

Annual Report 1999–2000



SECTRA

Annual meeting

The general meeting of shareholders in Sectra AB (publ) will be held at 4:00 PM on July 5 at Collegium in Linköping, Sweden.

Dividend

For fiscal year 1999/2000, a dividend of SEK 0.60 per share is proposed. The proposed record date for the dividend is Monday July 10, 2000. If the shareholders' meeting adopts the proposal, VPC is expected to pay the dividend on July 13, 2000.

Future reports

- May–July 2000 Interim Report
September 12, 2000
- May–October 2000 Semi-Annual Report
December 12, 2000
- May 2000–January 2001 Interim
Report March 6, 2001
- Preliminary Earnings for 2000/2001
May 29, 2001

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1999/2000 in Brief

Sectra is a powerhouse for cutting edge, innovative IT-solutions within infocom and medtech.

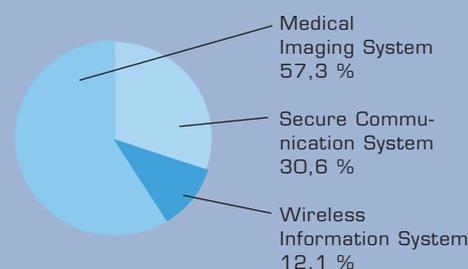
- Sales reached SEK 191.6 million, up 4.7 %.
- Earnings before tax rose 18.0 % to SEK 25.1 million.
- Through acquisition of RadiSoft AB Sectra strengthened the range of products for medical imaging systems. RadiSoft is a leader in the Scandinavian market for radiology information systems (RIS) and administrative IT systems for mammography screening.
- Sectra was entrusted by the Norwegian armed forces to develop a Norwegian version of the Tiger phone – the largest export order in Sectra's history. Furthermore, the first sales to both corporate and international customers has taken place.
- Sectra received an order for financial networking from a Swiss financial institution. The backbone of the system is a pocket receiver designed for mobile Internet in real time over the FM network.

Sectra in Brief

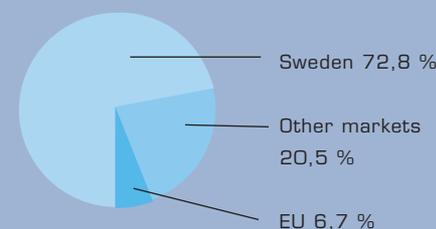
Since the mid-1980s, Sectra has successfully developed and sold advanced medical IT and telecommunication products. Today, the business includes systems and products in expanding markets for medical imaging systems, secure communication systems and wireless information systems.

Sectra is located in Mjärdevi Science Park in Linköping, Sweden, and evolved from research done at Linköping University. Business is conducted in four countries, employing a total of 166 people. Since March 1999, Sectra's shares have been quoted on the O list of the OM Stockholm Exchange.

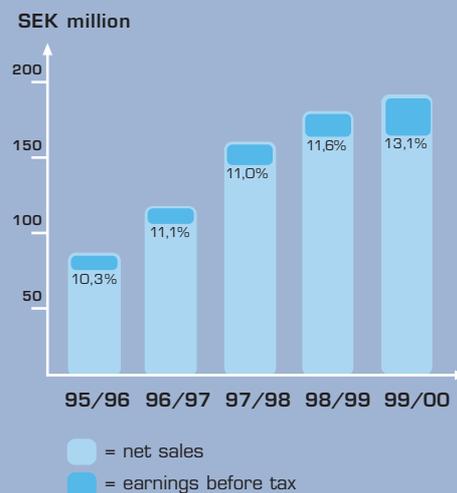
Consolidated net sales by business area.



Consolidated net sales by geographical markets.



Consolidated net sales and profit before tax.



Message from the President

In fiscal 1999/2000, Sectra continued to make good progress. Records were set for sales and earnings, while major effort was focused on developing new products and systems. In all three lines of business – medical imaging systems, secure communication systems and wireless information systems – we conducted new development projects that were completed during the fiscal year. Our markets evolved and grew as anticipated during the year, with one exception: The extensive change in course by the Swedish armed forces led to low activities in that segment.

The fact that we are now listed on the stock exchange has proven extremely fortunate. Our information has had a greater impact on the market, our business contacts have broadened and we were able to carry out a strategic acquisition that would have been impossible otherwise.

Our goal is greater internationalization. We choose those market niches where we can attain a position among the three or five largest players in the world market. We attain such a position by acting on our own as well as by collaborating with strong allies which have existing customer bases in the markets we are targeting.

Sales and earnings

In fiscal 1999/2000, earnings advanced 18,0 %, to SEK 25.1 million, and sales reached SEK 191.6 million, up 4.7 %. Hence, once again we met our strategic growth objective: to attain a growth rate of at least 30 % annually on ave-

rage over a seven-year period. During the most recent seven-year period, we grew 37 % annually. We have expanded while maintaining a sound financial position. Our equity ratio was 62.9 % at the end of the fiscal year.

We stand prepared to meet the expanding market with several systems and products embodying extremely sophisticated technology.

For medical imaging systems, in the Swedish market we continued to win the trust of new and old customers. In addition, extremely strong interest came from the North American market after we launched our next-generation PACS in conjunction with the RSNA medical x-ray technology conference in Chicago in December 1999.

During the year, we further bolstered our product range by acquiring the Swedish company RadiSoft AB, the Scandinavian leader in radiology information systems (RIS). Now we have an integrated system containing PACS and RIS, which gives our customers easy-to-use and efficient IT support.

For secure communications systems, we refined and launched an international version of our secure telephone Tiger. The phone provides voice and data communication over GSM, DECT and conventional telephone networks with security from wiretapping. The first handsets have been delivered to users in the military and at government agencies.

A major breakthrough came in the autumn of 1999, when we were entrusted by the Norwegian armed forces to develop a Norwegian version of the Tiger phone. This gives us the opportunity to supply our secure phone to a NATO country. Furthermore, the first sales to both corporate and international customers has taken place.

In wireless information systems, we delivered prototype units for a new generation of radio system for the future aircraft-positioning system. With this new technology, aircraft will be able to fly closer to one another, so that flight capacity can expand in the future.

We also have developed a system, on behalf of a Swiss financial services company, for distributing financial information. The backbone of the system is a pocket receiver by the name Sectra Fortuner that was specially designed to receive information from the Internet. The system makes it possible to provide real-time information continuously in any region where conventional FM radio can be heard.

Research and development

Our investments in research and development kept increasing. In the past year, we conducted more development projects than ever in the history of the Company. Our strategy is to develop systems and products in close cooperation with customers who have extremely exacting demands.



In conjunction with the 15th anniversary of Mjärdevi Science Park, in October 1999 Sectra was visited by His Royal Highness Carl XVI Gustaf and the President of Slovenia Milan Kucan. Guests tested Tiger, the Company's secure GSM phone, and saw how the digital image processing system Sectra PACS works.

We have the solid technical foundation required to develop the products and systems demanded by the market.

Collaboration with universities continued on several research projects, and some of our products have been furnished with unique technical solutions. In work on quality and methods, our efforts to streamline the installation process for large systems proved successful.

Electronics prize

This year, we received the 1999 Electronics prize, a prize awarded to the high-technology company in Sweden that has best succeeded in the launch of one or more new products during the year and at the same time has achieved excellent profitability. The jury composed of representatives from the magazine Elektronik i Norden, the Swedish Association of Electronics Industries and the Association of Instrumentation and Measurement Techniques commented: *"With its high-technology products in the business areas film-free x-ray, encryption and radio-based data transmission, Sectra has achieved outstanding success and established itself as one of the foremost companies in these niches in the world market. With definiteness of purpose, Sectra has developed products for which there is a large market and thus succeeded in combining technology with business.*

Sectra is a stable company with excellent profitability. Its strong position in the world market, combined with the market's accelerating pace of growth, lead us to conclude that Sectra has superb prospects for the future."

The future

I believe that volumes in the niches where we are active will grow during the next 10 years. In medical care, the use of PACS is spreading, and the international market is maturing. Numerous countries are starting to demand the systems that we can show already in use in Sweden. Now that the healthcare sector has navigated through the year-2000 transition, many hospitals are choosing to boost efficiency in activities by introducing PACS systems.

The market for secure communication was stagnant in 1999/2000. However, the Swedish armed forces plan to invest in efficiency-enhancing IT systems, which holds great potential for us. We have unique possibilities for offering systems with well-integrated, reliable security from the very start. In addition, our secure GSM phone Tiger is ready to take on the international market.

The need for information on the run is increasing, and our wireless information systems have an extremely promising future, as we can offer especially cost-effective systems for distributing information in real-time.

Hence, we look forward to continuing to develop our business based on the close and cordial relationships we

have with existing customers, so that modern information technology will be beneficial to current and future customers.

I would also like to take this opportunity to thank all employees who, through their great efforts, have made it possible to achieve good results in 1999/2000!

Linköping, May 25, 2000

Jan-Olof Brüer
President and Chief Executive Officer

Jan-Olof Brüer, President and Chief Executive Officer





Sectra – a High-Technology IT Company

Business activities

Since the mid-1980s, Sectra has successfully developed and sold advanced medical technology and telecommunication products. Today, the operation includes three business areas: medical imaging systems, secure communication systems and wireless information systems.

Sectra's strategy is to be active in expanding niches where the company has a comfortable technological lead. In these niches, Sectra develops systems and products that give the customers higher quality and lower costs.

By combining lines of business, Sectra can provide customers, staff, business partners, and shareholders with the same security, stability and long-term approach as large companies. At the same time, Sectra's organization gives it the advantages of a small

company, such as proximity to customers and sensitivity to their needs.

Group structure

Sectra's three business lines are organized in the companies Sectra Communications AB, Sectra Imtec AB and Sectra Wireless Technologies AB. Sectra Imtec has subsidiaries in Sweden, Norway, Germany and the United States.

History

Sectra was formed in 1978 by Professor Ingemar Ingemarsson and three of his doctoral students at the Linköping Institute of Technology. Business activities began as a sideline to the founders' academic research, at first primarily consulting on data security and image coding. Of Sectra's founders, three are still associated with

the company as advisers and shareholders.

In the mid-1980s, Sectra drew up new guidelines for its future operations and left the consulting business to concentrate on developing and selling products and system solutions. Since then, Sectra's business has enjoyed excellent development.

