra have gained great confidence on the market, especially in terms of quality on their finished product", Dr Malloy concludes.

Solution for web distribution

Sectra and Danbury Hospital are intending to cooperate on further development on Sectra's web-based workstation for clinicians. The

workstation offers quick and easy access to X-ray images and other radiology information by logging on to the PACS from any computer connected to the World Wide Web without compromising patient integrity.

"The challenge that all PACS are facing is enabling a more extensive integration of the different software interfaces, especially in the context of working with PACS in offices or even at home. We are looking forward to working with Philips and Sectra to develop an optimal solution for web-based distribution of radiology images and information", Dr Malloy concludes.



Secure Communication Systems

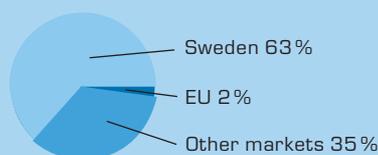
FACTS

Business concept: To be the first-choice supplier of secure communication systems to all defense and government customers within the EU and NATO.

No. of employees: 44 (42)

Sales: SEK 63,1 M (51,5)

Exports: 37 % (37)



Sales by geographical market.

Year in brief:

- Swedish defense orders included the development of a mobile terminal for encrypting voice and data combined with GPS positioning.
- Tommy Waszkiewicz became the new President.
- The NATO telephone, based on the eavesdrop-secure GSM system Sectra Tiger®, was approved for communications at the advanced security classification level NATO Secret.
- In conjunction with this approval, the Norwegian and the Germany defenses ordered eavesdrop-secure NATO telephones.

Sectra's operations in the field of secure communications are carried out through a wholly-owned subsidiary, Sectra Communications AB. These operations are focused on eavesdrop-secure mobile communication systems and high-speed encryption for telecom and data lines. Customers include defense departments, public authorities and governments within Europe and NATO that are involved in the handling of secret or sensitive information.

Sectra is one of the world's leading companies in the design and development of secure communication systems. With a market share of about 90 %, Sectra is the market leader in communications security and secure IT systems for the Swedish defense. Tiger®, the world's most secure system for mobile voice and data communication, has also garnered Sectra international recognition as the leading supplier of secure mobile communications in the EU and NATO.

In addition to its own direct sales activities, Sectra is also working in cooperation with Kongsberg Defence Communications AS regarding marketing and sales of the NATO-approved GSM telephone internationally.

During the past year Sectra received new orders from both the domestic Swedish and international markets. Sweden currently accounts for 63 % of sales, with sales in Norway accounting for the second largest share. The bulk of the revenues are attributable to development contracts and customer-specific products.

Internationalization of the defense market

Today's military threats are global rather than being focused on the borders of a single coun-

try. This is exemplified by the terrorist attacks of September 11, 2001, which affected and had economic ramifications in many more countries than just the U.S. The line between what constitutes a military versus a civilian threat is becoming increasingly blurred.

Does the risk of terrorist attacks constitute a military or a civilian threat? The need to protect the borders of one's own country remains important, but more and more joint initiatives and cooperative defense alliances are being forged so that countries can work together to protect themselves against new terrorist attacks or encroachments from other states. Militaries are thinking more globally than regionally. Cooperation among the armed forces of different countries necessitates international harmonization and interoperability when it comes to designing and producing defense materiel. This is evident in connection with peacekeeping efforts, where secure communications among the cooperating forces must be ensured.

Armed forces are being restructured the world over, moving away from emphasizing investment of large shares of their defense budgets in traditional areas such as weapons and personnel toward an entirely new defense structure in which network-based information processing is one of the chief cornerstones. Achieving and maintaining an intelligence advantage is important, and will become increasingly more so. During military operations or when faced with palpable threats from terrorist organizations, the armed forces and/or coalition that can gather intelligence rapidly via their command and communication systems will have a head start, and will thus be better able to take action to protect themselves. These systems are vulnerable in



“With its strong foundation of core expertise in encryption, Sectra is on the cutting edge in developing secure communication and IT systems.”



and of themselves, and intelligence information must be safeguarded against falling into the wrong hands, or becoming compromised.

As militaries with tight budgets endeavor to keep pace with rapid advancements in new IT and communication systems, they become increasingly dependent on integrating standard products into their systems. Purchases are being made to an increasing extent within the framework of large-scale projects, and it is not unusual for suppliers for large-scale projects to consist of a combination of the primary defense suppliers. These suppliers in turn subcontract smaller suppliers to furnish technical solutions that they themselves are unable to develop. Rapid technological advancements, the worldwide internationalization of defense and increased purchasing within the framework of large-scale projects are all placing new demands on the defense industry. Defense suppliers are seeking cooperative partners at the international level, and the industry is undergoing consolidation.

Our competition on the world market within the defense sector consists of major IT/electronics companies such as Rhode & Schwarz and General Dynamics, as well as specialized security companies such as Crypto AG in Switzerland. Sweden contains a smaller number of security companies that compete directly with Sectra in certain areas.

Sectra is one of the world leaders in designing and developing secure communication systems and, with its strong position in Sweden and Norway, is well equipped to continue to expand internationally.

Unique expertise

Sectra has amassed unique expertise in professional IT security through close cooperation with both the Swedish and Norwegian defense. These projects, which run the gamut from designing individual components to total system integration, have given the company a strong technology base in the growing IT security market.

Tommy Waszkiewicz became the new President of Sectra Communications AB on February 1, 2002. Tommy has been working within the Sectra Group since 1990. Last year he served as a business development manager in medical communications. Tommy has also served as product manager for Tiger®, and as project manager for several major Sectra projects in the area of secure communication systems.

With its strong foundation of core expertise in encryption, Sectra is on the cutting edge in developing secure communication and IT systems. The goal is to provide Sectra customers with the best solutions on the market – solutions that meet customer requirements in terms of high performance, quality and user-friendliness. Sectra has accepted major challenges in new areas of technology on numerous occasions, and all our development work is carried out in close cooperation with the end customers.

World-class encrypted communications

Sectra’s product offering in the field of secure communication systems encompasses the entire security chain, from encryption modules, encryption interfaces and encryption cards to complete systems for, e.g. eavesdrop-secure mobile telephones. These products are developed under customer contract, and are based on standardized platforms. This enables

Tommy Waszkiewicz, President



“Tiger® ensures eavesdrop-secure voice and data communications along the entire path from transmitter to receiver.”

our customers to cooperate efficiently at the system level with respect to both proprietary systems and systems developed by other suppliers. Because of their modular design, these products are optimally adaptable to customized requirements.



Our customers include national defenses, governments and public authorities that have the most stringent requirements in terms of security. A customer who is using a Sectra communication system must feel safe and secure, both now and in the future. The confidence in our solutions is based largely on the ability to keep public information and information that must be safeguarded physically separated within the system.

Our encryption modules are both the core of and the smallest building blocks in Sectra's security products. Sectra has developed a number of different encryption modules, with

both national and international variants, for the Swedish defense. These encryption modules contain algorithms and processing for encryption keys, which are the most sensitive components in an encryption system.

Sectra specializes in encryption equipment for high-speed, high-capacity telecom and data communications. Sectra's products can encrypt voice, data and video at speeds of up to 155 MBit/second, which is considerably faster than other products on the market.

Sectra has developed a general encryption service to safeguard networked computers and a number of applications for the Swedish defense. This service is based on a standardized interface that automatically administers the encryption cards that enable secure communications over the Internet and by e-mail. This is a cost-effective security solution, since it reduces the costs involved in securing individual applications.

Sectra Tiger® is a system for secure mobile communication that has been developed for military applications in cooperation with experts from the Swedish and Norwegian defense. Tiger ensures eavesdrop-secure voice and data communications along the entire path from transmitter to receiver. The Tiger system is modular in design, which facilitate customer adaptations of communication technologies and encryption algorithms.

Norwegian defense in transition to bulk-ordering phase

Sectra has been developing eavesdrop-secure GSM telephones in cooperation with the Norwegian defense since 1999. The development project started out with the goal of developing a national Norwegian version of



Tiger®. A new agreement was signed in March 2001 to lay the groundwork for a larger market, which involved the further development of the national Norwegian version into an international NATO telephone named NSK 200.

The development project has now been completed, and this year the Norwegian defense placed an initial bulk order. The order was for roughly 1,000 eavesdrop-secure telephones plus accessories, and is worth about SEK 40 million. Final delivery is scheduled for December of 2002.

NATO approval

NATO's highest military authority – the Military Committee – has approved NSK 200 for communications up to the advanced security level NATO Secret. The NATO telephone is the only eavesdrop-secure GSM telephone on the market that has been approved for communications at this high level. The telephone is manufactured in Norway and contains a NATO-approved encryption algorithm.

The NATO telephone is being sold and marketed to NATO countries other than Norway in cooperation with Kongsberg Defence Communications AS. This company sells communication systems for military use and is part of Norway's largest defense group, the Kongsberg Group. The group is represented in more than 20 countries and has a strong customer base among international defense customers. NATO approval is a crucial factor in the sale of defense products, and gives Sectra and Kongsberg Defence Communications a unique position in the market.



Breakthrough in the NATO market

During the year, Sectra received additional orders for the NATO telephone through our cooperative partner, Kongsberg Defence Communications. The German defense ministry placed an initial bulk order for NATO telephones plus appurtenant operational support systems. The deal grew out of the NATO Military Committee's decision to approve the NSK 200 for use in secret NATO communications.

Continued confidence from the Swedish defense

The fiscal year began with Swedish defense ordering the development of an Encryption Modem for secure communications between both portable and stationary computers. Connecting computers with Encryption Modem provides defense personnel who travel a great deal with secure data communications with their colleagues, wherever they may be. Encryption Modem will also be configured for communications over future broadband networks. This development project will continue until the fall of 2002.

Sectra also received an order from the Swedish defense to produce a demonstrator in the form of a mobile terminal for encrypting voice and data combined with GPS positioning. Swedish defense will test a future concept for mobile encryption systems that will be capable of subsequent use as a platform for various types of secure services in which eavesdrop-secure positioning is an important element. GPS implementation makes it possible for cartographic information comprising tactical mission data to be presented directly on a display at the user. Encrypted position

indications from the user can be compiled in, e.g. a command and control center. Plans call for the demonstrator to be delivered to the Swedish defense in the fall of 2002.

National leadership, international growth

Information security is essential to our customers, i.e. defense forces, public authorities and governments within the EU and NATO. Both the Swedish defense and other defense bodies worldwide are in the process of restructuring, moving toward an entirely new defense structure involving network-based information processing. The information flow within network-based defense will impose strict requirements in terms of security.

