

Annual Report

03/04

SECTRA

Since the mid-1980s, Sectra has successfully developed and sold high-technology systems and products in expanding niche segments. Current operations include medical systems and secure communication systems. The company's products are used by customers all around the world.

Sectra has its roots in Linköping Institute of Technology in Sweden and the company's headquarter is located in Linköping. Operations are conducted in eight countries with a total of 347 employees. Since March 1999, Sectra's shares have been quoted on the O list of the Stockholm Exchange.

Sectra celebrates 25th anniversary

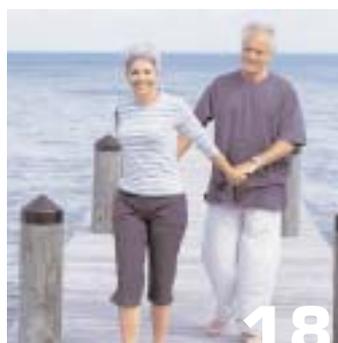
Sectra completed its first consulting project in 1978. Today, 25 years later, Sectra is a brand for world-leading cutting-edge products that increase healthcare efficiency and protect defense secrets.

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Sectra's market leading position in Scandinavia combined with worldwide strategic partnerships provides a strong platform for continued international expansion.



Sectra MicroDose Mammography combines very high image quality with significantly reduced radiation doses. The initial systems are in full clinical operation in Sweden and Germany.



Tiger® XS – new mobile terminal that facilitates transmission of sensitive information on current and future communications networks.

Annual General Meeting

The Annual General Meeting of shareholders in Sectra AB will be held at 4:00 p.m. on Tuesday, June 29, at Collegium, Teknikringen 7, Mjärdevi Science Park in Linköping, Sweden.

Dividend

A dividend of SEK 0.50 per share is proposed for fiscal 2003/2004. July 2, 2004 is proposed as the record date for the dividend. If the Annual General Meeting adopts the proposal, VPC is expected to pay the dividend on July 7, 2004.

Future reports

- Interim Report May – Jul 2004
September 7, 2004
- Interim Report May – Oct 2004
December 7, 2004
- Interim Report May 2004 – Jan 2005
March 8, 2005
- Preliminary Earnings 2004/2005
May 24, 2005

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

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The year in brief

- Sectra AB acquired 60,000 shares in Mamea Imaging AB from the founders, thereby increasing ownership stake in the company from 38% to 95%. A nonrecurring write-down of capitalized development costs in Mamea Imaging AB encumbered Sectra's profit by SEK 70.9 million.
- Sectra carried out a direct share issue worth roughly SEK 150 M to finance major investment in mammography.
- The market for wireless information systems has been affected by low investment volumes in the financial markets and the aviation industry. Sectra's Board of Directors has decided to shut down or sell off the operations in Sectra Wireless Technologies AB.

Medical systems

- Sectra's medical systems operations continued to expand on international markets and more than 500 sites worldwide use Sectra's radiology IT systems.
- The initial installations of the unique digital Sectra MicroDose Mammography™ system, has been successfully installed and is fully operational in Helsingborg Hospital in Sweden and Klinikum Krefeld in Germany.

	2003/04	2002/03	2001/02
Orders received, MSEK	375.1	489.8	459.7
Sales, MSEK	495.3	503.4	410.0
Earnings after financial items, MSEK ¹⁾	27.6	78.9	61.4
Profit margin, % ¹⁾	5.6	15.7	15.0
Earnings per share, SEK ¹⁾²⁾	0.6	1.6	1.2
Earning capacity of equity, %	5.8	28.7	26.9
Equity ratio, %	61.7	43.6	45.6
Dividend per share, SEK, ³⁾	0.5	0.5	0.4
No. of employees at year-end	347	274	250

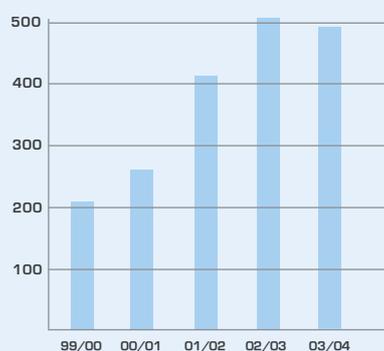
¹⁾ A nonrecurring write-down of capitalized development costs for Mamea Imaging AB encumbered Sectra's profit by SEK 70.9 million.