Vision

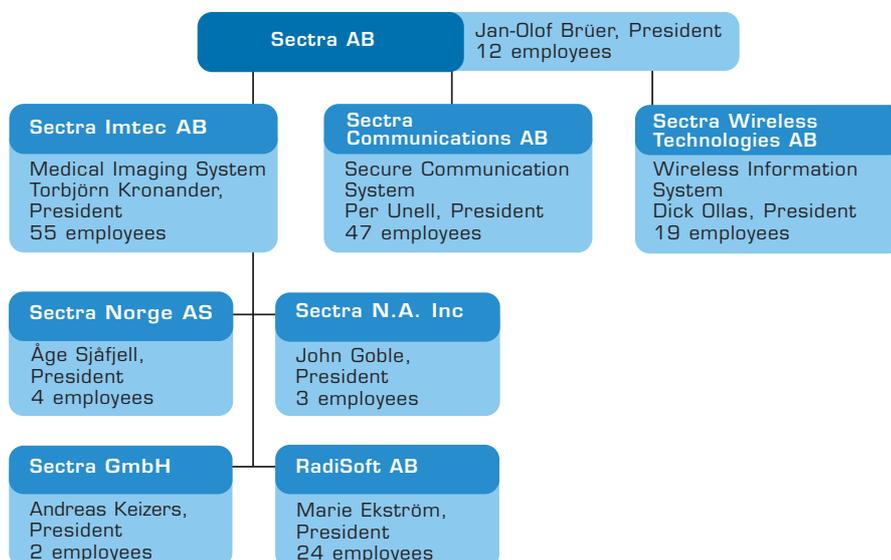
All businesses will work with new technical solutions at the cutting edge of information technology. All Sectra products and systems must have the potential to become international leaders in their niche markets. All activities must contribute to strengthening Sectra's financial position and brand.

Objectives

- To have an average annual growth of 30 % over a seven-year period.
- To achieve a profit margin of 10%.
- To establish a strong global brand.
- To offer a stimulating work environment.
- To ensure long-term appreciation of the stock price.

Strategies

- To develop all products in close collaboration with clients.
- To find the most qualified customers in order to ensure that systems and products satisfy the most exacting demands on performance, quality and user-friendliness in the market.
- To recruit and develop highly qualified employees.





- **1999 May** Operations in wireless information systems are transferred to the new subsidiary Sectra Wireless Technologies AB.
- **1999 Mar** Initial public offering, listing on the OM Stockholm Exchange's O list.
- **1998 May** Establishment of Sectra GmbH in Germany.
- **1998 Feb** Operations in secure communications systems are transferred to the new subsidiary Sectra Communications AB.
- **1997 Feb** Establishment of Sectra North America Inc.
- **1996 May** Operations in medical imaging systems are transferred to the new subsidiary Sectra Imtec AB.
- **1995 Sept** Establishment of Sectra Norway AS.
- **1994** Acquisition of Imtec AB, now wholly integrated in Sectra's medical image processing business.
- **1978** Sectra was formed.

- To strive for modular design of products.
- To outsource everything that is not core technology or strategic expertise.

Employees

Sectra develops high-technology products based on the latest results of research. The expert role that Sectra plays in its relationships with customers requires that employees have solid experience and special know-how. Apart from mastery of advanced technologies, thorough knowledge of each customer's business is necessary. The

competence and commitment of employees are thus crucial to the Company's success.

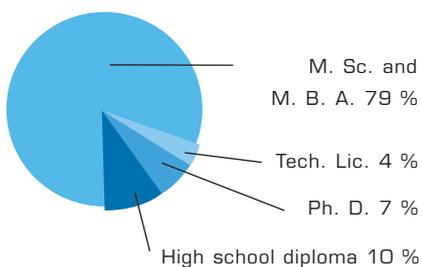
It is vital that Sectra attract, retain, and continuously develop skilled employees. The majority of Sectra's operations are in Mjärdevi Science Park, close to the Linköping Institute of Technology, which facilitates the recruitment of qualified engineers. As a growing business, Sectra can offer its employees the chance to develop their skills and the stimulation of new challenges in a work environment that promotes both professional and personal development.

Participation in the company's success deepens the commitment and motivation of employees. This is why for some years Sectra has spread ownership among employees through stock option and convertible debenture programs. Sectra intends to continue with these.

Employees at Sectra represent a rare combination of expertise. The majority of the employees are Master's

level engineers. Sectra also has a large number of employees who have conducted postgraduate research and acquired highly specialized knowledge in the field of IT. Operations also benefit from the contributions of four professors and eight technical doctors who hold doctoral degrees in engineering sciences.

Education level of employees.



FACTS

At fiscal year-end, April 30, 2000, Sectra had 166 employees, 33 more than one year previous. The acquisition of RadiSoft AB added 19. Employee turnover during the year was 9,8 % (8.0) and the average age is 32.



Medical Imaging Systems

Sectra's operations in medical imaging systems are carried out in the wholly owned subsidiary Sectra Imtec. The business concept is to increase the efficiency of health care with the help of advanced IT while maintaining or improving quality. Business activities focus on imaging and information systems for x-ray departments.

Sectra's end-customers are private and public hospitals primarily in Scandinavia, Western Europe and the United States. The biggest source of revenue is sales of licenses for systems to film-free radiology departments. An increasing share of the revenue comes from the after-market in the form of add-on sales to, maintenance services for and upgrade agreements with current clients.

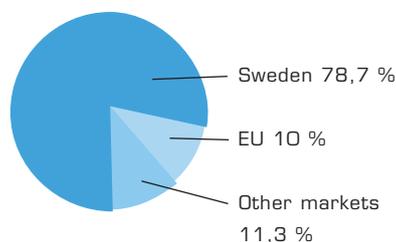
Sectra Imtec has subsidiaries - apart from Sweden - in Norway, Germany and the United States. In the U.S. market, Sectra has chosen not to sell directly on its own but to collaborate with Philips Medical Systems, one of the world's largest suppliers of x-ray equipment. Philips also sells Sectra's systems worldwide and outside the United States, this combination has been most successful in Germany and Holland.

department as well as a large hospital complex.

All systems and products by Sectra are developed in close collaboration with end-users. This ensures that systems fulfill customers' exacting demands on quality, performance and user-friendliness. Consequently, Sectra Imtec works closely with hospitals all over Europe and in the United States. This has resulted in solutions that function smoothly and integrate well with other IT systems at hospitals.

When hospitals are looking for a supplier of IT systems that are critical to their operations, it is vital for the supplier to offer systems that have proved functional and stable at good reference installations, above all in the supplier's own country. This is why Sectra has worked systematically for many years to build up a base of reference installations in key markets. These efforts will continue in fiscal 2000/2001. Astrid Lindgren's Children's Hospital in Stockholm, all hospitals in Örebro County, Sweden, Riverside Medical Center outside of Los Angeles, Carolus den Bosch in Holland and Klinikum Deggendorf in Germany are a few of the hospitals at the forefront of health-care technology that no longer use x-ray film, thanks partly to Sectra's system.

Net sales by geographical markets.



Sectra is a market leader in Scandinavia and one of the world's leading suppliers of IT systems for digital radiology. Today, there are installations of Sectra's medical imaging systems, Sectra PACS, at hospitals all over the world.

Success factors

Sectra is one of the few companies today offering an extremely modular yet complete system solution comprising clients and servers as well as system integration and communication with systems sold by other suppliers. The systems can be adapted for a small

Expanding market for digital radiology

As the proportion of elderly in the populations of Western countries steadily expands, the costs of health care will

FACTS

Sectra Imtec AB

Business: Medical image processing system

Business concept: To increase the efficiency of health care with the help of advanced IT while maintaining or improving quality.

Sales: SEK 109,8 million

Export: 21 %

Subsidiaries: Sweden, Norway, Germany and the United States

Number of employees including subsidiaries: 88

President: Torbjörn Kronander

"PACS has rapidly established itself as a cost-effective alternative to traditional film-based image processing."

inevitably grow. In the first decades of the 21st century, the situation will worsen, especially in countries where a large part of the population was born in the 1940s. As health care is organized today, and with its current resources, it cannot possibly manage the exploding demand, except by substantially boosting the efficiency of operations.

The need to be more efficient is something that will entail sizable investment in support systems, especially in IT. About 50% of all hours worked in health care are still devoted to administration and document management. New working methods and technology can contribute to savings in time and money as well as improvements in quality. In x-ray departments, film processing is an administrative task that virtually can be eliminated by using IT support.

Hospital x-ray departments have long used traditional film-based techniques, which entail manually hanging, distributing, and archiving x-rays. In recent years, as technology has made rapid progress, digital film-free image systems have increasingly begun to replace traditional technologies. This has meant growth in the international market for digital radiograph systems, PACS. Growth rates and degrees of penetration differ among markets, depending greatly on differences in the countries' economic growth, how rapidly new technology is adopted, and the structure of the country's health care system. Hospitals in Sweden and, subsequently, the United States have

advanced furthest in the transition to film-free image processing.

In Sweden, generally speaking all hospitals have far-reaching plans to digitize their radiology activities. In the United States, market growth is strong, as the huge investments in Y2K safeguards are now completed. Generally speaking, all new hospitals in the Western world are designed for film-free operation.

Sectra's strong position in its domestic market and its strategically important foreign reference installations provide the company with a solid platform for future international expansion.

Company acquisition: RadiSoft AB

Besides having systems that process images, an x-ray department must have administrative radiological systems, called RIS. Sectra was early in integrating PACS with RIS from many different suppliers, for example at Sunderby Hospital (see page 12).

To be able to offer clients in Scandinavia more complete service, Sectra acquired the company RadiSoft AB in December 1999. The company develops and supplies administrative systems for radiology and is a leading producer of RIS and administrative IT systems for mammography screening in the Scandinavian market. The acquisition has strengthened Sectra's product line in the radiological field.

Broadband enables new methods of working

In the departments that use Sectra

PACS, it has become common for radiology specialists to work on-call from home. Astrid Lindgren's Children's Hospital at Karolinska Hospital in Stockholm has used Sectra PACS for two years and conducted a scientific study of its use last year. The results show that the quality of the examinations in primary care has increased because the radiology doctors have been able to help staff more easily thanks to the new technology. This is the start of a new way of working, as virtual organizations can be formed with the help of broadband technology that can make the best use of the strained resources in today's health care systems.

Torbjörn Kronander, President





Sectra PACS

Sectra's film-free system for radiographs makes work in x-ray departments more efficient and enables rapid communication between radiology and the other departments, and between district health care centers and other hospitals. During fiscal 1999/2000, Sectra concentrated on broadening its range of products to offer its customers more complete IT solutions in radiology and orthopedics.



Sectra PACS is a modular system, so it can be expanded as needs grow. The foundation of Sectra PACS consists of the IDS5 workstation (Image Display System), an image management system called WISE (Workflow Information Services Engine) and ImageServers for storing, communicating and archiving radiographic images.

New generation of PACS

At the RSNA x-ray fair, held in Chicago at the beginning of December 1999, Sectra introduced its new generation of PACS. The system was developed in close collaboration with experts, such as radiologists from Scandinavia, Germany and the United States. It contains new functions that make it appropriate for more automated operations. In addition, installation has been simplified considerably, and service has been streamlined, benefiting Sectra's international partners in particular.