Sectra's aim is to continue to be a leading partner in the field of secure communication systems for the Swedish defense. The company is also striving to expand its position in the international market. The need for eavesdrop-secure mobile communications within NATO is considerable. The orders received this year from the Norwegian and German defenses represent our first footholds in the NATO market. The NATO approval granted to Sectra at the end of 2001 carries a great deal of weight in terms of our sales of defense products, and gives the company a unique position in the market.





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Sectra participates in development of future network-based Swedish defense

Information superiority will be a key factor in the network-based defense of the future, and decisive in determining how the Swedish defense will accomplish their mission, whether it be defending Swedish territory or thwarting terrorist threats. Information superiority refers to the collecting, processing and distributing information better than your opponent does.

The Swedish defense is in the midst of restructuring. The goal is to transform the Swedish defense from its current invasion-based orientation into a network-based defense by the year 2010. From now until the year 2005 the Swedish defense plan to develop some 30 different demonstrators for secondary systems that could be incorporated in a network-based defense. The purpose of the demonstrators is to test new technologies and concepts in terms of utility and performance.

Contracts at the cutting-edge of technology

Sectra's know-how and expertise in broadband communications, mobile encryption solutions and secure applications systems have made the Company a leading supplier of secure communication solutions to the Swedish defense. In March 2002 the Swedish Defense Materiel Administration (FMV) contracted with Sectra to produce a demonstrator for a mobile terminal for encrypting voice and data combined with GPS positioning.

"We intend to use the mobile terminal to test a future concept for mobile encryption systems that could ultimately serve as a platform for different types of secure services. We are very eager to be on the cutting edge in terms of developing a network-based defense, and this terminal will enable secure and cost-effective communications over multiple

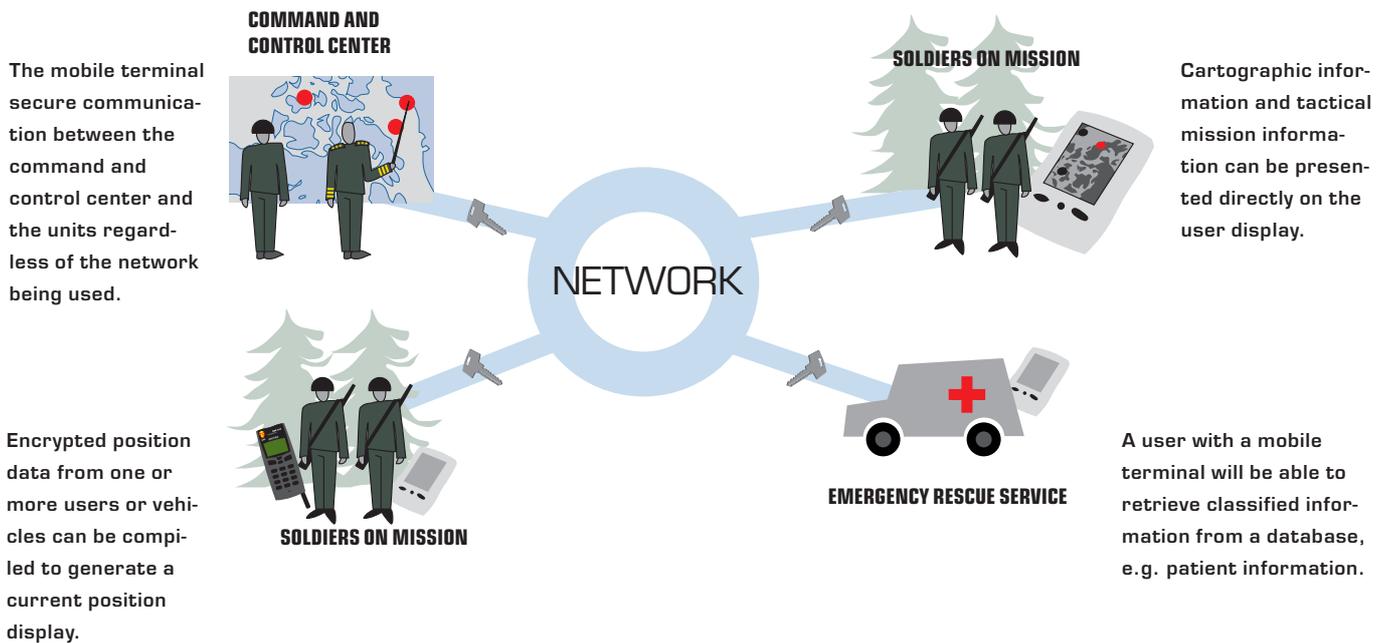


communication networks," says Kjell Albin, Materiel Systems Coordinator/Encryption of the Swedish Defense Materiel Administration.

Over the years, Sectra has had the privilege of carrying out a number of interesting development projects in cooperation with the

Swedish Defense Materiel Administration.

"We have tremendous confidence in Sectra as an encryption supplier, and we know that they possess great technical expertise. Projects with short turnaround times, known as demonstrator projects, allow us to test interesting concepts before



making the choice to implement products into our systems," Kjell Albiin continues.

Voice encryption

The mobile terminal will make it possible to communicate securely regardless of the network being used. The Swedish military and important civil authorities such as the police, emergency rescue services and health authorities must be able to communicate via a reliable network at all times. In addition to being reliable, the communications system must also be highly secure. The security afforded by the TETRA radio communications system and GSM networks is known to be inadequate.

The mobile terminal will make it possible for defense organizations interacting at the international level to secure their mobile communications over different networks. For example, the Swedish armed forces will be able to use the mobile terminals when they are taking part in international peacekeeping operations/joint maneuvers.

Secure information terminal

The mobile terminal will enable fast and secure information transfers. A user with a mobile terminal will be able to retrieve classified information from a database. In the case of the military, this could involve intelligence infor-

mation, while the police might access information from criminal records.

Encrypted positioning

GPS functionality will be implemented in the terminal. Cartographic information and tactical mission information can be presented directly on the user display. Encrypted position data from one or more users or vehicles can in turn be compiled to generate a current position display. This means that a command and control center will be able to track and monitor a unit's operations in a secure manner.



Wireless Information Systems

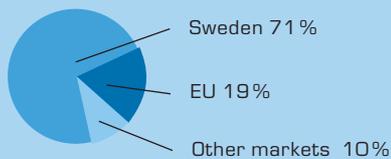
FACTS

Business concept: To create cost effective wireless communication services for applications with high demand for real time functionality.

No. of employees: 31 (24)

Sales: SEK 19.8 M (24,0)

Exports: 28 % (28)



Sales by geographical market.

Year in brief:

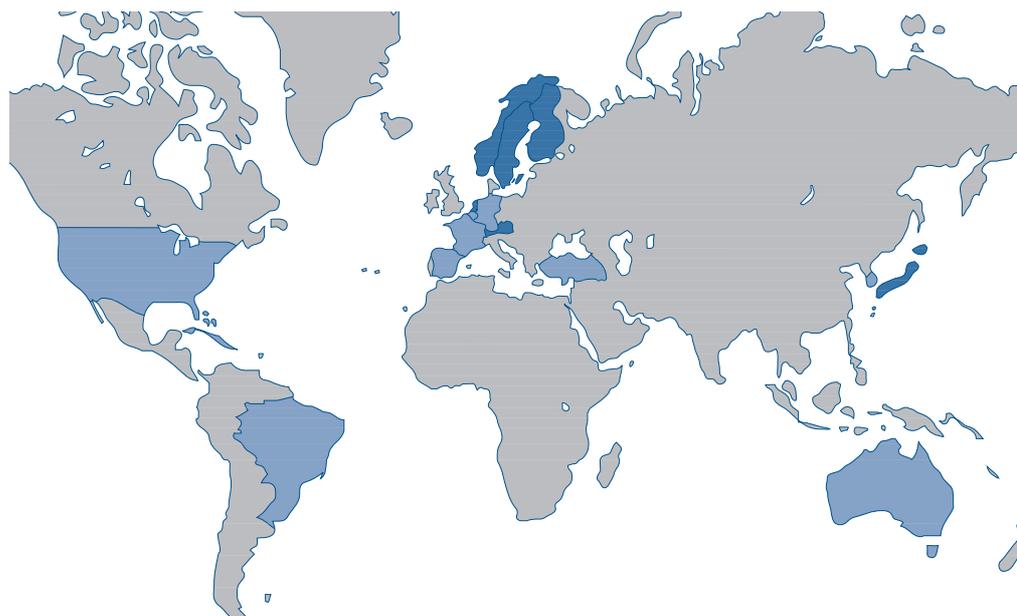
- Cooperation begun with SIX, Scandinavia's leading provider of financial information, concerning a real time financial service based on Sectra's mobile information terminal, CitySurfer®.
- Sectra took its first step into the market for mobile emergency rescue systems with receipt of an order from the Finnish network operator Digita. Sectra's systems will enable Digita to provide Finnish emergency rescue services with alarm and warning information in real time.
- The first function tests performed in a real airport environment were completed on Sectra components for the next-generation aviation communications system. The results were highly satisfactory.

Sectra's operations in wireless information systems are conducted by Sectra Wireless Technologies AB, a wholly-owned subsidiary. The operations focus on two areas:

- Systems for real-time mobile information services based on the digital radio channel, DARC. The customers consist of network operators and service providers who deliver mobile information services in real time for, e.g. financial information and warning information, to their customers.
- Aircraft communication systems based on the new international standard VDL Mode 4, which makes it possible to increase safety, and in turn flight capacity,

with respect to air space utilization. The end customers within this segment consist of civil aviation authorities and commercial airline companies.

Sectra's comprehensive expertise in radio, signal processing and computer science have made the company the leader in developing these pioneering new DARC (Data Radio Channel) and VDL Mode 4 technologies. Sectra is the market leader in DARC technology, and has delivered infrastructure to all major DARC operators in the world. Sectra is also one of the first companies in the world to deliver equipment based on the new international standard for aircraft communication.



Expansion of DARC Infrastructure ● National coverage ● Part of country
Infrastructure for the digital radio channel DARC is currently available in parts of Europe, the U.S., Japan, Korea and Taiwan. Expansion will proceed in parallel with the the growing number of commercial applications.

Growing market for DARC

For many people wireless communication is taken for granted as a result of the emergence of mobile telephony in their daily lives. The need for information access and for staying continuously updated is increasing. Supported by this trend, the market for wireless information is expanding, and will continue to proliferate over the next 10 years.