World's first digital radiology system for orthopedics

Orthopedics is the department in a hospital that uses radiographs second most, after the radiology department itself. In March 1999, Sectra launched the world's first digital radiology system for orthopedists at ECR, the radiology fair in Vienna, Austria. The system is an expansion of Sectra's PACS system with special functions for orthopedics. If a patient is going to get a hip replaced, for example, the orthopedist can choose a suitable prosthesis from the system's digital library, fit it on the digital x-ray and take special measurements. The system's library contains digital drawings of prostheses from all major suppliers. Users can even scan existing templates

In March 1999, Sectra launched the world's first digital radiology system for orthopedists.

for prostheses and mark special adjustments.

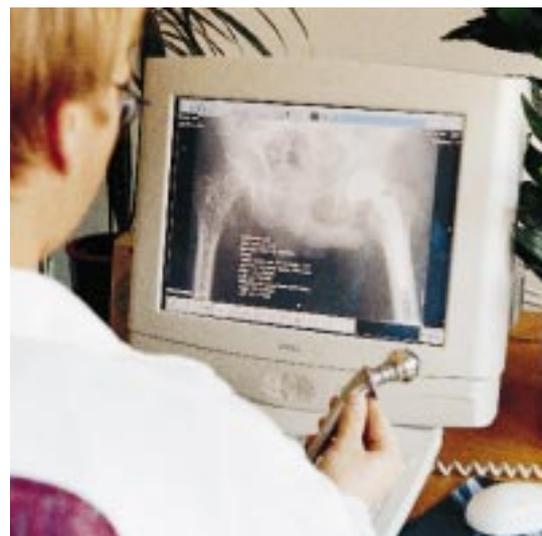
Kalmar County Hospital and Visby Hospital have used the system in a clinical trial since the autumn of 1999. In 2000, the first U.S. customers for the orthopedic system will receive their systems.

Partnership: Mamea Imaging AB

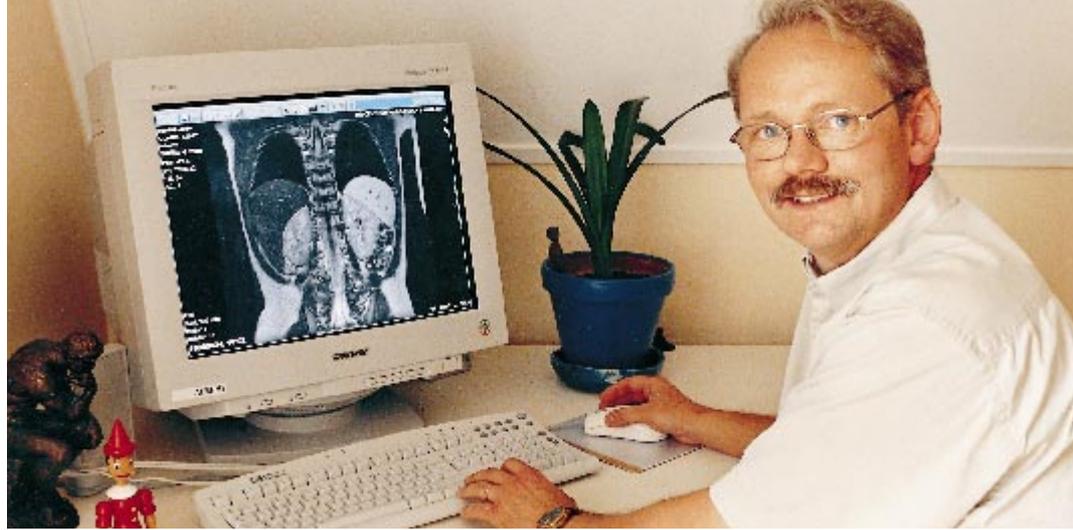
The conversion of x-ray departments to digital image management has not reached mammography, as previous systems could not satisfy the exacting demands on sharpness and low radiation dosage.

To be able to digitize mammography activities, in 1999 Sectra purchased a stake in the recently formed company Mamea Imaging AB. Mamea develops digital radiology sensors based on an entirely new technology that makes it possible to combine extremely high image quality with substantially lower radiation dosage for the patient.

The new technology is based on research in particle physics at CERN in Geneva, which has been carried fur-



In the departments that use Sectra PACS, it has become common for radiology specialists to work on-call from home.



ther by a group of researchers at the Royal Institute of Technology (KTH) in Stockholm. The technology makes it possible to construct x-ray sensors directly on silicon substrates. Essentially each x-ray photon is registered, which provides more information than can be obtained with film or any other competing digital sensor technology cur-

The market potential is great for cost-effective x-ray sensors for low radiation dosage, especially in mammography screening, where large population groups are irradiated with ionizing radiation. With Mamea's new technology, irradiation can be reduced by 5–10 times compared with film, creating something of a revolution if the project succeeds.

The aim is to integrate Mamea's products with Sectra's PACS to create solutions for entirely film-free mammography. Besides the shareholding, an agreement with Mamea grants Sectra rights as the exclusive sales channel for Mamea's products. This gives Mamea access to the global market.

götland County: Motala/Mjölby, Linköping and Norrköping/Finspång. This order was worth some SEK 60 million. Sectra also received an order worth about SEK 132 million from the Stockholm Söder Hospital, which is building a new Image Diagnostics Center that will be finished in the autumn of 2001. Part of Sectra's task as the overall contractor is to supply the entire diagnostics imaging system, including PACS, RIS and radiology equipment.



rently known. The sensor also promises to be quite inexpensive to produce. The technology has been verified in the laboratory but should still be considered a long-term R&D project entailing high risk. The technology is protected in all large markets by numerous patent applications.

Largest orders in Sectra's history

During fiscal 1999/2000, Sectra received orders for many large projects, some from previous clients. Encouraging experience from previous PACS installations led these clients to decide on the digitization of all of their activities. One such client is the County Council in Värmland, which currently uses Sectra PACS at its Central Hospital in Karlstad. In April 1999, Sectra received an additional order for the digitization of all x-ray departments run by the County Council. The first phase covers x-ray departments in Kristinehamn and Filipstad.

In the last weeks of the fiscal year, Sectra signed the two largest orders in the Company's history. On its home ground, Sectra also won the contract to digitize all x-ray departments in Öster-



Sectra has together with Philips Medical Systems, delivered PACS to Riverside Medical Center outside Los Angeles, USA.

Projects conducted during the year

Sunderby Hospital, Sweden

In September 1999, the Swedish town of Sunderby inaugurated a new hospital to replace the old ones in Boden and Luleå. Sectra's role in the project included not only PACS but also document management systems, integration with the Clinical Physiology department and large-scale integration with Norrbotten County's main health-care-administration system, called Alfa. Acceptance inspection took place as scheduled, finding no faults in the system, something that is rather uncommon in the IT industry.

Sunderby Hospital is currently Europe's most modern hospital.

The hospital now has a world unique functionality, being not only film-free but also paper-free. All referrals and replies are processed in digital format, and each remittent in the County Council can use a web browser, in

addition to the healthcare-administration system, to study referrals, replies, radiographs, EKGs and so on.

Gävleborg County Council, Sweden

During 1999, Sectra digitized about half the radiology operations in Gävleborg County: Bollnäs, Ljusdal and Hudiksvall and parts of Sandviken, Söderhamn and Gävle. What is special about this project is that Sectra has constructed one virtual x-ray department out of all the departments throughout the County Council's system. In such a setting, the patient need not be at the same place as the doctor. Rather, the internal digital networks are used to minimize transportation costs and waiting times, for doctors as well as patients.

Visby Hospital, Sweden

The X-ray department at Visby Hospital has used Sectra's digital technology since 1994/1995. In June 1999, Sectra upgraded the system to the latest generation. Exacting project management and planning as well as superb technical expertise were necessary to change from the old system to the new while the system was in full operation—while causing no interruptions at all.

Namdal Hospital, Norway

In September, Sectra received a PACS-order from Namdal Hospital in Namsos, Norway, to extend the digital x-ray department at the hospital. The system was put into operation in January, and no film has been used in Namdal since then.

Hospitals in Würzburg and Stuttgart, Germany

Klinikum Deggendorf, outside Munich, converted to film-free clinical routines in fiscal 1998/1999 using Sectra's system. As a result, Sectra and its partner Philips Medical Systems, have been entrusted to supply systems to the Burger hospital in Stuttgart and the hospital in Würzburg. Sectra has also made direct sales to private radiology clinics in Germany through its German subsidiary.

Carolus den Bosch Hospital, Holland

Carolus Hospital was an important milestone for Sectra in the Dutch market. The PACS system was supplied in co-operation with Philips Medical Systems.

Twenty projects in the United States

Successful pilot projects in the United States led to an upsurge in new orders from the U.S. market in 1999/2000. Working with Philips, Sectra's U.S. subsidiary has completed about 20 installations. The projects have varied in size, from the small system at Downey Community Hospital, in California, to entirely film-free departments at Harrison Silverdale Hospital, in Seattle, Washington. Philip's large capacity for installation and service makes it possible to gear up rapidly for large volumes.







Secure Communication Systems

Sectra's operations in secure communication are conducted by the wholly owned subsidiary Sectra Communications. The business concept is to enable the use of modern IT by sophisticated clients in defense, government agencies and industry through advanced encryption technology. The company develops and sells secure mobile communication systems, high-speed encryption systems for data and telecommunication lines and other products.

Sectra's customers are organizations in the private and public sectors who have far-reaching intellectual property that must be protected for an extended period. Primary clients include defense forces, police, customs and other government authorities that handle classified or sensitive information. In the private sector, customers are found chiefly among the executive manage-

ment of major multinational corporations in the manufacturing sector and banking and finance. The majority of revenues are earned on development assignments and customer-specific products. The fastest growing part of revenues is product sales.

Sectra is a global leader in the design, development and delivery of secure communication systems. With its market share of roughly 90%, the Company leads the market in communication security and secure IT systems for the Swedish armed forces.

Success factors

With its close collaboration with Swedish armed forces, Sectra has built up a rare combination of expertise in IT security: everything from the design of single components and modules, to the construction and integration of complete systems. This has resulted in Sectra having a solid technical platform on which to do business in the rapidly expanding market for IT security.

Sectra's focus on conducting development in cooperation with end-customers ensures appropriate products that solve customers' problems in an efficient manner. This close collaboration gives rise to reliable niche products for groups of customers with similar needs.

Investments in IT security rise

As other fields of IT have advanced and general awareness of risks spread, investments in IT security have risen. For many organizations, corporations

and the military, security from wiretapping is vital. The need to safeguard sensitive information in these situations is growing, as are demands for flexible solutions.

There is a clear trend in the defense sector, in Sweden and elsewhere, towards more investment in communication and IT systems as traditional defense activities are scaled down. This trend, combined with the military's awareness of security issues, is fueling growth in the market for secure communication solutions for military customers.