Expensive 3G licenses and high GSM network fees are opening the market for new cost-effective technologies. The DARC digital radio channel provides a competitive alternative for transmission of wireless information with strong demands on real-time. Using this technology, real-time digital information is transmitted over FM radio networks. The cost of supplementing radio networks, which are currently available throughout the entire world, with DARC infrastructure is relatively low.

DARC gives the network operators who own the existing FM radio networks an opportunity to expand their service offerings, and thus increase their income from their radio networks. This in turn creates opportunities for providers of information services. The DARC system represents an exceptionally efficient solution for disseminating information to many recipients simultaneously, which is also known as multicasting. DARC is the ultimate solution for services with special needs in terms of extensive coverage, group-addressing capability and real-time capability. Information can be received in less than a second wherever FM radio reception is available. Sectra is focusing on two market segments in which this new technology offers major added value for customers:

- Banking and finance
- Emergency rescue services

Infrastructure for DARC is currently available in parts of Europe, the U.S., Japan, Korea and Taiwan. Expansion will proceed in parallel with the the growing number of commercial applications.

There are relatively few players in the international market, but the level of competition will increase as the technology becomes more established. As a result of the trend toward phasing out traditional pager networks, more players are looking for new technologies. Sectra has supplied infrastructure to all major DARC operators in the world, and holds a strong position in this market.

Sectra leads development

On the strength of Sectra's comprehensive expertise in radio, signal processing and computer science, the company is the leader in the development of the pioneering new DARC and VDL Mode 4 technologies. Sectra differ from other players in the DARC field by supplying complete systems with a large number of services, and assuming end-to-end responsibility. With respect to VDL Mode 4, Sectra is one of the first companies in the world to deliver equipment based on the new international standard for aircraft communication. Because Sectra has been involved since the inception of this development, the company can offer proven functional solutions.

Since 1994, Sectra has developed and delivered a complete air surveillance and warning system for the Swedish defense, thus laying the groundwork for the current DARC and aircraft communications operations. Many of

the technology solutions developed in the military projects have been recycled, resulting in rapid and cost-effective development and creates a high level of confidence and credibility in the market.

Sectra's cost-effective wireless information solutions

Sectra offers network operators and providers of information services cost-effective DARC-based solutions for disseminating information in real time. Our product line ranges from infrastructure and receivers to complete systems for various information services. These systems have been developed in close cooperation with customers, and offer high reliability, availability and scalability.

Sectra offers network operators who are expanding a DARC infrastructure, components for information distribution, signal processing and monitoring that can be incor-

Dick Ollas, President





porated into their existing radio networks. Sectra builds and integrates components to create a complete system, and assumes the responsibility for installation and startup.

Together with service providers, Sectra develops applications that assemble the information to be distributed and make it accessible to the recipients. Sectra currently delivers total solutions for real-time distribution of information services such as:

- positioning accurate to within a centimeter.
- financial information.
- air surveillance and warning system for military customers; the system provides information about their own and hostile aircraft, displayed as cartographic images.
- mobile Internet/Intranet.
- traffic information.



The users must be equipped with receivers in order to receive the information. Sectra has developed an advanced pocket-sized information terminal with a high-resolution display CitySurfer®. This terminal is designed for real-time graphics- and text-based mobile information services. Sectra's product line also includes receivers in the form of modules that can be integrated into other products, as well as freestanding units that can be connected to devices such as portable and stationary computers.

Cooperation with the leading provider of financial information in the Nordic region

During the year Sectra began cooperation with SIX, the leading provider of financial information in the Nordic region, concerning a new mobile financial service. The new service, SIX Pocket, provides players in financial and stock markets with stock quotes and financial news updated in real time.

SIX Pocket is the fastest and easiest mobile financial information service on the market. The service includes stock quotes, interest rates, currency exchange rates and financial news. The information is broadcasted on regular radio and covers all of Sweden. Sectra's mobile information terminal, CitySurfer®, serves as the platform for the service. The combination of up-to-the-second news flashes and stock quote information packaged in an attractive and user-friendly palm terminal represents a new breakthrough in the Swedish market.

Mobile rescue system for the Finnish Emergency Rescue Service

Sectra took its first step into the market for mobile emergency rescue systems with receipt of an order from the Finnish network operator Digita. Using Sectra's mobile emergency rescue system, Digita can provide alarm and warning information to the Finnish Emergency Rescue Service in real time. Sectra's mobile information terminal, CitySurfer®, is the platform for the service, which will cover all of Finland. This order, the initial stage of which covers the infrastructure, represents an important step in the emergency rescue systems market.

Sectra's mobile emergency rescue system makes it possible to transmit traditional text messages and distribute maps, building plans and other graphical information to facilitate rescue efforts. The system is a cost-effective tool for rescue services, since they need to be able to reach emergency personnel at all hours of the day and night. The system, which is DARC-based, is extremely secure and highly reliable. It improves the efficiency of rescue efforts and increases the safety of the emergency personnel, since accurate information about the accident site can be mediated wirelessly to each member of the rescue force.

Next generation of aircraft communication systems

During 2000 Sectra was contracted by the National Swedish Civil Aviation Administration to develop components for the next generation of aircraft communication systems in cooperation with the Swedish company CNS Systems, based on earlier activities in the aircraft communication field. The first func-



“The digital radio channel DARC is a highly cost-effective solution for disseminating information in real time.”



Photo: Tommy Säfström

tion tests of these components in an actual airport environment were conducted during the year. The results have been highly satisfactory.

The development work is based on the new standard for international air traffic, VDL Mode 4. Communication between aircraft is synchronized using GPS technology. The new system provides pilots with a complete graphical flight-position display that indicates where each aircraft is located in relation to the others. Ground vehicles can also be equipped to send and receive position indications, making it possible to monitor all types of traffic at an airport.

People are traveling more and more, which means that air traffic will increase over the long term. This will lead in turn to heavier

demands in terms of flight capacity. The new system based on this new technology enables more efficient use of air space, which in turn enables increased traffic capacity. The new standard for aircraft communication will also contribute to a substantial improvement in air safety.

Outlook

Sectra's wireless information products meet the needs of people for greater flexibility and mobile freedom. The market for wireless information services is growing. DARC gives Sectra a highly cost-effective solution for disseminating information in real time, and offers an excellent alternative to the pager networks that are currently being phased out. Sectra has important reference projects and

the strong expertise needed to lead the future development and sales of products and systems for DARC-based commercial services.

Sectra is among the first companies in the world to deliver equipment based on the new international standard for aircraft communication. However, commercialization of the system will be delayed due to current conditions in the aviation market.



Stay constantly updated with financial information in your pocket – a new service based on Sectra CitySurfer®

Stock advisors who inspire confidence have a bright future in the industry. When the market is volatile and stock prices are bouncing up and down, the advisor must be knowledgeable and furnish advice that has been thoroughly considered. This means that the stock advisor who is up to date on everything important that is happening to the companies he is watching will be a winner. He doesn't need to be able to provide all the details, but he has to know what's going on.

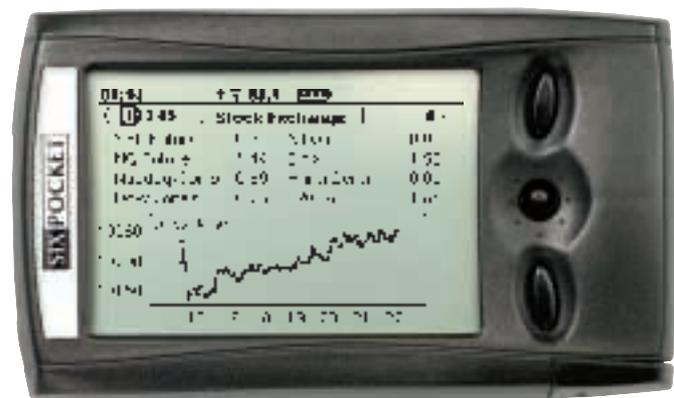
The time is 8:01 a.m. The phone rings. A major customer is calling to ask how Ericsson stock will be affected by the new order.

The customer will soon lose confidence in an advisor who answers "what order?" The customer doesn't expect his advisor to know everything that is happening in the market, but he does assume that his advisor will be up on the latest news on the particular company that he is calling to ask about. Stock advisors sit in front of a computer and monitor new developments as they come in from the news agency. A lunch date or a meeting may mean missing out on news that he will have to catch up on later.

Alternatively, the advisor could answer the caller's question directly by saying, for instance "the new order is so small that it is not likely to affect the stock price." To be able to give such an answer, he must have professional tools so that he has been able to read the news first.

News in real time

During the year, Sectra started a partnership with SIX to provide a new mobile financial service called "SIX Pocket." SIX is the leading provider of real-time financial information in



the Nordic region, and the platform for this new wireless service is Sectra's mobile information terminal – CitySurfer®. The new service sends stock quotes and financial news straight to the pockets of players in the financial markets. The 30 most recent news items are stored in SIX Pocket, and the user can read them in their entirety, not just the headlines.

"I often keep my CitySurfer® with me. For instance, it's great to be able to sit on the train and catch up on the latest news," says Carl Falkenberg, operations manager for SEB Bank in Östergötland, Sweden.

Instead of having to wait until you get to work and turn on your computer, SIX Pocket lets you read the latest news at breakfast, or on your way to work. Brokers and advisors can then analyze events and form an opinion before customers start calling them at work. They have time to consult with colleagues if a major story breaks, and they can do it all while traveling to work, or when they are on the road.

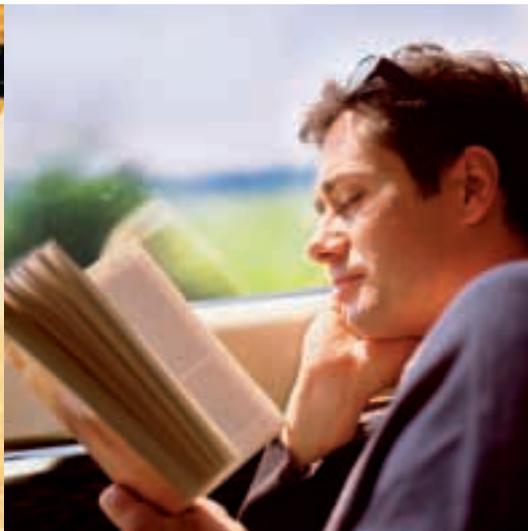
"When I meet with my customers, I'm expect-

ted to know what's going on with exchange rates and stocks. I'm often asked things such as 'how's the market doing today?' or "what's happening with Ericsson, has there been any news?" In such a situation it is a major plus to be up to date and able to comment," continues Carl Falkenberg.