In 1999/2000, the Company noted a pronounced increase in interest from the civilian market. Today's economy is greatly dependent on data and telecommunications. The security built into systems that handle enterprise-critical information can often prove quite faulty. Sectra will focus on products for this market to keep pace with growing demand for security in this market segment. The first step in this direction was the launch of the commercial version of the secure GSM telephone Tiger.

Sectra Tiger

Sectra Tiger was developed in collaboration with experts in the Swedish armed forces and is the first GSM telephone in the world to fulfill the market's most stringent demands on secure communication. The telephone guarantees secure communication throughout the connection, from transmitter to receiver, for voice and data transfer as well as SMS text messaging.

FACTS

Sectra Communications AB

Business activities: Defense Communication Systems

Business concept: "To enable the use of modern information technology by sophisticated clients in defense, government agencies and industry through advanced encryption technology"

Sales: SEK 58.7 million

Export: 39 %

Number of employees: 47

President: Per Unell



In May 1999, the county governor of Östergötland, Björn Eriksson, handed over the Tiger-project to the Swedish armed forces.

Sectra Tiger accesses existing GSM networks and can be used regardless of the service provider or intervening carrier networks. The telephone integrates encryption and GSM technologies, making it user-friendly. Sectra Tiger is as flexible, functional and accessible as today's modern cellular phones.

In 1999/2000, the activities of secure communication systems revolved around Tiger, the Company's largest development project so far. Many important milestones were passed.

- **First Swedish order**

In May 1999, the development project with the Swedish Defence Materiel Administration was completed. In June, the Administration ordered 600 handsets. The phones will be delivered at the beginning of fiscal 2000/2001.

- **First export order, from Norwegian armed forces**

In September 1999, the Norwegian armed forces placed an order for the Sectra Tiger worth a total of SEK 40 million, the largest export order in Sectra's history. The order led to Tiger being adapted specifically to the needs of the Norwegian armed forces and the rules that apply in NATO. Following a development and adaptation project that will last 18 months, the Norwegian armed forces will have the option of multiple deliveries of handsets. Sectra and the Norwegian armed forces have shared methodology and technology in encryption during the past four years, and Sectra has acquired thorough knowledge of Norwegian requirements. The order is strategically important, as it paves the way for Sectra into the NATO market.

- **International launch of Tiger for civilian users**

In October, the civilian version of Sectra Tiger was launched at the world's largest telecom trade show, Telecom '99 in Geneva. That version was designed for employees of international firms and organizations as well as government agencies such as the police and customs.

- **First orders from civilian market in Sweden and abroad**

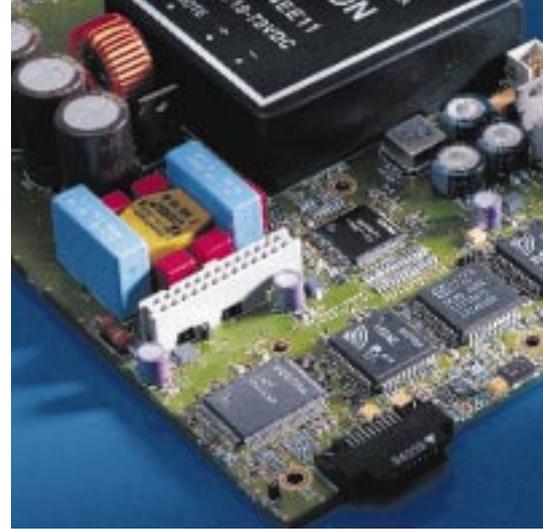
In November, Sectra signed the first agreement with a Swedish company on the use of Sectra Tiger. This was one of the first key steps into the civilian market. In the end of fiscal 1999/2000, Sectra has also received its first orders from multinational corporations.

Broadband encryption

Equipment for encryption of wired computer and telecom networks has been a vital part of Sectra's business for some time. In this field, Sectra has specialized in encryption/decryption equipment that can transfer large amounts of data at high speed. Sectra's products for broadband encryption encrypt data, voice and video at rates up to 155 Mbps, which is considerably faster than other products in the market.

Per Unell, President



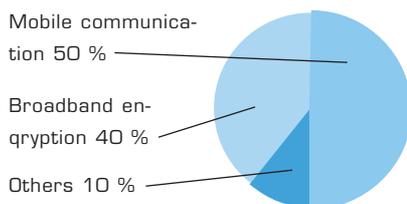


Sectra's products for broadband encryption are characterized by an extremely high degree of integration. When used with standardized communication equipment, the products are intended to provide a secure communication solution with the emphasis on efficient operation. For example, the products in the PPK 530 family contain functions for secure remote administration of the router with which the encryption equipment works.

During the year, Sectra continued deliveries of existing broadband encryption products, FKK 520 and PPK 530, to the Swedish armed forces. A new model, PPK 532, was also developed. The new model complements the product family and provides an even more cost efficient way of building secure communication networks.

Network security

On assignment from the Swedish armed forces, Sectra develops security architectures for computers in networks



Product segment and their share of sales.

and several applications that use such architectures. The management and processing of electronic documents, electronic mail and information in a secure manner requires different actions depending on the type of information to be protected. The general security mechanisms built into operating systems or applications often provide insufficient security.

What is unique about Sectra's security architectures are that each one is a wholly integrated solution with an extremely high level of security. The security architecture contains centralized management of keys and access rights in the system as well as the security functions that the applications use. Another advantage is that the solution is at the application level and thus reaches the level of individual users. In contrast to many other security solutions in the market, such as VPN encryption, the information is secure throughout the connection, from sender to recipient. The security architecture uses standardized interfaces which makes it possible to secure common applications for e-mail, file transfer and Internet access, for example, without affecting performance or functionality.

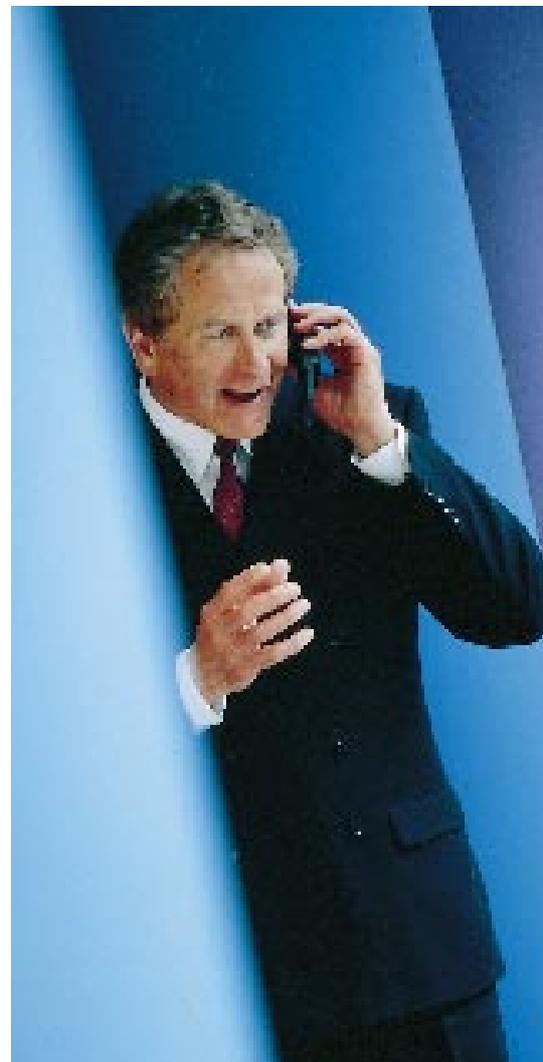
Encryption cards

Sectra develops many types of encryption cards, for desktop and notebook computers. Encryption cards enable secure communication over e-mail and the Internet. They are built into Sectra's security architecture but can also be purchased as separate compo-

nents. Encryption cards are used primarily in situations that demand extremely high security and performance.

Encryption modules

The encryption modules are the smallest building blocks in Sectra's security products and systems. The encryption modules contain the most sensitive parts of the encryption system, that is, algorithms and the management of keys. The length of an encryption key is indicative of the degree of security it



provides. The more bits, the more combinations, which makes it more difficult to crack the code. Sectra uses keys that are 112 bits or longer. Combined with strong encryption algorithms, these are extremely difficult to crack. As a comparison, the U.S. standard DES uses a 56-bit key.

All defense products developed by the company contain at least one encryption module designed in-house. Thanks to these modules, Sectra can offer the maximum level of security and performance. All encryption modules in the Swedish armed forces are developed by Sectra.

Outlook

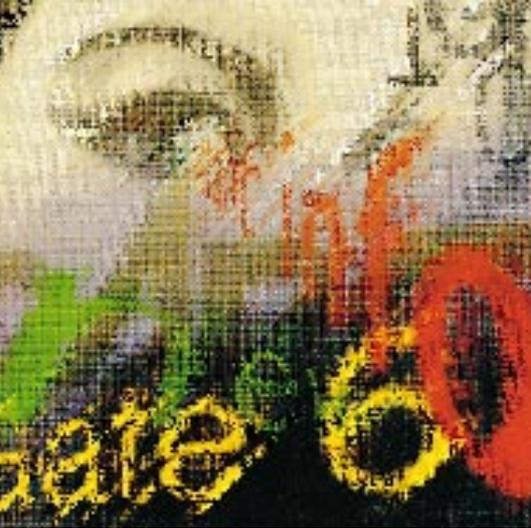
The market for defense communication will increase in the next few years as the Swedish armed forces invest in IT systems to enhance efficiency. The sales potential for Sectra here is substantial.

As demand for stricter security rises, Sectra will expand its range of systems and products for the civilian market. With the introduction of the Tiger phone for civilian users, Sectra has taken its first step into the civilian market for secure communication. Tiger is ready to take on the international market in fiscal 2000. The phone has the potential to be a major international success, and work is under way to set up distribution channels in Europe.

The Internet and mobile networks will increasingly be utilized for different types of business transactions. In this



context, it will be ever more important for operators and system suppliers to provide services based on a secure infrastructure. Sectra's aim here is to establish itself as a solid supplier of expert security systems.



Wireless Information Systems

Since May 1, 1999, Sectra's operations in wireless information systems have been conducted by the new wholly owned subsidiary Sectra Wireless Technologies. The business concept is to supply complete systems and products in the field of wireless information and distribution. The focus of the business is two-fold: applications, receivers and infrastructure for the digital radio channel DARC, and flight communication systems based on VDL Mode 4 transponders.

Operations in wireless information systems were previously conducted in Sectra Communications. It began with a project in which Sectra developed and delivered a complete air surveillance and warning system (LuLIS) based on DARC technology to the Swedish national defense. The project opened the way for applications in the civilian market.