For active private persons

In addition to the news service, SIX Pocket can also monitor stock price fluctuations and issue an alarm when any of the stocks entered in the personalized portfolio reaches a critical level. Because historic price data are also stored, the user can generate graphs and diagrams showing the evolution of the share price. Carl Falkenberg believes that private persons could also benefit from these services:

"Many of our customers take an active role, and need to be able to find out quickly what is happening in the currency exchange market and on the stock exchange. I'm convinced that SIX Pocket will be of interest to these people," says Carl Falkenberg.



Carl Falkenberg, operations manager for SEB Bank in Östergötland, Sweden.

There are a number of different options available on the market for people who don't want to be tied to their desks. You can order financial news sent to your pager, or you can read news pages on a mobile telephone with WAP capability. However, none of these options can compete seriously with SIX Pocket.

"I was using WAP services before, but they weren't always all that convenient," reports Carl Falkenberg. "WAP is a rather slow and expensive technology. With SIX Pocket, you just flip it on and the news appears on the screen."

In contrast to the pager option, SIX Pocket is updated in real time. This means that there is no lag between when news breaks and when it appears on your receiver. Nor do you have to do anything to retrieve the informa-

tion to your CitySurfer® – the news items pop up on the display automatically.

Avoid missing something important

Having your CitySurfer® with you all the time and being able to browse the latest news even on your free time is ultimately habit-forming. Some people may consider it stressful to have access to a continuous flow of news and stock price updates, but many find the situation to be quite the reverse. They avoid the stress of knowing that they may be missing something important. If you don't want an update, you don't have to get one, but the option is always there.

"It's easy to find yourself taking it along even when you are away from work, but it doesn't create any stress. It's there in your pocket, and you can look

at it whenever you need to. The option is always available, whenever you want it," concludes Carl Falkenberg.



Employees – Unique expertise in a stimulating work environment



Sectra develops high-technology products based on the latest research results. The expert role that Sectra plays in its relationships to customers requires that employees possess both extensive experience and cutting-edge expertise. In addition to mastering advanced technologies, they also need to have a sound knowledge of each customer's business, which

makes the expertise and commitment of our employee's vital to Sectra's success.

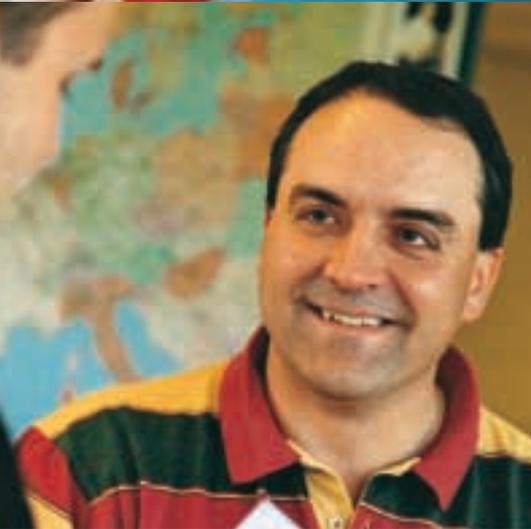
Stimulating work environment

It is essential for Sectra to attract, retain and cultivate skilled employees. Most of Sectra's operations are located in Mjärdevi Science Park near the Linköping University and

Institute of Technology, which facilitates our recruitment of new qualified employees. Sectra also offers university students an opportunity to complete a portion of their education at Sectra in the form of degree projects.



“Sectra’s success is founded on motivated employees with unique expertise working in an exciting international environment.”



Sectra is established in five other countries in addition to Sweden, and our business activities target customers in Europe, North America, Asia and Australia. This helps make it possible for our employees to work and grow in an exciting international environment.

As a growth company, Sectra is in an excellent position to offer its employees new chal-

lenges and opportunities for professional and personal growth and advancement in a stimulating work environment.

Participation in Sectra’s success

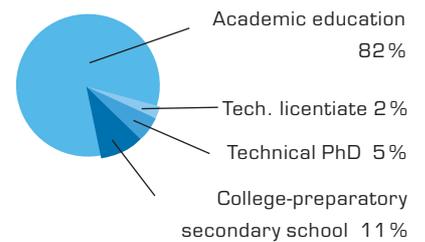
To increase the commitment and motivation of employees, it is also important for Sectra to offer participation in the company’s success. Sectra has consequently striven through the years to follow a compensation strategy that serves the best interests of both the company and its employees. In addition to bonus

“Smart people know when to ask other smart people.”

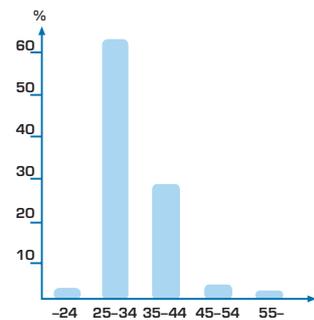
programs and other incentives, Sectra has systematically endeavored to distribute ownership among its employees through employee options and convertible debenture plans. As a result, a major part of the employees can be found as Sectra shareholders.

Expertise, education and training

Sectra employees possess unique expertise. Most of our employees are university graduates. Many of them have done post-graduate research work, acquiring highly specialized expertise in the IT field. Operations also benefit from the contributions of four professors and eleven technical PhDs.



Education level of employees.



Age distribution.

FACTS

No. of employees:	250 (185) of whom 63 (36) are women.
Staff turnover:	3.2 (9.7) %
Average age:	33 (33)
Value added /employee:	SEK 0.6 M (0.7)



The Sectra share

Sectra's series B share has been listed on the Stockholm Stock Exchange's O-list since March 1999. One round lot corresponds to 200 shares.

Share capital

Sectra's share capital as of April 30, 2002 totaled SEK 32,760,945, divided among 32,760,945 shares. Of these shares, 2,620,692 are series A shares, while 30,140,253 are series B shares. The par value of each share is SEK 1. All shares confer equal rights to the company's assets and earnings. Series A shares confer ten votes, while series B shares confer one vote at the Annual General Meeting.

The number of shares will increase to 33,881,845 upon full conversion and exercise of issued convertible debentures and employee options; see list on the following page. The maximum total dilution will be 3.4% of the share capital and 2.0% of the votes.

Share price evolution

The last price paid for Sectra shares as of April 30, 2002 was SEK 62 (43), corresponding to a total market capitalization of SEK 2 031 M. Compared with the close of the preceding fiscal year, Sectra's share price increased 44%. Affärsvärlden's general index fell 19% during the same period. The highest quotation for the Sectra share was SEK 64.50 on March 5, 2002, while the lowest quotation was SEK 27.00 on September 21, 2001.

Shareholders

The number of shareholders increased 7% during the fiscal year to 5 064 (4 571). The percentage of institutional and legal owners increased to 24% (17), and the ownership structure was strengthened by international

institutions such as Fidelity. Sectra's largest shareholders account for 67% (71) of the total share capital.

Dividend policy

The Sectra Board of Directors' basic premise is that the dividend should strike a balance between the desire for a direct return and the Company's need for capital for growth and internationalization. In the long term the Board intends for an average of 15–20% of the profit after tax to be distributed to the shareholders.

Convertible debentures

In October 2001, convertible debentures with a total par value of SEK 17.8 million were issued to Sectra's employees. Upon full conversion, the debentures will create 308,200 more series B shares in Sectra, corresponding to roughly 0.9% of share capital and 0.6% of the votes. The convertible debentures mature on July 1, 2004, and have a conversion price of SEK 57.70. Similar convertible debenture plans have existed in the past; see the list on the following page.

Employee options

An offer to subscribe for additional employee options was extended to Sectra's employees in the U.S. during the fiscal year. If these options are fully exercised, the employees will acquire a maximum of 80,000 series B shares in the Company, corresponding to roughly 0.3% of share capital and 0.1% of the votes. These options can be exercised through November 2004, and have an exercise price of SEK 42.

Analysts monitoring Sectra

A number of analysts monitor Sectra's growth and development on an ongoing basis, including the following:

Deutsche Bank

David Halldén Telephone +46 8 463 55 00

Enskilda Securities

Lars Sveder Telephone +46 8 52 22 95 24

Hagströmer & Qviberg

Hampus Brodén Telephone +46 8 696 20 47

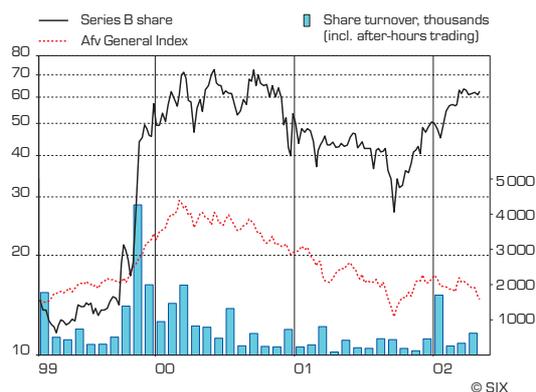
Nordiska Fondkommission

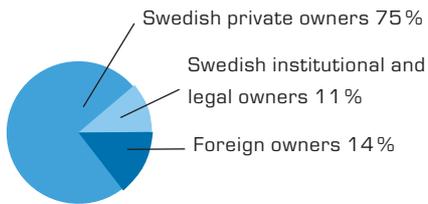
Daniel Djurberg Telephone +46 8 791 48 35

Redeye

Urban Ekelund Telephone +46 8 545 013 31

(See also key figures per share in the five-year overview on page 35.)





Owner category.