FACTS

Sectra Wireless Technologies AB

Business activities: Wireless information systems

Business concept: To supply software systems and products in the field of wireless information and distribution

Sales: SEK 23,1 million

Export: 25,6 %

Number of employees: 19

President: Dick Ollas

DARC has many advantages in the transmission of the same information to many receivers at the same time (multicasting). The system uses bandwidth more efficiently, for optimal utilization. In addition, DARC was designed for applications that make extremely tough demands on real-time functionality. Information is easier to access, and distribution is much less expensive than, for example, using WAP or GSM.

At present, approximately 74 % of DARC sales are in Sweden. Sectra sells systems directly to network operators and service providers.

Network operators own the infrastructure for radio communication and lease capacity to various program channels. With Sectra's DARC infrastructure, they can provide a broader range of services over the radio network.

Service providers can access an additional distribution channel thanks to Sectra's system. Sectra develops and supplies systems for financial information and GPS positioning applications, for example, that include receivers for delivery to end-users.

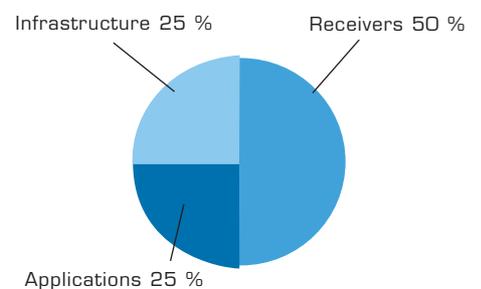
Sectra is a world leader in DARC technology and is helping build DARC systems, mainly in Europe but also in the United States and Taiwan. In Europe, Sectra has built DARC systems in Sweden, Austria, the Netherlands, Switzerland and parts of Germany, Turkey, France and Norway.

Success factors

Sectra's outstanding expertise in radio, signal processing and computer science are why the Company is at the forefront of DARC development, a pioneering radio technology. Sectra differs from other actors by being able to supply complete systems containing an extensive service package and by taking responsibility for the whole. The projects that Sectra has conducted with the Swedish national defense have lent Sectra a high degree of credibility in the market.

Mobile Internet and DARC

The Internet has become a part of people's everyday lives. It is increasingly normal to connect to the Internet to get information on investments, news, weather, sports and entertainment. Products and services are marketed through portals and can be purchased



Product segments in wireless information systems and their share of sales.



With Sectra's CitySurfer, an advanced pocket-sized information terminal for DARC, you can browse the Internet via a wireless connection.



directly over the Internet. The next step in this evolution is mobile Internet. This development is being driven by major GSM interests, but Sectra already offers an alternative that rivals GSM in many ways.

More and more services in the rapidly expanding mobile Internet market require real-time interworking and multicast functionality. Sectra satisfies these requirements with DARC.

DARC is a digital radio information system that uses a subcarrier on the FM band. The technique makes it possible to transmit information in real time. The system is suitable for trans-

mitting the same information to many receivers simultaneously, in real time.

It was designed for mobile applications. It uses an effective error-correction method in data transmission, making it possible to use both mobile and portable receivers without scrimping on performance. Because DARC utilizes the existing FM network, no large investment in infrastructure is required to establish a channel.

The expanding product segments in digital radio systems are low-power receivers, that are designed for different technical platforms, and system software, that is simply and effectively adapted to the special needs of each new customer. The receivers product segment is expected to account for a bigger share of growth in the future.

Products

Applications

Working with service providers who want to distribute information over DARC, Sectra designs applications that compile the information to be distributed and make it accessible to receivers. The applications work with DARC technology but in the future could be altered to work with GSM, DAB and other new technologies for wireless data transmission.

Sectra currently supplies complete solutions for:

- **dGPS positioning (Adept).** A complete application that allows service providers to offer high-precision error-correction data for GPS users. By using real-time kinematic (RTK), the accuracy of measurements can be refined to within centimeters.

Dick Ollas, President





- **Financial information (StockEx).**

A system for transmitting and displaying stock exchange information in real time.

- **Air Surveillance and Warning system (LuLIS).** Among other features, it provides defense forces with information on their own and enemy planes on a map image in real time.

Infrastructure

The construction of a DARC system requires that components for distributing information, signal processing and monitoring be connected to the existing radio network. Sectra develops infrastructures for DARC, provides and integrates these components into a single system and takes full responsibility for installation and roll-out. These components are described in brief below.

- **Network server (NWS)** distributes information from each service provider to the proper transmission stations which then reach the proper end customers.

- **Transmitter station equipment (TSE)** collects information from the different service providers, modulates it into a radio signal and transmits it over an FM transmitter. TSE is installed on each mast and is remote-controlled, which makes it easier to control and maintain.

- **Operation and management control (OMC)** controls and monitors the NWS and TSE network components. Using OMC, an operator can monitor and configure all devices from

one place, which keeps maintenance costs down.

- **Service Provider Server (SPS)** accepts data from information sources in different standard formats and adapts it for DARC. Sectra's subscriber management system (SMS) also makes it possible to charge for services.

Receivers

Sectra develops and sells different types of receivers for DARC. Receivers are available as modules for integrating in other products or as independent mobile devices. They are also offered as units that can be connected to a desktop or notebook computer.

For stock data and mobile Internet access, Sectra has developed an advanced pocket-sized information terminal for DARC with a high-resolution display. It was designed for high-quality, real-time services in a wireless world and easy for users to operate.

Projects during 1999/2000

During the year, five new DARC operators commenced operations using infrastructure from Sectra: Generic Mobile Systems AB in Sweden, SRG SSR in Switzerland, Telpa AS in Turkey, InfoShower Inc. in Taiwan and Sogetec in France. Sectra also completed the LuLIS project during the year, with the final delivery to the Swedish Defence Materiel Administration of DARC receivers with built-in GPS functionality.

Oceantrade and SRG SSR, Switzerland

An important step towards Sectra's goal of participating in the construction of DARC systems all over Europe was the order for Sectra Fortuner received from the Swiss financial services company Oceantrade, in December. Sectra Fortuner is an advanced portable receiver for financial information based on DARC technology. Oceantrade will offer the Swiss market real-time data on stock prices and exchange rates and the latest news from the financial world. As a result of this order, in January 2000 Sectra received an order from the Swiss network operator SRG SSR for a complete DARC system for a nationwide channel.

Access Data Networking, France

The French company Access Data Networking (ADN) ordered Sectra's DARC receiver module in January 2000. The company builds mobile communication systems for vehicle fleets. By combining GSM, DARC and GPS technologies, ADN has produced an efficient system for dispatching taxis. For this system, Sectra supplies the DARC receiver, a critical component.

Generic Mobile Systems, Sweden

Teracom operates two nationwide DARC networks in Sweden, and a third is under construction. Through a contract with Teracom, Generic Mobile Systems (GMS) has acquired the rights to one of the networks, FM-P3. On this channel, GMS has begun

by offering a differential correction service for navigation and positioning applications. In 1999/2000, Sectra developed and delivered one service provider server, which manages client access to services, distributes and compresses differential correction data, and performs other tasks in the system.

In collaboration with GMS and Silva, the Swedish manufacturer of outdoor equipment and marine instruments, Sectra developed a differential GPS receiver. Navigation at sea will be the first use for the receiver, introduced at boat shows in spring 2000. Apart from GPS corrections, news and continuous weather reports from the Swedish Meteorological and Hydrological Institute (SMHI) can be received.

Next-generation flight communication systems

In the summer of 1999, Sectra delivered the first VDL mode 4 transponders to Sweden's Board of Civil Aviation. It was the result of a project in which Sectra and Saab Dynamics collaborated on research and development. The transponders are designed to use GPS technology to synchronize communication between aircraft. The new system provides pilots with an image of the air space showing where each aircraft is located in relation to other aircraft. With this new technology, aircraft will be able to fly closer to one another, so that airport management expect flight capacity to expand in the future.

The market for flight communication is facing the next generation of



technology. In March 2000, the International Civil Aviation Organization (ICAO) adopted VDL mode 4 transponders as the new world standard and thus the foundation of future systems for flight communication and surveillance. Because of this development, Sectra has received orders from the Swedish Board of Civil Aviation for a new flight communication system. With the Swedish company C.N.S. Systems, Sectra will develop and supply transponders that will serve as the framework for the next generation of flight communication systems.

Sectra belongs to the future

In general, demand for mobile information services is growing. The major GSM interests are pushing development forward. In DARC, Sectra offers a competitive alternative to traditional

WAP services, with the advantage of being able to utilize the bandwidth more effectively. Sectra has entered fiscal 2000/2001 with a broad product range and can offer the industry something unique - mobile Internet via DARC.

VDL mode 4 has become the global standard, and Sectra intends to continue its marketing efforts for next-generation flight communication systems. The goal is to become a powerful player in this big market.



The Sectra share

The share

Since March 1999, Sectra's shares have been quoted on the O list of the OM Stockholm Exchange. One round lot corresponds to 100 shares.

Share capital

Sectra's share capital April 30, 2000 amounts to SEK 27,300,787.50 distributed amongst 10,920,315 shares. Of these, 873,564 shares are series A and 10,046,751 shares are series B. The nominal value is SEK 2.50. All shares have equal rights to the Company's assets and profits. Series A shares are entitled to ten votes and series B shares are entitled to one vote at the General Meeting. At the meeting every shareholder entitled to vote is allowed to vote for the full number of their own and represented shares with no restriction on the number of votes.

During 1999/2000 a new issue was realized in connection with the acquisition of RadiSoft AB on the 13th of

December 1999, corresponding to 420,315 B shares.

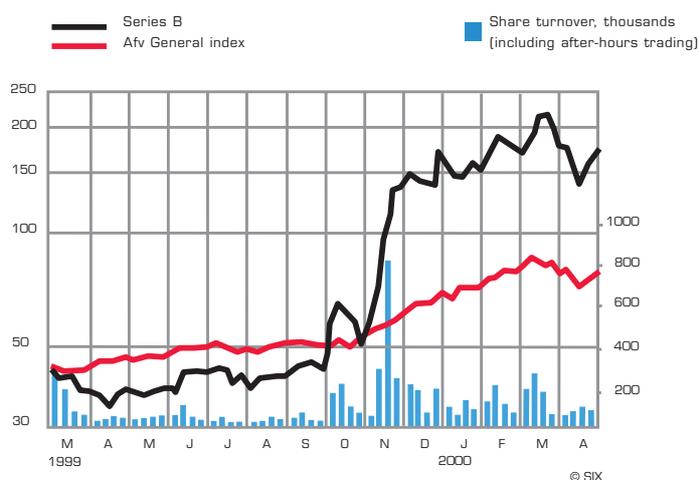
Price trends

Sectra's share price during 1999/2000 increased 366 % from SEK 38 to SEK 177. Affärsvärdens generalindex during the same period increased 72 %. The market value April 30, 2000 was SEK 1,933 million. The highest quotation during the year was SEK 239

March 13, 2000. The lowest quotation was SEK 36 May 20, 1999.

Convertible debentures

During October 1999, 105,000 convertible debentures were issued to employees in the Sectra Group. The program was fully subscribed. Upon full conversion, Sectra would have an additional



Progress of share capital

Year	Transaction	Nominal value	Increase in no. of shares	Total no. of shares	Increase in share capital	Total share capital
1991/92	Bonus issue	100.00	10 000	40 000	1 000 000	4 000 000
1993/94	Bonus issue	100.00	10 000	50 000	1 000 000	5 000 000
1994/95	Bonus issue	100.00	10 000	60 000	1 000 000	6 000 000
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

105,000 B shares on issue, corresponding to no more than 1.0 % of the share capital and 0.6 % of the number of votes. The convertible debentures mature on July 1, 2002, and have a conversion price of SEK 52.

Over the years Sectra has systematically worked on distributing the company's shares amongst its employees and intends to continue with this distribution of ownership in the future via option schemes.

Dividend policy

The starting point for the company's board of directors is that distribution must be well balanced between the desire for direct returns and the company's need for capital for growth and internationalization. In the long term the board intends for an average of 15 – 20 percent of the profit after tax to be distributed to the shareholders.

Shareholders

During 1999/2000 the number of shareholders has increased 128 % to 3,462 (1,517). The ten largest shareholders

own 73.6 % of the share capital and Institutional shareholders owns approximately 10 %.

The largest shareholders April 30, 2000

Shareholder	No. of A shares	No. of B shares	Total no. of shares	Votes	Share capital
Jan-Olof Brüer	195 207	1 476 482	1 671 689	18,3 %	15,3 %
Torbjörn Kronander	195 204	1 476 481	1 671 685	18,3 %	15,3 %
Frithjof Qvigstad	121 037	935 839	1 056 876	11,4 %	9,7 %
Thomas Ericson	71 595	521 601	593 196	6,6 %	5,4 %
Robert Forchheimer	71 589	521 601	593 190	6,6 %	5,4 %
Ingemar Ingemarsson	71 589	521 601	593 190	6,6 %	5,4 %
Viiveke Fåk	71 589	510 839	582 428	6,5 %	5,3 %
AMF Pension	0	471 000	471 000	2,5 %	4,3 %
Swedens National Pension Insurance Sixth Fund Board	0	425 000	425 000	2,3 %	3,9 %
Bengt Bengtsson	47 534	336 481	384 015	4,3 %	3,5 %
Others (3 452)	28 220	2 849 826	2 878 046	16,6 %	26,5 %
Total	873 564	10 046 751	10 920 315	100%	100%

Share distribution April 30, 2000

No. of shares per shareholder	No. of shareholders	No. of shares	Votes	Share capital
1-1 000	3 198	990 317	5.2 %	9.1 %
1 001-10 000	218	603 189	3.3 %	5.5 %
10 001-100 000	35	959.441	6.4 %	8.8 %
> 100 001	11	8 367 368	85.1 %	76.6 %

Data per share

Key figures is reported exclusive possible dilution from convertible debentures to employees. See convertible debentures above.

	1999/00	1998/99	1997/98	1996/97	1995/96
No. of shares at end of period ¹⁾	10 920 315	10 500 000	10 000 000	5 768 834	5 768 834
Average no. of shares	10 710 157	10 250 000	7 884 417	5 768 834	5 768 834
Equity per share, SEK	10.07	7.36	5.05	4.65	3.18
Profit per share ²⁾ , SEK	1.58	1.61	1.63	1.62	1.11
Dividend per share, SEK	0.60	0.50	0.42	0.21	0.17

1) Adjusted for dividends and bonus issues. 2) Calculated from average no. of shares.

Five year summary

Amounts in SEK thousands unless otherwise stated	1999/00	1998/99	1997/98	1996/97	1995/96
CONSOLIDATED INCOME STATEMENTS					
Net sales	191 567	182 923	162 521	118 955	86 820
Other operating income	846	960	-	-	-
Change work in progress	21 193	- 5 791	13 573	6 249	1 046
Operating expenses	- 180 371	- 154 333	- 155 205	- 110 018	- 77 995
Depreciation	- 6 184	- 3 491	- 3 696	- 2 756	- 2 533
Operating profit	27 051	20 268	17 193	12 430	7 338
Net financial items	1 609	991	714	811	1 603
Profit after financial items	28 660	21 259	17 907	13 241	8 941
Items affecting comparability	- 3 574	-	-	-	-
Earnings before tax	25 086	21 259	17 907	13 241	8 941
Income tax	- 8 166	- 4 789	- 5 039	- 3 888	- 2 543
Net earnings for the year	16 920	16 470	12 868	9 353	6 398
CONSOLIDATED BALANCE SHEETS					
Assets					
Intangible assets	16 327	-	100	255	365
Tangible assets	14 087	12 093	9 762	7 416	5 863
Cash and bank balances	42 450	32 916	13 151	16 665	9 918
Other current assets	102 052	87 996	55 096	43 446	23 478
Total assets	174 916	133 005	78 109	67 782	39 624
Equity and liabilities					
Equity	109 923	77 238	50 531	26 836	18 355
Provisions	6 558	4 623	2 973	2 058	1 401
Long-term liabilities	9 134	4 059	2 701	5 470	3 540
Current liabilities	49 301	47 085	21 904	33 418	16 328
Total equity and liabilities	174 916	133 005	78 109	67 782	39 624
KEY FIGURES					
Financial					
Working capital, SEK million	125.6	85.9	56.2	34.4	23.3
Liquidity ratio	3.2	2.9	3.5	1.9	2.4
Solvency, %	62.9	58.1	64.7	39.6	46.3
Debt ratio	0.08	0.05	0.05	0.20	0.19
Investments, SEK million	24.6	3.0	6.4	3.8	4.4



“Sectra belongs to the 2 % of Swedish companies holding the top credit rating from Dun and Bradstreet, AAA”

	1999/00	1998/99	1997/98	1996/97	1995/96
Profitability					
Gross margin, %	17.3	13.1	12.9	12.8	11.4
Operating margin, %	14.1	11.2	10.6	10.5	8.5
Profit margin, %	15.0	11.6	11.0	11.1	10.3
Earning capacity of total capital, %	19.2	20.8	24.9	25.2	28.1
Earning capacity of working capital, %	27.9	30.9	40.1	47.0	46.3
Earning capacity of equity, %	22.4	27.4	33.3	41.4	41.2
Employees					
No. of employees, average	156	123	111	86	65
No. of employees at end of period	166	133	123	93	70
Sales per employee, SEK millions	1.2	1.5	1.5	1.4	1.3
Added value per employee, SEK million	0.7	0.7	0.6	0.5	0.5

Definitions of key figures

Gross margin

Operating profit before depreciation as a percentage of sales.

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

Stock 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.

Solvency

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.

Administration report

Business activities

Since the mid-1980s, Sectra has successfully developed and sold advanced medical technology and telecommunication products. Today, the business includes products in medical imaging systems, secure communication systems and wireless information systems.

Sectra collaborates with customers in each of these markets to develop commercially robust, user-friendly products embodying high technical quality.

Sectra's shares have been quoted on the O list of the OM Stockholm Exchange since March 3, 1999.

Group structure

Sectra AB is the parent company in the Group that consists of the wholly owned operating subsidiaries Sectra Communications AB, Sectra Imtec AB and Sectra Wireless Technologies AB and the dormant company Sectra Secure Transmission AB. Sectra Imtec AB has four wholly owned operating subsidiaries: Sectra Norge AS, Sectra GmbH, Sectra North America Inc. and RadiSoft AB.

Since May 1, 1999, Sectra has conducted its operations in wireless information systems in the recently founded subsidiary Sectra Wireless Technologies AB. These operations were previously under Sectra Communications AB.

Markets and product development

In fiscal 1999/2000, Sectra enjoyed keen interest from the market for medical imaging systems, in Sweden and abroad. Virtually all Swedish hospitals have far-reaching plans to digitize their x-ray

activities, and Sectra received several key orders. Outside Sweden, Sectra conducted projects in Norway, Germany and the United States. Sectra launched a new generation of its PACS system and introduced the world's first digital x-ray system for orthopedics.

During the year, the Group's secure communication business entered two new markets. Sectra received its first order from abroad for the military version of the Tiger secure GSM phone, from the Norwegian armed forces.

Sectra has noted heightened interest in sophisticated security products in the civilian market. With the launch of the Tiger for non-military users, Sectra took its first step into the civilian market.

Demand for mobile information services is climbing. In the wireless information system business, Sectra secured a key strategic order from Switzerland for DARC infrastructure and receivers for financial information. Sectra also delivered prototype units for a new generation of radio system for the future aircraft positioning system. With this new technology, aircraft will be able to fly closer to one another, so that flight capacity can expand in the future.

Sales and earnings

Consolidated net sales for 1999/2000 were up 4.7 %, at SEK 191.6 (182.9) million. Consolidated earnings before tax totaled SEK 25.1 (21.3) million, an improvement of 18.0 % from the preceding year. Orders received totaled SEK 433.5 million. Parent Company

revenues equaled SEK 16.8 (11.3) million. Parent Company earnings before tax were SEK -2.0 (-7.2) million.

Financial position

Sectra enjoys a solid financial position. The Company has financed growth with internally generated funds. At April 30, 2000, the Company had an equity ratio of 62.9 % (58.1), and liquidity ratio was 3.2 (2.9). The Company's interestbearing liabilities totaled SEK 9.1 (4.1) million.

Investments

The Company's investments reached SEK 31.5 (3.0) million, including SEK 24.0 million for shares in subsidiaries, SEK 3.0 million for shares in associated companies and SEK 1.8 million for other shares. Other investments were mainly in computers and other equipment.

Acquisitions

In December 1999, Sectra acquired RadiSoft AB. The Company is a leader in the Scandinavian market for radiology information systems (RIS) and administrative IT systems for mammography screening. The acquisition strengthened Sectra's product line for medical imaging systems. The acquisition price was SEK 21 million, and consideration was paid as 420,315 new B shares in Sectra AB.

Associated companies

In fiscal 1999/2000, Sectra acquired a stake in Mamea Imaging AB. The company develops digital radiology sensors based on new technology that

makes it possible to combine extremely high image quality with minimal radiation dosage. The aim is to integrate Mamea's products with Sectra's PACS to create solutions for entirely film-free mammography.

Commit; Oy, the Finnish leading supplier of IT systems for healthcare, took over Sectra Imtec's stake in the associated company Sectra Commit Oy during the year. At the same time Sectra acquired 15 % of Commit; Oy to strengthen the position in the Finnish market.