Progress of share capital

Year	Transaction	Par value	Increase in No. of shares	Total No. of shares	Increase in share capital	Total share capital
1995/96	Bonus issue	100.00	20 000	80 000	2 000 000	8 000 000
1996/97	Split 10:1	10.00	200 000	800 000	0	8 000 000
1996/97	Bonus issue	10.00	200 000	1 000 000	2 000 000	10 000 000
1997/98	Bonus issue	10.00	200 000	1 200 000	2 000 000	12 000 000
1997/98	New issue	10.00	880 143	2 080 143	8 801 430	20 801 430
1998/99	Bonus issue	10.00	419 857	2 500 000	4 198 570	25 000 000
1998/99	Split 4:1	2.50	7 500 000	10 000 000	0	25 000 000
1998/99	New issue	2.50	500 000	10 500 000	1 250 000	26 250 000
1999/00	New issue	2.50	420 315	10 920 315	1 050 787	27 300 787
2000/01	Bonus issue	3.00	0	10 920 315	5 460 158	32 760 945
2000/01	Split 3:1	1.00	21 840 630	32 760 945	0	32 760 945

Distribution of shares

Number of shares per shareholder	No. of shares	No. of shares	Votes, %	Capital, %
1-10 000	4 963	3 817 139	6.8 %	11.7 %
10 001-100 000	76	2 337 793	4.2 %	7.1 %
100 001-1 000 000	15	4 598 874	11.6 %	14.0 %
> 1 000 001	10	22 007 139	77.4 %	67.2 %
	5 064	32 760 945	100.0 %	100.0 %

Sectra's largest shareholders

Sectra's largest shareholders as of April 30, 2002 according to the share register kept by the VPC, plus subsequent changes known to Sectra:

	No. of A shares	No. of B shares	Total No. B shares	Votes, %	Capital %
Jan-Olof Brüer	638 059	3 719 303	4 357 362	17.9 %	13.3 %
Torbjörn Kronander	638 057	3 719 300	4 357 357	17.9 %	13.3 %
Frithjof Qvigstad	332 866	2 421 968	2 754 834	10.2 %	8.4 %
Fidelity Investments	0	1 639 500	1 639 500	2.9 %	5.0 %
Robert Forchheimer	202 203	1 348 104	1 550 307	6.0 %	4.7 %
Thomas Ericson	196 329	1 349 044	1 545 373	5.9 %	4.7 %
Viiveke Fåk	196 625	1 320 143	1 516 768	5.8 %	4.6 %
State Street bank and Trust Co	0	1 463 823	1 463 823	2.6 %	4.5 %
Ingemar Ingemarsson	196 316	1 228 499	1 424 815	5.7 %	4.3 %
Sjätte AP-fonden	0	1 197 000	1 197 000	2.1 %	3.7 %
Others (5 054)	220 237	10 733 569	10 953 806	23.0 %	33.5 %
Total	2 620 692	30 140 253	32 760 945	100 %	100 %

Summary

of convertible debentures

	1999/00	2000/01	2001/02
No. of series B shares	315 000	327 700	308 200
Conversion price, SEK	17.30	84.00	57.70
Conversion period	May 15–Jun 14 2002	May 15–Jun 14 2003	May 15–Jun 14 2004
Expiration	July 1, 2002	July 1, 2003	July 1, 2004
Dilution at full conversion, capital	1.0 %	1.0 %	0.9 %

Summary

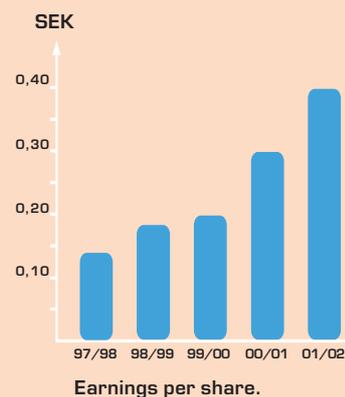
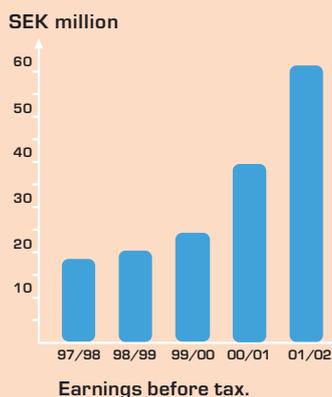
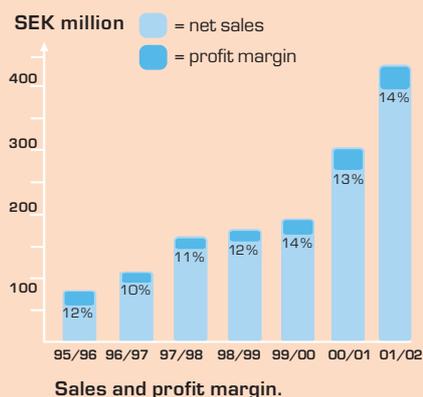
of employee options

	2000/01	2001/02
No. of series B shares	90 000	80 000
Exercise price, SEK	62	42
Exercise period	Jan 1, 2001–Nov 30, 2003	Jan 1, 2002–Nov 30, 2004
Exercised number of shares as of April 30, 2002	0	0
Dilution effect at fully exercise, capital	0.3 %	0.3 %

Five year summary

Amounts in SEK thousands unless otherwise stated

	2001/02	2000/01	1999/00	1998/99	1997/98
CONSOLIDATED INCOME STATEMENTS					
Net sales	426 310	291 643	191 567	182 923	162 521
Other operating income	-	80	846	960	-
Change work in progress	- 16 341	- 26 734	20 193	- 5 291	13 973
Operating expenses	- 342 980	- 219 824	- 180 371	- 154 333	- 155 205
Depreciation	- 6 841	- 6 335	- 6 184	- 3 491	- 3 696
Operating profit	60 148	38 830	26 051	20 768	17 593
Net financial items	1 253	509	1 609	991	714
Profit after financial items	61 401	39 339	27 660	21 759	18 307
Items affecting comparability	-	-	- 3 574	-	-
Earnings before tax	61 401	39 339	24 086	21 759	18 307
Income tax	- 21 113	- 11 601	- 7 886	- 4 929	- 5 151
Minority interest	142	-	-	-	-
Net earnings for the year	40 430	27 738	16 200	16 830	13 156
CONSOLIDATED BALANCE SHEETS					
Assets					
Intangible assets	11 033	12 609	16 327	-	100
Tangible assets	54 236	29 405	14 087	12 093	9 762
Cash and bank balances	130 439	87 401	42 450	32 916	13 151
Other current assets	165 760	119 431	102 052	88 996	55 596
Total assets	361 468	248 846	174 916	134 005	78 609
Equity and liabilities					
Equity	164 660	134 702	109 923	77 958	50 891
Provisions	11 610	8 440	6 558	4 623	2 973
Minority interest	- 112	-	-	-	-
Long-term liabilities	68 031	37 967	9 134	4 059	2 701
Current liabilities	117 279	67 737	49 301	47 365	22 044
Total equity and liabilities	361 468	248 846	174 916	134 005	78 609



KEY FIGURES	2001/02	2000/01	1999/00	1998/99	1997/98
Financial					
Working capital, SEK million	237.9	182.1	125.6	86.6	56.6
Liquidity ratio	2.6	3.3	3.2	2.8	3.5
Equity ratio, %	45.6	54.1	62.9	58.1	64.7
Debt ratio	0.45	0.29	0.08	0.05	0.05
Investments, SEK million	8.8	10,3	24.6	3.0	6.4
Profitability					
Gross margin, %	15.7	15.5	16.8	13.3	13.1
Operating margin, %	14.1	13.3	13.6	11.4	10.8
Profit margin, %	14.4	13.5	14.4	11.9	11.3
Earning capacity of total capital, %	21.2	18.6	17.1	20.9	25.4
Earning capacity of working capital, %	30.0	26.7	26.9	31.0	40.8
Earning capacity of equity, %	26.9	22.7	20.1	27.7	33.5
Employees					
No. of employees, average	221	182	156	123	111
No. of employees at end of period	250	185	166	133	123
Sales per employee, SEK million	1.9	1.6	1.2	1.5	1.5
Added value per employee, SEK million	0.6	0.7	0.7	0.7	0.6
Data per share					
No. of shares at fiscal year-end ¹⁾	32 760 945	32 760 945	32 760 945	31 500 000	30 000 000
Average number of shares	32 760 945	32 760 945	32 130 472	30 250 000	23 653 251
Equity per share, SEK	4.96	4.12	3.36	2.46	1.69
Equity per share after full conversion and exercise of personnel options, SEK	4.80	4.04	3.33	2.46	1.69
Cash flow per share	1.47	1.10	0.75	0.66	0.59
Earnings per share ²⁾ , SEK	1.23	0.85	0.51	0.56	0.56
Earnings per share after full conversion and exercise of personnel options, SEK	1.20	0.84	0.49	0.56	0.56
Dividend per share, SEK	0.40	0.30	0.20	0.17	0.14
Yield, %	0.7	0.7	0.3	1.3	-
P/E ratio, times	50.0	50.0	115.7	22.8	-
Share price, fiscal year-end, SEK	62.0	42.50	59.00	12.77	-

¹⁾ Adjusted for stock splits and bonus issues. ²⁾ Estimate based on average number of shares.

Administration report

The Board of Directors and President of Sectra AB (publ.), registration number 556064-8304, hereby issue the Annual Report and Consolidated Financial Statements for May 1, 2001 – April 30, 2002.

Business activities

Since the mid-1980s, Sectra has successfully developed and sold high-technology products within expansive niche segments in which Sweden is an early adopter and leads the technical development. Current operations include medical systems, secure communication systems and wireless information systems – three niches in which Sectra has the potential to achieve international leadership.

All systems and products are developed in close cooperation with customers. This approach, combined with Sectra's strong expertise in each market segment and close ties to research, has resulted in advanced products characterized by extremely high quality and user-friendliness.

Group structure

Sectra AB is the Parent Company in the Group, which comprises the wholly-owned operating subsidiaries Sectra Communications AB, Sectra Imtec AB, Sectra Wireless Technologies AB and a dormant company, Sectra Secure Transmission AB. Sectra Imtec AB has six wholly-owned operating subsidiaries: Sectra Radisoft AB, Sectra Norge AS, Sectra GmbH (Germany), Sectra A/S (Denmark), Sectra Italia S.r.l and Sectra North America Inc. Sectra Imtec AB is also a part-owner of Paxlink AB (70%).

Markets and important events

The **medical systems market** is in a strong

growth phase. More and more hospitals are opting to improve the efficiency of their operations by implementing digital systems. The countries that have advanced furthest in the transition to digital radiology systems are Norway, Sweden, the US and Germany. Today, Sectra has the largest share of installations in Scandinavia and the US (via partners). Market cultivation is also under way elsewhere in Western Europe.

During the year, Sectra continued its successful sales of medical systems, both in Sweden and internationally. The number of installations of Sectra's digital radiology systems increased, and the operations expanded in Western Europe and the US. Sectra strengthened its leading position in the Scandinavian market via several orders from hospitals, particularly in the Norwegian market. These contracts included one of the world's largest digital radiology solutions to the Mid-Norway Health Region.

Sectra also received the first order for its new digital mammography system, Sectra MicroDose Mammography™, from the Swedish hospital Helsingborgs Lasarett AB. The mammography system, which is developed in cooperation with Mamea Imaging AB, is based on a sensor technology that makes it possible to achieve the same high image quality of today's film-based systems, using a radiation dose that is five times lower. The results from tests of the system in a clinical environment indicate that the system maintains the quality and low dose levels seen earlier in a laboratory setting.

The market for **secure communications systems** within the defense sector are characterized by increased investment in IT systems while traditional defense investments are

declining. Internationally, the trend is toward a completely new defense structure with network-based information management. The flow of information in network-based defense will demand high security standards.

During the year, Sectra took its first steps into the NATO market in the area of secure communications systems. The NATO version of Sectra's eavesdrop-secure GSM telephone, Tiger® was approved for communications at the advanced NATO Secret security level. In conjunction with this approval, both the Norwegian and the German defense organizations ordered the NATO version of the system.

The long-term trend in the market for **wireless information systems** is that more and more people want access to mobile information in real time. However, this market is being negatively affected by the general market situation, with low investment volumes in the finance market and the aviation industry.

In the field of wireless information systems, Sectra continued to focus on systems for information services providing real-time data. Cooperation was begun with SIX, the leading supplier of financial information in the Nordic region, concerning a financial service based on Sectra's mobile information receiver, CitySurfer®. Sectra also made its first inroads into the market for mobile rescue systems with an order from the Finnish network operator Digita. Using Sectra's system, Digita will be able to provide the Finnish Rescue Services with real-time alarm and warning data.

The first function tests in an actual airport environment were completed in Sectra's new aircraft communications development project. The results indicate unique performance. The new system makes it possible to heighten security and increase the traffic capacity of the

airspace. However, the commercialization of the system will be delayed due to the current weakness in the airline market.

Sales and earnings

Consolidated net sales increased 46% to SEK 426.3 million (291.6). Consolidated earnings before tax rose 56% to SEK 61.4 million (39.3).

Parent Company revenues totaled SEK 57.0 million (46.4), while earnings before appropriations and tax totaled SEK 18.2 million (11.3).

Financial position

Sectra enjoys a solid financial position. The Company has an equity ratio of 45.6% (54.1) as of April 30, 2002, with liquidity at 2.6 (3.3). The Company's interest-bearing liabilities totaled SEK 74.3 million (38.0), of which 50.8 (33.0) were attributable to convertible debentures.

Investments

The Company's investments totaled SEK 8.7 million (10.3). Investments pertain mainly to acquisition of operations, computer equipment, vehicles and other equipment.

New companies in the Sectra Group

Sectra acquired the operations of the Danish company Pronosco A/S in February. This company develops and markets a system for diagnosing and monitoring the development of osteoporosis, an increasing problem in the western world. This acquisition strengthens and supplements Sectra's offering in the medical systems field.

During the year, Sectra started a new tele-radiology company, Paxlink AB, in coopera-

tion with the Örebro Innovation Center and a group of Swedish radiologists. The company offers Scandinavian hospitals support for reading digital radiology images in the case of temporary staff shortages or peak periods.

Associated companies

Sectra is a part-owner of Mamea Imaging AB (38%). The company develop the cutting edge technology on which the Sectra MicroDose Mammography™ system is based.

The Sectra share

Sectra's share capital as of April 30, 2002 totaled SEK 32,760,945, divided among 32,760,945 shares. Of these shares, 2,620,692 are series A shares, while 30,140,253 are series B shares. The par value of each share is SEK 1. All shares confer equal rights to the company's assets and earnings. Series A shares confer ten votes, while series B shares confer one vote at the Annual General Meeting.

The number of shares will increase to 33,881,845 upon full conversion and exercise of issued convertible debentures and employee options. The maximum total dilution will be 3.4% of the share capital and 2.0% of the votes.

Convertible debentures program and employee options

In October 2001, convertible debentures with a total par value of SEK 17.8 M were issued to Sectra's employees. Upon full conversion, the debentures will create 308,200 more series B shares in Sectra, corresponding to roughly 0.9% of share capital and 0.6% of the votes. The convertible debentures mature on July 1, 2004, and have a conversion price of SEK 57.70.

An offer to subscribe for additional employee options was extended to Sectra's

employees in the U.S. during the fiscal year. If these options are fully exercised, the employees will acquire a maximum of 80,000 series B shares in the Company, corresponding to roughly 0.3% of share capital and 0.1% of the votes.

See page 33 for more information about Sectra's convertible debenture program and employee options.

Employees

Sectra had 250 (185) employees at fiscal year-end, April 30, 2002. The employee turnover rate was 3.2% (9.7).

Activities of the Board of Directors during the year

Sectra's Board of Directors consists of four members elected by the Annual General Meeting, two employee representatives and two deputy members. Other senior Group executives make presentations to the meetings of the Board whenever they are deemed necessary.

In addition to its statutory meeting, the Board held eight ordinary meetings during the fiscal year. The meeting agenda items included business trends within the Group, year-end accounts, interim reports, financing, investments and budgets.

The Board of Directors has, as required by the provisions of the Swedish Companies Act, established a fixed agenda for the Board and instructions for the President. There are no special committees within Sectra's Board of Directors; all issues are addressed by the entire Board.

The June 2001 Annual General Meeting authorized the Board to adopt resolutions to issue a maximum of 3,276,095 new series B shares on one or more occasions before the next Annual General Meeting in order to finance any acquisitions with the Company's own stock. This authorization has not been exercised to date.

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 domestic market provides a solid platform for continued international expansion.

The Board's assessment that Sectra will continue to expand with favorable profitability remains valid.

Proposed allocation of profit

The Board of Directors and the President propose that the unappropriated earnings be distributed as follows:

Dividend (32,760,945 shares at SEK 0.40)	13 104 378
Earnings to be carried forward	48 857 570
Total	61 961 948

No transfer to restricted reserves has been proposed.

Please refer to the following Balance Sheets, Income Statements, Cash Flow Statements and appurtenant notes for additional information regarding the earnings and financial status of the Group and Parent Company.

Linköping May 27, 2002

Jan-Olof Brüer
Group CEO and President

Thomas Ericson
Chairman of the Board

Torbjörn Kronander
Board Member

Gündor Rentsch
Board member

Carl-Erik Ridderstråle
Board member

Jonas Lögdberg
Employee representative

Robin von Post
Employee representative

My Audit Report was submitted on June 14, 2002

Hans Franzén
Authorized Public Accountant

Income Statements

Amounts in SEK thousands	Note	Group		Parent company	
		2001/02	2000/01	2001/02	2000/01
Operating income	1				
Net sales		426 310	291 643	56 979	46 403
Change work in progress		- 16 341	- 26 734	-	-
Other operating income		-	80	-	-
Operating expenses					
Goods for resale		- 156 434	- 72 201	- 16 500	- 15 561
Personnel costs	2	- 127 974	- 99 456	- 6 878	- 5 566
Other external costs	3	- 58 572	- 48 167	- 13 738	- 11 855
Depreciation	8	- 5 265	- 4 759	- 1 791	- 2 167
Goodwill amortization	7	- 1 576	- 1 576	-	-
Operating profit/loss		60 148	38 830	18 072	11 254
Result from financial investments					
Net income from shares	4	138	7	138	7
Interest income		4 469	2 130	2 722	1 120
Interest expense	5	- 3 354	- 1 628	- 2 746	- 1 109
Profit/loss before appropriations		61 401	39 339	18 186	11 272
Appropriations	6	-	-	20 006	13 673
Earnings before tax		61 401	39 339	38 192	24 945
Income tax, paid		- 17 942	- 9 719	- 11 356	- 7 090
Income tax, deferred		- 3 171	- 1 882	-	-
Minority interest		142	-	-	-
Net earnings for the year		40 430	27 738	26 836	17 855

Balance Sheets

Amounts in SEK thousands	Note	Group		Parent Company	
		020430	010430	020430	010430
ASSETS					
Fixed assets					
Goodwill	7	11 033	12 609	-	-
Machinery and equipment	8	17 442	13 925	5 428	4 381
Participation in subsidiaries	9	-	-	8 978	8 978
Participation in associated companies	10	8 949	9 593	-	-
Other securities held as fixed assets		1 853	1 887	87	122
Receivables from group companies		-	-	-	18 000
Receivables from associated companies		25 992	4 000	21 992	-
Total fixed assets		65 269	42 014	36 485	31 481
Current assets					
Inventories		16 393	15 909	-	-
Work in progress	11	-	7 623	-	-
Accounts receivables		138 004	85 270	-	-
Receivables from group companies		-	-	148 715	103 656
Receivables from associated companies		2 398	-	-	38
Other receivables		3 029	1 937	72	19
Prepaid expenses and accrued income	12	5 936	8 692	2 192	1 293
Cash and bank balances		130 439	87 401	68 489	40 610
Total current assets		296 199	206 832	219 468	145 616
TOTAL ASSETS		361 468	248 846	255 953	177 097

Amounts in SEK thousands	Note	Group		Parent Company	
		020430	010430	020430	010430
EQUITY AND LIABILITIES					
Equity	13				
Restricted equity					
Share capital		32 761	32 761	32 761	32 761
Restricted reserves		59 568	52 059	26 030	26 030
Total restricted equity		92 329	84 820	58 791	58 791
Unrestricted equity					
Unrestricted reserves		31 901	22 144	35 126	27 099
Net earnings for the year		40 430	27 738	26 836	17 855
Total unrestricted equity		72 331	49 882	61 962	44 954
Total equity		164 660	134 702	120 753	103 745
Untaxed reserves	14	-	-	37 496	26 202
Provisions					
Deferred tax		11 610	8 440	-	-
Total provisions		11 610	8 440	0	0
Minority interest		- 112	-	-	-
Long-term liabilities					
Current account credit	15	-	1 601	-	-
Liabilities to financial institutions	16	22 721	3 379	21 096	1 779
Other long-term liabilities	17	45 310	32 987	45 310	32 987
Total long-term liabilities		68 031	37 967	66 406	34 766
Current liabilities					
Work on contract	11	8 718	-	-	-
Accounts payable		34 301	21 256	1 654	1 103
Liabilities to group companies		-	-	6 034	89
Tax liability		7 748	6 030	9 922	5 714
Other current liabilities	17, 18	19 818	9 004	11 666	3 886
Accrued expenses and deferred income	19	46 694	31 447	2 022	1 592
Total current liabilities		117 279	67 737	31 298	12 384
TOTAL EQUITY AND LIABILITIES		361 468	248 846	255 953	177 097
Pledged assets and contingent liabilities	20				
Pledged assets		103 038	69 400	16 000	16 000
Contingent liabilities		-	1 520	-	-