Convertible debentures

During October 1999, 105,000 convertible debentures were issued to employees in the Sectra Group. The program was fully subscribed. Upon full conversion, Sectra would have an additional 105,000 B shares on issue, corresponding to no more than 1.0 % of the share capital and 0.6 % of the number of votes. The convertible debentures mature on July 1, 2002, and have a conversion price of SEK 52.

Employees

At the end of the fiscal year, April 30, 2000, Sectra had 166 employees, 33

more than one year previous. Through the acquisition of RadiSoft AB, 19 people joined the Group. The rate of employee turnover during the year was 9.8 % (8.0).

Work of the Board of Directors in 1999/2000

Sectra's Board of Directors consists of five members and two employee representatives. Other officers in the Group make presentations and provide other information at Board meetings as required. In fiscal 1999/2000, the Board of Directors met 11 times.

Matters dealt with included the state of the Group's business, interim reports, financing and budgets as well as acquisitions and other investments. During the year, the Board of Directors adopted a set of procedures for the Board and instructions for the CEO.

Prospects for the future

Sectra have a very solid position in several high growth niche markets. The Company has a strong domestic market position within niches where Sweden leads the technical development. Based on this the Board of Directors expects that the Company will continue

to expand while maintaining profitability.

Proposal for allocation of profit

The Board of Directors and the Chief Executive Officer propose that unappropriated earnings be distributed as follows:

Dividend (10,920,315 shares at SEK 0.60)	6,552,189
Earnings to be carried forward	27,099,277
Total	33,651,466

The Board has proposed that, of the Group's unrestricted equity of SEK 34,438 thousand, SEK 1,174 thousand will be transferred to restricted reserves. Furthermore it's proposed that the nominal value of the shares is raised by SEK 0.50 to SEK 3.00 through a stock dividend, at which SEK 5,460,157 is transferred from the share premium reserve.

For more information on the earnings and financial position of the Group and the parent company, please refer to the following balance sheets, income statements, and cash flow statements and the accompanying notes.

Linköping, June 5, 2000

Jan-Olof Brüer
President and CEO

Thomas Ericson
Chairman of the Board

Torbjörn Kronander

Gündor Rentsch

Sverker Littorin

Staffan Bergström
Employee representative

Robin von Post
Employee representative

My Audit Report was submitted on June 5, 2000

Hans Franzén
Authorized Public Accountant

Income Statements

Amounts in SEK thousands	Note	Group		Parent company	
		1999/00	1998/99	1999/00	1998/99
Operating income					
Net sales	1	191 567	182 923	16 809	10 367
Change work in progress		21 193	- 5 791	-	-
Other operating income		846	960	40	960
Operating expenses					
Goods for resale		- 50 901	- 45 435	- 203	- 61
Other external costs	3	- 47 800	- 41 688	- 10 119	- 10 457
Personnel costs	2	- 81 670	- 67 210	- 6 409	- 5 963
Depreciation	9	- 4 370	- 3 391	- 2 512	- 2 632
Goodwill amortization	8	- 1 814	- 100	-	- 100
Operating profit/loss		27 051	20 268	- 2 394	- 7 886
Result from financial investments					
Net income from stock	4	1 257	162	24	162
Interest income		1 232	1 294	639	717
Interest expense	5	- 880	- 465	- 296	- 222
Profit/loss after financial items		28 660	21 259	- 2 027	- 7 229
Items affecting comparability	6	- 3 574	-	-	-
Profit/loss before appropriations		25 086	21 259	- 2 027	- 7 229
Appropriations	7	-	-	19 699	24 422
Earnings before tax		25 086	21 259	17 672	17 193
Income tax, paid		- 7 178	- 3 766	- 4 961	- 3 544
Income tax, deferred		- 988	- 1 023	-	-
Net earnings for the year		16 920	16 470	12 711	13 649

Balance Sheets

Amounts in SEK thousands	Note	Group		Parent company	
		1999/00	1998/99	1999/00	1998/99
ASSETS					
Fixed assets					
Goodwill	8	16 327	-	-	-
Machinery and equipment	9	11 580	11 422	5 605	7 327
Participation in subsidiaries	10	-	-	8 978	5 978
Participation in associated companies	11	620	442	-	-
Other securities held as fixed assets		1 887	122	122	122
Receivables from group companies		-	-	18 000	18 000
Other long-term receivables		-	107	-	-
Total fixed assets		30 414	12 093	32 705	31 427
Current assets					
Inventories		3 639	5 351	-	203
Work in progress	12	34 357	15 895	-	-
Accounts receivables		60 096	63 340	83	233
Receivables from group companies		-	-	72 306	34 648
Receivables from associated companies		-	180	-	-
Other receivables		331	421	-	-
Prepaid expenses and accrued income	13	3 629	2 809	907	499
Cash and bank balances		42 450	32 916	20 008	19 384
Total current assets		144 502	120 912	93 304	54 967
TOTAL ASSETS		174 916	133 005	126 009	86 394

Amounts in SEK thousands	Note	Group		Parent company	
		1999/00	1998/99	1999/00	1998/99
EQUITY AND LIABILITIES					
Equity	14				
Restricted equity					
Share capital		27 301	26 250	27 301	26 250
Restricted reserves		48 184	24 037	31 490	11 525
Total restricted equity		75 485	50 287	58 791	37 775
Unrestricted equity					
Unrestricted reserves		17 518	10 481	20 941	12 541
Net earnings for the year		16 920	16 470	12 711	13 649
Total unrestricted equity		34 438	26 951	33 652	26 190
Total equity		109 923	77 238	92 443	63 965
Untaxed reserves	15	-	-	19 875	15 710
Provisions					
Deferred tax		6 558	4 623	-	-
Total provisions		6 558	4 623	-	-
Long-term liabilities					
Current account credit	16	718	1 902	-	-
Liabilities to financial institutions	17	2 956	2 157	1 819	1 841
Other long-term liabilities	18	5 460	-	5 460	-
Total long-term liabilities		9 134	4 059	7 279	1 841
Current liabilities					
Accounts payable		6 926	11 395	658	861
Liabilities to group companies		-	-	51	51
Tax liability		5 186	2 704	3 723	2 498
Other current liabilities	19	16 183	21 148	398	86
Accrued expenses and deferred income	20	21 006	11 838	1 582	1 382
Total current liabilities		49 301	47 085	6 412	4 878
TOTAL EQUITY AND LIABILITIES		174 916	133 005	126 009	86 394
Pledged assets and contingent liabilities	21				
Pledged assets		59 799	45 252	16 000	11 081
Contingent liabilities		2 740	3 000	-	-

Cash Flow Statements

Amounts in SEK thousands	Group		Parent Company	
	000430	990430	000430	990430
CURRENT OPERATIONS				
Operating income	27 051	20 268	- 2 394	- 7 886
Adjustments for items not included in funds				
Depreciation	6 184	3 491	2 512	2 732
Exchange differences	- 107	- 210	-	162
Items affecting comparability	- 2 414	-	-	-
Earnings from stock	1 257	162	24	-
Interest received	1 232	1 294	639	717
Interest paid	- 880	- 465	- 296	- 182
Paid income tax	- 7 178	- 3 766	- 4 961	- 3 544
Funds from current operations before changes to working capital	25 145	20 774	- 4 476	- 8 001
Changes in working capital				
Change in inventories	1 712	4 536	203	100
Change in receivables	- 15 768	- 37 436	- 37 916	- 16 435
Change in current liabilities	2 216	25 181	1 534	- 1 228
Funds from current operations	13 305	13 055	- 40 655	- 25 564
INVESTMENT ACTIVITY				
Acquisitions of fixed assets	- 24 612	- 3 006	- 3 789	- 652
Funds from investment activity	- 24 612	- 3 006	- 3 789	- 652
FINANCING ACTIVITY				
New issue	21 016	12 625	21 016	12 625
Change in receivables	-	- 107	-	-
Change in liabilities	5 075	1 358	5 438	- 860
Dividend to the shareholders	- 5 250	- 4 160	- 5 250	- 4 160
Received group contribution	-	-	23 864	27 634
Funds from financing activity	20 841	9 716	45 068	35 239
Change in cash and bank balances	9 534	19 765	624	9 023
Cash and bank balances at beginning of year	32 916	13 151	19 384	10 361
Cash and bank balances at year end	42 450	32 916	20 008	19 384
Unused overdraft facility	13 409	12 256	12 000	12 000

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 the Annual Accounts Act. 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 1:96. 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

Inventories are reported at the lower of cost or market value based on the first-in-first-out principle. Estimated obso-

lescence 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 as defined sections are completed. 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
Computers and office equipment	5 years
Personnel computers	3 years
Office furniture	10 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 whenever 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 rate method.

Inter-company transactions

99 percent of the Parent Company's total sales related to other companies within the Group. No purchases were made from Group companies.

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:

	99/00	98/99
Medical imaging systems	109 772	97 400
Secure communication systems	58 711	62 119
Wireless information systems	23 084	23 404
Group total	191 567	182 923

Consolidated net sales distributed by geographical markets:

	99/00	98/99
Sweden	139 547	146 870
European Union	12 896	31 062
Other markets	39 124	4 991
Group total	191 567	182 923

Note 2 Employees and personnel costs

Average number of employees

	99/00	Of which, female	98/99	Of which, female
Parent Company				
Sweden	12	7	12	7
Group				
Sweden	147	25	115	21
Norway	4	1	4	1
United States	3	-	3	-
Germany	2	-	1	-
Group total	156	26	123	22

Terms for the Board of Directors, CEO and top management

Remuneration payable to Board members during 1999/2000 was one half of a "basic amount" (specified by Swedish social insurance legislation) and one basic amount to the Chairman of the Board. In 1999, the basic amount was SEK 36,400. For the CEO, remuneration for 1999/2000 amounted to SEK 837 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 six months. There are no special agreements regarding severance pay.

Salaries and other remuneration

	99/00		98/99	
	Board and CEO	Other employees	Board and CEO	Other employees
Parent Company				
Sweden	837	2 906	874	2 656
Group				
Sweden	2 704	44 110	1 630	37 633
Norway	608	914	547	837
United States	844	748	687	1 466
Germany	554	273	533	148
Group total	4 710	46 045	3 397	40 084

Social security costs

	99/00		98/99	
	Board and CEO	Other employees	Board and CEO	Other employees
Parent Company				
Sweden	499	1 390	431	1 188
(of which pension costs)	(179)	(337)	(143)	(235)
Group				
Sweden	1 554	19 671	819	15 613
(of which pension costs)	(533)	(3 850)	(281)	(2 559)
Norway	145	302	102	141
(of which pension costs)	(60)	(132)	(20)	(10)
United States	236	210	208	312
(of which pension costs)	(96)	(86)	(84)	(126)
Germany	111	44	99	28
(of which pension costs)	(55)	(22)	(54)	(15)
Group total	2 046	20 227	1 228	16 094

Audit fee

	Group
	000430
Audit	160
Consultation	168
Total	328

Note 3 Costs for operating leases

Annual leasing fees paid for operating leases equaled SEK 347 thousand. Agreed future leasing fees for operating leases are payable as shown below.