Cash Flow Statements

Amounts in SEK thousands	Group		Parent Company	
	2001/02	2000/01	2001/02	2000/01
CURRENT OPERATIONS				
Operating income	60 148	38 830	18 072	11 253
Adjustments for items not included in funds:				
Depreciation	6 841	6 335	1 791	2 167
Earnings from stock	138	7	138	7
Interest received	4 469	2 130	2 722	1 120
Interest paid	- 3 354	- 1 628	- 2 746	- 1 109
Paid income tax	- 17 942	- 9 719	- 11 356	- 7 090
Funds from current operations before changes to working capital	50 300	35 955	8 621	6 348
Changes in working capital				
Change in inventories	7 139	- 12 270	-	-
Change in receivables	- 53 468	- 5 109	- 45 973	- 31 710
Change in current liabilities	49 542	18 436	18 914	5 971
Funds from current operations	53 513	37 012	- 18 438	- 19 391
INVESTMENT ACTIVITY				
Acquisitions of tangible fixed assets	- 8 719	- 10 341	- 2 803	- 943
Funds from investment activity	- 8 719	- 10 341	- 2 803	- 943
FINANCING ACTIVITY				
Change in receivables	- 21 992	- 4 000	- 3 992	-
Change in liabilities	30 064	28 832	31 640	27 488
Dividend to the shareholders	- 9 828	- 6 552	- 9 828	- 6 552
Received group contribution	-	-	31 300	20 000
Funds from financing activity	- 1 756	18 280	49 120	40 936
Change in cash and bank balances				
Cash and bank balances at beginning of year	87 401	42 450	40 610	20 008
Cash and bank balances at year end	130 439	87 401	68 489	40 610
Unused overdraft facility	15 000	15 639	15 000	15 000

Accounting Principles

Amounts in SEK thousands unless otherwise stated.

General accounting principles

The Parent Company and consolidated financial statements have been prepared in accordance with generally accepted accounting principles. The Company follows the recommendations of the Accounting Commission and the Swedish Accounting Standards Council.

Consolidated financial statements

The consolidated financial statements have been prepared according to acquisition accounting in accordance with the Swedish Accounting Standards Council's recommendation 1:00. The consolidated financial statements include all the companies for which the Parent Company either directly or through subsidiaries controls more than 50 percent of the votes.

Associated company financial statements

Shareholding in associated companies, for which the group controls between 20 and 50 percent of the votes, is recorded according to the equity method.

Significant accounting principles

Assets, provisions and liabilities are reported at historical cost or nominal value unless otherwise stated.

Inventories

Stock is reported at the lower of cost or market value based on the first-in-first-out principle. Estimated obsolescence was taken into account. Costs for manufactured work in

progress and finished goods are comprised of direct production costs plus a reasonable surcharge for indirect costs.

Work in progress

Work in progress that was contracted for a fixed price is valued as direct costs incurred with a surcharge for indirect costs, minus revenues received. Profit and loss settlement for projects takes place successively. Concerning fixed price contracts the Group use income recognition successively due to the degree of completion. In case of estimated loss in uncompleted contracts the result of the year is charged the whole loss.

Depreciation and amortization

Depreciation and amortization according to plan are based on the historical cost and estimated service life of the assets. The following periods apply:

Goodwill	10 years
Office furniture	10 years
Equipment	5 years
Personnel computers	3 years

Receivables

Receivables are reported at the amount expected to be collected based upon individual assessment of the likelihood of payment.

Receivables and liabilities in foreign currency

Receivables and liabilities in foreign currency are converted at the closing rate. Exchange differences on current receivables and liabilities are included in operating income.

Taxes

Consolidated total tax expenses comprise paid tax and deferred tax. Deferred tax on untaxed reserves is calculated wherever applicable in accordance with the relevant country's tax rate.

Conversion of the financial statements of foreign subsidiaries.

The accounts of foreign subsidiaries were converted using the current method.

Inter-company transactions

100 % of the Parent Company's total sales related to other companies within the Group. Purchase were made from Group companies with 100 %.

Development costs

Development costs not associated with customer-specific projects are charged on a continuing basis. Customer-specific development costs are part of the project costs and are charged when accounts are settled.

Notes

NOTE 1 NET SALES BY AREA

Consolidated net sales by business area:

	01/02	00/01
Medical Systems	343 217	215 718
Secure Communication Systems	63 208	51 528
Wireless Information Systems	19 765	24 006
Others	120	391
Group total	426 310	291 643

Consolidated net sales distributed by geographical markets:

	01/02	00/01
Sweden	242 335	203 993
European Union	70 585	31 799
Other markets	113 390	55 851
Group total	426 310	291 643

NOTE 2 EMPLOYEES AND PERSONNEL COSTS

Average number of employees	01/02	of which female	00/01	of which female
Parent Company				
Sweden	12	7	11	6
Group				
Sweden	203	48	171	36
Norway	5	1	4	1
United States	6	1	5	1
Germany	4	-	2	-
Denmark	2	-	-	-
Italy	1	-	-	-
Group total	221	50	182	38

Terms for the Board of Directors, CEO and top management

Remuneration payable to Board members during 2001/2002 was two of a "basic amount" (specified by Swedish social insurance legislation) and three basic amount to the Chairman of the Board. In 2001, the basic amount was SEK 36.900. For the CEO, remuneration for 2001/2002 amounted to SEK 835 thousands. Pension benefits for the CEO and other top management are paid within the framework of the pension plan valid for all employees. The Company must give the CEO a period of notice of 12 months. The notice period from the CEO is 6 months. There are no special agreements regarding severance pay.

Salaries and other remuneration

	01/02		00/01	
	Board and CEO	Other employees	Board and CEO	Other employees
Parent Company				
Sweden	1 018	3 005	922	2 488
Group				
Sweden	3 760	66 375	3 137	52 840
Norway	650	2 627	557	1 236
United States	1 531	2 539	1 720	2 902
Germany	825	1 539	771	426
Denmark	172	815	-	-
Italy	431	55	-	-
Group total	7 369	73 950	6 185	57 404

Social security costs

	01/02		00/01	
	Board and CEO	Other employees	Board and CEO	Other employees
Parent Company				
Sweden	617	1 433	483	1 166
(of which pension costs)	(332)	(627)	(199)	(282)
Group				
Sweden	2 188	25 084	1 771	24 661
(of which pension costs)	(1 152)	(13 216)	(661)	(12 158)
Norway	157	1 077	45	133
(of which pension costs)	(90)	(598)	(27)	(80)
United States	151	428	175	295
(of which pension costs)	(85)	(217)	(106)	(156)
Germany	97	180	59	131
(of which pension costs)	(72)	(67)	(44)	(30)
Denmark	1	2	-	-
(of which pension costs)	-	-	-	-
Italy	223	27	-	-
(of which pension costs)	(128)	(17)	-	-
Group total	2 817	26 798	2 050	25 220

Audit fee

	Group	
	01/02	00/01
Audit	286	192
Consultations	172	52
Total	458	244

NOTE 3 COSTS FOR OPERATING LEASES

Annual leasing fees paid for operating leases equaled SEK 587 (439) thousand.

Agreed future leasing fees for operating leases are payable as shown below:

	Group		
	02/03	03/04	04/05
Cars	147	97	41
Other	143	-	-
Total	290	97	41

NOTE 4 EARNINGS FROM SHARES

	Group		Parent Company	
	01/02	00/01	01/02	00/01
Dividend	26	7	26	7
Earnings from sales of shares	112	-	112	-
Total	138	7	138	7

NOTE 5 INTEREST EXPENSE AND SIMILAR COSTS

	Group		Parent Company	
	01/02	00/01	01/02	00/01
Interest portion of annual costs of financial leases	291	144	-	-
Other interest expenses	3 063	1 484	2 746	1 109
Total	3 354	1 628	2 746	1 109

NOTE 6 APPROPRIATIONS

	Parent Company	
	01/02	00/01
Group contribution	31 300	20 000
Change in tax allocation reserve	- 11 294	- 6 505
Change in excess depreciation	-	178
Totalt	20 006	13 673

NOTE 7 GOODWILL

	Group		Parent Company	
	020430	010430	020430	010430
Cost at beginning of year	15 761	18 141	-	-
Re-classification	-	- 2 380	-	-
Accumulated purchase value	15 761	15 761	0	0
Amortization at beginning of year	3 152	1 814	-	-
Re-classification	-	- 238	-	-
Amortization for the year	1 576	1 576	-	-
Accumulated amortization	4 728	3 152	0	0
Residual value at year-end	11 033	12 609	0	0

NOTE 8 MACHINERY AND EQUIPMENT

	Group		Parent Company	
	020430	010430	020430	010430
Cost at beginning of year	26 588	22 123	14 181	14 359
Investments for the year	7 998	5 788	2 838	943
Sales/Disposals for the year	- 325	- 1 323	-	- 1 121
Acquisition of subsidiaries	34 261	26 588	17 019	14 181
Depreciation at beginning of year	14 935	11 888	9 800	8 754
Sales/Disposals for the year	- 133	- 1 241	-	- 1 121
Depreciation for the year	4 495	4 288	1 791	2 167
Accumulated depreciation at year-end	19 297	14 935	11 591	9 800
Residual value	14 964	11 653	5 428	4 381

Equipment not included under financial leases

is included in the following amounts:

Acquisition value	3 528	3 191	-	-
Accumulated depreciation	- 1 050	- 919	-	-
Total book value	17 442	13 925	5 428	4 381

NOTE 9 PARTICIPATION IN SUBSIDIARIES

	Registration number	Location	No. of shares	Share of capital, %	Par value	Book value at April 30, 2002
Parent Company:						
Sectra Imtec AB	556250-8241	Linköping, SE	300 000	100	3 000	2 883
Sectra Communications AB	556291-3300	Linköping, SE	3 000 000	100	3 000	3 000
Sectra Wireless Technologies AB	556570-9325	Linköping, SE	3 000 000	100	3 000	3 000
Sectra Secure Transmission AB	556247-1283	Linköping, SE	100 000	100	100	95
Total						8 978
Sectra Imtec AB:						
Sectra Radisoft AB	556483-9479	Örebro, SE	4 035	100	100	21 016
Paxlink AB	556572-3292	Örebro, SE	700	70	100	350
Sectra Norge AS		Oslo, NO	5 000	100	NOK 500	283
Sectra NA Inc		Shelton, US	500	100	USD 50	384
Sectra GmbH		Aachen, DE	500	100	EUR 26	219
Sectra Italia S.r.l.		Milano, IT	500	100	EUR 50	453
Sectra A/S		Roskilde, DK	5 000	100	DKK 100	639
Total						23 344