	Group		
	00/01	01/02	02/03
Cars	74	57	35
Others	263	263	44
Total	337	320	79

Note 4 Earnings from shares

	Group		Parent Company	
	99/00	98/99	99/00	98/99
Dividend	29	20	24	20
Earnings from sales of shares	1 228	142	-	142
Total	1 257	162	24	162

Note 5 Interest expenses and similar costs

	Group		Parent Company	
	99/00	98/99	99/00	98/99
Interest portion of annual costs of financial leases	83	104	-	-
Other interest expenses	797	361	296	222
Total	880	465	296	222

Note 6 Items affecting comparability

Non-recurring items refer to profits in the subsidiary RadiSoft AB during part of the fiscal year, prior to December 13, 1999, when the company was not yet part of the Group.

Note 7 Appropriations

	Parent Company	
	99/00	98/99
Group contribution	23 864	27 634
Change in tax allocation reserve	- 4 400	- 3 160
Reversal of tax equalization reserve	214	214
Change in excess depreciation	21	-266
Total	19 699	24 422

Note 8 Goodwill

	Group		Parent Company	
	99/00	98/99	99/00	98/99
Cost at beginning of year	500	1 000	500	1 000
Purchases	18 141	-	-	-
Disposals	- 500	- 500	- 500	- 500
Accumulated purchase value	18 141	500	0	500
Amortization at beginning of year	500	900	500	900
Disposals	- 500	- 500	- 500	- 500
Amortization for the year	1 814	100	-	100
Accumulated amortization	1 814	500	0	500
Residual value at year-end	16 327	0	0	0

Note 9 Machinery and equipment

	Group		Parent Company	
	99/00	98/99	99/00	98/99
Cost at beginning of year	19 279	25 562	15 269	22 969
Acquisition of subsidiaries	1 846	-	-	-
Investment for the year	2 733	2 391	816	627
Sales/Disposals for the year	- 1 735	- 8 674	- 1 726	- 8 327
Accumulated purchase value at year-end	22 123	19 279	14 359	15 269
Depreciation at beginning of year	8 643	13 965	7 942	13 637
Acquisition of subsidiaries	805	-	-	-
Sales/Disposals	- 1 709	- 8 530	- 1 700	- 8 327
Depreciation for the year	4 149	3 208	2 512	2 632
Accumulated depreciation at year-end	11 888	8 643	8 754	7 942
Residual value	10 235	10 636	5 605	7 327

Equipment not included under financial leases is included in the following amounts:

Acquisition value	1 713	1 050	-	-
Accumulated depreciation	- 368	- 264	-	-
Total book value	11 580	11 422	-	-

Note 10 Participations in subsidiaries

	Registration number	Location	No. of shares	Share of capital, %	Par value	Book value at April 30, 2000
Parent Company:						
Sectra Imtec AB	556250-8241	Linköping, Sweden	300 000	100	3 000	2 883
Sectra Communications AB	556291-3300	Linköping, Sweden	3 000 000	100	3 000	3 000
Sectra Secure Transmission AB	556247-1283	Linköping, Sweden	100 000	100	100	95
Sectra Wireless Technologies AB	556570-9325	Linköping, Sweden	3 000 000	100	3 000	3 000
						8 978

Sectra Imtec AB:

RadiSoft AB	556483-9479	Örebro, Sweden	4 035	100	100	21 016
Sectra Norge AS		Oslo, Norway	5 000	100	NOK 500	283
Sectra NA Inc		Shelton, U.S.A.	500	100	USD 50	384
Sectra GmbH		Krefeld, Germany	500	100	DEM 50	219
						21 902

Note 11 Participations in associated companies

	Registration number	Location	No. of shares	Share of capital, %	Par value värde	Book value at April 30, 2000
Mamea Imaging AB	556570-7022	Stockholm, Sweden	2 000	20	17	3 000
						3 000

Note 12 Contracted work in progress

	Group	
	000430	990430
Expenditure on work in progress	88 492	65 456
Interim invoicing deducted	- 54 135	- 49 561
Total	34 357	15 895

By valuation of work in progress the Group has used percentage of completion method in accordance with the Swedish Accounting Standards Council's recommendation no. 11. The new principle has affected the net earnings for the year positively with SEK 1.8 million.

Note 13 Prepaid expenses and accrued income

	Group		Parent Company	
	000430	990430	000430	990430
Prepaid rental	414	323	375	323
Accrued interest income	343	244	184	146
Prepaid support agreements	494	1 373	4	3
Other items	2 378	869	344	27
Total	3 629	2 809	907	499

Note 14 Equity

Group	Share capital	Restricted reserves	Unre- stricted reserves	Earnings for the year
At beginning of year	26 250	24 037	10 481	16 470
New issue	1 051	19 965		
Resolution by the AGM:				
Appropriation to restricted reserves		3		-3
Dividend				- 5 250
To be carried forward			11 217	- 11 217
Change to restricted reserves		4 179	- 4 179	
Net earnings for the year				16 920
At year-end	27 301	48 184	17 519	16 920

Parent Company

	Share capital	Share premium reserve	Legal reserve	Retained earnings	Earnings for the year
At beginning of year	26 250	11 375	150	12 541	13 649
New issue	1 051	19 965			
Resolution by the AGM:					
Dividend					- 5 250
To be carried forward				8 399	- 8 399
Net earnings for the year					12 711
At year-end	27 301	31 340	150	20 940	12 711

Note 15 Untaxed reserves

	Parent Company	
	000430	990430
Tax allocation reserves:		
Allocated fiscal year 96	1 823	1 823
Allocated fiscal year 97	2 325	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	-
Tax equalization reserve	-	214
Excess depreciation	2 124	2 145
Total	19 875	15 710

Of total untaxed reserves, SEK 5,565 thousand (SEK 4,399 thousand) is deferred tax.

Note 16 Bank overdraft facility

	Group		Parent Company	
	99/00	98/99	99/00	98/99
Total overdraft facility	14 127	14 158	12 000	12 000
Amount unutilized	13 409	12 256	12 000	12 000
Amount utilized	718	1 902	0	0

Note 17 Other liabilities to financial institutions

	Group		Parent Company	
	000430	990430	000430	990430
Due 1-5 years from fiscal year-end	2 946	2 157	1 819	1 841
Of which refers to financial leases	1 137	315	-	-
Due more than 5 years from fiscal year-end	-	-	-	-

Note 18 Convertible debentures

	Group		Parent Company	
	99/00	98/99	99/00	98/99
Convertible debentures	5 460	-	5 460	-

The convertible debentures are subject to an annual interest-rate of 4 %. The convertible debentures mature on July, 2002. The duration of the convertible debentures are November 1, 1999 – July 1, 2000. Upon full conversion, Sectra would have an additional 105,000 B shares.

Note 19 Other current liabilities

Of other current liabilities in the Group at April 30, 2000, SEK 270 thousand refers to financial leases.

Note 20 Accrued expenses and deferred income

	Group		Parent Company	
	000430	990430	000430	990430
Accrued social security fees	5 911	4 344	551	521
Accrued vacation pay	8 085	5 824	576	660
Prepaid support agreements	1 009	374	-	-
Other items	6 001	1 296	455	201
Total	21 006	11 838	1 582	1 382

Note 21 Pledged assets and contingent liabilities

	Group		Parent Company	
	000430	990430	000430	990430
Chattel mortgages	45 699	42 880	11 000	11 000
Bank accounts	14 100	2 372	5 000	81
Total pledged assets	59 799	45 252	16 000	11 081
Guarantee commitments	2 740	3 000	-	-
Total contingent liabilities	2 740	3 000	0	0

Board of Directors



Thomas Ericson

Born 1942. Member of the Board and Chairman since 1984. Professor of Data Transmission at Linköping Institute of Technology. Shareholding in Sectra: 71,595 A shares and 521,601 B shares.

Jan-Olof Brüer

Born 1951. Member of the Board since 1982. President and CEO of Sectra AB since 1985. President Sectra Communications AB 1998-02-01 – 2000-04-26. Shareholding in Sectra: 195,207 A shares and 1,476,482 B shares. Convertible debentures SEK 10,400.

Torbjörn Kronander

Born 1957. Member of the Board since 1988. President of Sectra Imtec AB since 1997 and vice president of Sectra AB since 1998. Shareholding in Sectra: 195,204 A shares and 1,476,481 B shares. Convertible debentures SEK 10,400.

Sverker Littorin

Born 1955. Member of the Board since 1998. Chairman of the boards of Momentor AB, Profilizer AB and Holyvoice AB. Member of the boards of Dynamed AB, ComSearch AB, EPOS Capital AB, The British-Swedish Chamber of Commerce, Fondbolaget Fonditu Oy, Teacher Agency and Templeton Securities AB. Shareholding in Sectra: 1,000 B shares.

Gündör Rentsch

Born 1941. Member of the Board since 1994. Member of the boards of WM-Data AB, SPCS-gruppen ASA, Genidata AB, CAV AB, Streamserve Inc and others. Shareholding in Sectra: 90,042 B shares.

Staffan Bergström

Born 1962. Employee representative since 1995. Marketing Director at Sectra Imtec AB. Employed since 1989. Shareholding in Sectra: 74,379 B shares. Convertible debentures SEK 114,400.

Robin von Post

Born 1973. Employee representative since 1999. Project Manager at Sectra Wireless Technologies AB. Employed since 1997. Shareholding in Sectra: 2,800 B shares. Convertible debentures SEK 114,400.

Deputy members of the Board of Directors

Jonas Wiklander

Born 1970. Employee representative since 1999. Project Manager at Sectra Communications AB. Employed since 1995. Shareholding in Sectra: 2,768 B shares. Convertible debentures SEK 114,400.

Marie Ekström.

Born 1961. Employee representative since 1999. President of RadiSoft AB since 1999. Employed since 1996.

Shareholding in Sectra: 3,203 B shares. Convertible debentures SEK 104,000.

Senior executives

Jan-Olof Brüer

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

Torbjörn Kronander

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

Dick Ollas

Born 1968. President of Sectra Wireless Technologies AB since May 1, 1999. Employed since 1993. Shareholding in Sectra: 11,580 B shares. Convertible debentures SEK 114,400.

Per Unell

Born 1965. President of Sectra Communications AB since April 27, 2000. Former vice president of Sectra Communications since May 1, 1999. Employed since 1992. Shareholding in Sectra: 10,580 B shares. Convertible debentures SEK 114,400.

Auditor

Hans Franzén

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

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 1999 – 30 April 2000. 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 5th 2000
Hans Franzén
Authorized public accountant

Where to find Sectra

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