NOTE 10 PARTICIPATION IN ASSOCIATED COMPANIES

	Registration number	Location	No. of shares	Share of capital, %	Par value	Book value at April 30, 2002
Mamea Imaging AB	556570-7022	Stockholm, SE	4 000	38	68	8 949
Total						8 949

NOTE 11 CONTRACTED WORK IN PROGRESS

	Group	
	020430	010430
Expenditure on work in progress	241 508	122 126
Interim invoicing deducted	- 250 226	- 114 503
Total	- 8 718	7 623

NOTE 12 PREPAID EXPENSES AND ACCRUED INCOME

	Group		Parent Company	
	020430	010430	020430	010430
Prepaid rental	1 158	529	840	372
Accrued interest income	1 679	789	1 085	475
Prepaid support agreements	294	1 058	-	67
Other items	2 805	6 316	267	379
Total	5 936	8 692	2 192	1 293

NOTE 13 EQUITY

Group	Share capital	Restricted reserves	Unrestricted capital	Earnings for the year
At beginning of year	32 761	52 059	22 144	27 738
Resolution by the AGM:				
Dividend				- 9 828
To be carried forward			17 910	- 17 910
Change to restricted reserves		8 153	- 8 153	
Share of equity		- 644		
Net earnings for the year				40 430
At year end	32 761	59 568	31 901	40 430

Parent Company

	Share capital	Share premium reserve	Legal reserve	Retained earnings	Earnings for the year
At beginning of year	32 761	25 880	150	27 099	17 855
Resolution by the AGM:					
Dividend					- 9 828
To be carried forward				8 027	- 8 027
Net earnings for the year					26 836
At year-end	32 761	25 880	150	35 126	26 836

NOTE 14 UNTAXED RESERVES

	Parent Company	
	020430	010430
Tax allocation reserves:		
Allocated fiscal year 97	-	2 325
Allocated fiscal year 98	2 560	2 560
Allocated fiscal year 99	3 483	3 483
Allocated fiscal year 00	3 160	3 160
Allocated fiscal year 01	4 400	4 400
Allocated fiscal year 02	8 328	8 328
Allocated fiscal year 03	13 619	-
Excess depreciation	1 946	1 946
Total	37 496	26 202

Of total untaxed reserves, SEK 10,499 (7,336) thousand is deferred tax.

NOTE 15 BANK OVERDRAFT FACILITY

	Group		Parent Company	
	020430	010430	020430	010430
Total overdraft facility	15 000	17 240	15 000	15 000
Amount unutilized	- 15 000	- 15 639	- 15 000	- 15 000
Amount utilized	0	1 601	0	0

NOTE 16 OTHER LIABILITIES TO FINANCIAL INSTITUTIONS

	Group		Parent Company	
	020430	010430	020430	010430
Due 0–5 years from fiscal year-end	16 078	3 379	1 812	1 779
Of which refers to financial leases	1 626	1 600	-	-
Due more than 5 years from fiscal year-end	6 643	-	-	-

NOTE 17 CONVERTIBLE DEBENTURES

	Group		Parent Company	
	020430	010430	020430	010430
Convertible debentures 99/02	5 460	5 460	5 460	5 460
Convertible debentures 00/03	27 527	27 527	27 527	27 527
Convertible debentures 01/04	17 783	-	17 783	-
Total	50 770	32 987	50 770	32 987

The convertible debentures are subject to an annual interest-rate of 4 %. The convertible debentures 1999/2002 mature on July 1, 2002. Conversion to series B shares can be made May 15 – June 14, 2002. The convertible debentures 2000/2003 mature on July 1, 2003. Conversion to series B shares can be made May 15 – June 14, 2003. The convertible debentures 2001/2004 mature on July 1, 2004. Conversion to series B shares can be made May 15–June 14, 2004. Upon full conversion, Sectra would have an additional 951,500 series B shares corresponding to 2.9 % of the share capital and 1.7 % of the votes.

NOTE 18 OTHER CURRENT LIABILITIES

Of other current liabilities in the Group at April 30, 2001 SEK 852 (823) thousand refers to financial leases.

NOTE 19 ACCRUED EXPENSES AND DEFERRED INCOME

	Group		Parent Company	
	020430	010430	020430	010430
Accrued social security fees	10 553	8 085	570	511
Accrued vacation pay	12 873	12 224	614	551
Prepaid support agreements	2 325	1 788	-	-
Accrued debts to suppliers	10 722	1 324	-	-
Other items	10 221	8 026	838	530
Total	46 694	31 447	2 022	1 592

NOTE 20 PLEDGED ASSETS AND CONTINGENT LIABILITIES

	Group		Parent Company	
	020430	010430	020430	010430
Chattel mortgages	71 761	47 800	11 000	11 000
Bank accounts	31 277	21 600	5 000	5 000
Total pledged assets	103 038	69 400	16 000	16 000

Guarantee commitments	-	1 520	-	-
Total contingent liabilities	0	1 520	0	0

Board of Directors, Group Executive Board and Auditors



From left to right: Robin von Post, Carl-Erik Ridderstråle, Jan-Olof Brüer, Thomas Ericson, Gündor Rentsch, Torbjörn Kronander, Jonas Lögdberg.

Thomas Ericson

Born 1942. Member of the Board and Chairman since 1984. Professor of Data Transmission at Linköping Institute of Technology.

Shareholding in Sectra: 196,329 A shares and 1,349,044 B shares. Convertible debentures SEK 459,800.

Jan-Olof Brüer

Born 1951. Ph. D. Member of the Board since 1982. CEO and President Sectra AB since 1985.

Shareholding in Sectra: 638,059 A shares and 3,719,303 B shares. Convertible debentures SEK 2,390,800.

Torbjörn Kronander

Born 1957. Ph. D. Member of the Board since 1988. President Sectra Imtec AB since 1997 and vice president Sectra AB since 1998.

Member of the Board of Bäver & Nilsson AB. Shareholding in Sectra: 638,057 A shares and 3,719,300 B shares. Convertible debentures SEK 2,390,800.



From left to right:
**Dick Ollas, Helena Johansson,
 Kjell Norin, Tommy Waszkiewicz.**

Gündor Rentsch

Born 1941. M. Pol. Sc. Member of the Board since 1994. Member of the boards of WM-Data AB, Streamserve Inc, Readsoft AB, Atea Holding AB and MA-System AB and others. Shareholding in Sectra: 250,000 B shares. Convertible debentures SEK 2,380,400.

Carl-Erik Ridderstråle

Born 1942. Tech.lic. Member of the Board since 2001. CEO BT Industries AB. Chairman of Hultdin System AB and member of the board of KMT AB. Shareholding in Sectra: 16,500 B shares. Convertible debentures SEK 1,788,700.

Robin von Post

Born 1973. M. Sc. Employee representative since 1999. Project Manager Sectra Wireless Technologies AB. Employee since 1997. Shareholding in Sectra: 1,409 B shares. Convertible debentures SEK 999,300.

Jonas Lögdberg

Born 1964. M. Sc. Employee representative since 2000. Sales Support Manager Sectra Imtec AB. Employee since 1990. Shareholding in Sectra: 30,140 B shares. Convertible debentures SEK 161,700.

Deputy members of the Board of Directors

Jonas Wiklander

Born 1970. M. Sc. Employee representative since 1999. Project Manager Sectra Communications AB. Employee since 1995. Shareholding in Sectra: 104 B shares. Convertible debentures SEK 731,600.

Helene Fogelberg

Born 1969. Tech. lic. Employee representative since 2001. Project Manager Sectra Imtec AB. Employee since 1997. Shareholding in Sectra: 7,209 B shares.

Group Executive Board

Jan-Olof Brüer

CEO and President Sectra AB. Further details under Board of Directors.

Torbjörn Kronander

President Sectra Imtec AB and vice president Sectra AB. Further details under Board of Directors.

Dick Ollas

Born 1968. President Sectra Wireless Technologies since 1999. Employee since 1993. Shareholding in Sectra: 26,740 B shares. Convertible debentures SEK 1,004,800.

Tommy Waszkiewicz

Born 1963. President Sectra Communications AB since February 1, 2002. Employee since 1990. Shareholding in Sectra: 221,478 B shares. Convertible debentures SEK 847,000.

Kjell Norin

Born 1944. Financial Controller Sectra AB since 1998. Shareholding in Sectra: Convertible debentures SEK 584,800.

Jan Johansson

Born 1972. IT Coordinator Sectra AB since 1999. Shareholding in Sectra: Convertible debentures SEK 642,500.

Helena Johansson

Born 1970. PR Manager Sectra AB. Employee since 1993. Shareholding in Sectra: 7,009 B shares. Convertible debentures SEK 112,800.

Auditor

Hans Franzén

Born 1946. Authorized public accountant, Lindebergs Grant Thornton AB. Auditor for Sectra since 1998.

Deputy Auditor

Ivar Verner

Born 1947. Authorized public accountant, Lindebergs Grant Thornton AB. Deputy Auditor for Sectra since 2000.

Auditor's Report

To the general meeting of the shareholders of Sectra AB (publ),
registration number 556064-8304

I have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of Sectra AB (publ) for the financial year 1 May 2001 – 30 April 2002. These accounts and the administration of the company are the responsibility of the board of directors and the managing director. My responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on my audit.

I conducted my audit in accordance with generally accepted auditing standards in Sweden. Those standards require that I plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director, as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for my opinion concerning discharge from liability, I examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any

board member or the managing director. I also examined whether any board member or the managing director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. I believe that my audit provides a reasonable basis for my opinion set out below.

The annual accounts and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and, thereby, give a true and fair view of the company's and the group's financial position and results of operations in accordance with generally accepted accounting principles in Sweden.

I recommend to the general meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Linköping June 14th 2002
Hans Franzén
Authorized public accountant

Definitions of key figures

Gross margin Operating profit before depreciation as a percentage of sales.

Yield Dividend as a percent of share price.

Equity Equity includes 72 percent of untaxed reserves.

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

Added value Operating profit plus labor costs. Labor costs are calculated as wage costs with the addition of the 50 percent model for social charges etc.

Liquidity Current assets divided by current liabilities.

P/E Share price at the end of the year divided by earnings per share.

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

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

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

Operating margin Operating profit after depreciation as a percentage of sales.

Debt ratio Interest-bearing debts divided by equity.

Equity ratio Equity as a percentage of total assets.

Capital employed Total assets reduced by non-interest-bearing debts.

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

Profit per share Profit after tax divided by the number of shares.

Where to find Sectra



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