²⁾ Before dilution ³⁾ Proposed for 2003/2004

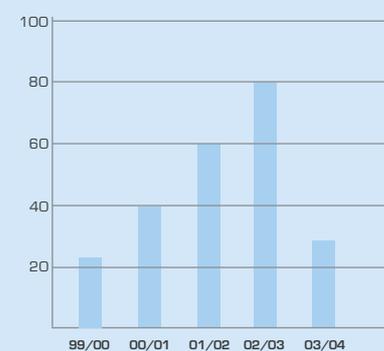
Secure communication systems

- Sectra launched Tiger® XS, a new mobile security terminal that expands Sectra's product portfolio for secure mobile communications.
- A subsidiary was started in Great Britain as part of Sectra's commitment to international expansion.

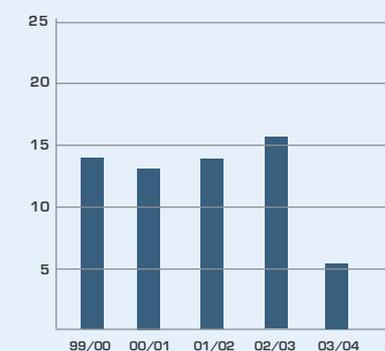
Net sales
SEK million



Earnings after financial items
SEK million



Profit margin
%



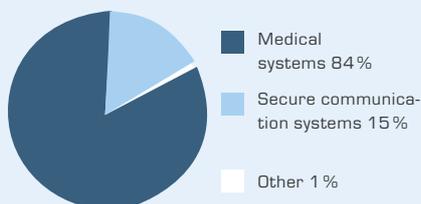


“Medical Imaging Company of the Year 2004”

During the year Sectra Imtec AB was selected as the “Medical Imaging Company of the Year 2004” by the analyst company Frost & Sullivan, a global leader in international strategic growth consulting. The award was given to Sectra in competition with all the world's other top medical imaging companies. The jury's motivation was:

“For its unparalleled excellence from all perspectives - business development, competitive strategy, and customer service leadership – Sectra is the undisputed choice for the 2004 Medical Imaging Company of the Year Award.”

Net sales by business area



Net sales by geographical market



¹⁾ Philips Medical Systems' deliveries of Sectra's digital radiology systems on a global basis are invoiced Philips in the Netherlands and are reported under sales in the Rest of Europe.

Mammography a major commitment for the future

The first hospitals have begun using Sectra's unique low-dose mammography system. The low radiation doses and high image quality that we promised have been verified, and women examined using the Sectra MicroDose Mammography® system are being exposed to the lowest radiation dose in the world for such procedures. This digital technology also offers advantages in the form of fast examinations and instant result reports.

Mammography examinations constitute the second most commonly performed radiological examinations in the world, and there is major market potential for digital mammography systems. Sectra has been active in this field for a number of years, and in the past year we have made a substantial financial commitment to become a leading supplier in this market.

We can also look back on a year of continued excellent results, due primarily to our medical systems. Sales outside of Sweden have increased, and we have introduced a number of new products in our markets. We have noted continued growing interest, and the increased attention has strengthened Sectra's brand, thereby increasing our ability to gain the confidence of new customers.

Niches with global potential

International sales have continued to grow, and now account for 59% (58) of the Group's net sales. We are investing in expanding niches where Sectra can secure a position among the top actors in the world market. We will achieve this both through cooperation with strong global and local partners and on our own in certain niche markets. We are holding

firm to our strategy of gradually expanding our international operations, with the focus on Western Europe, North America and some parts of the Middle East.

During the year we started yet another subsidiary of our secure communications business, in England, as part of our commitment to cultivating the international defense and government agency markets. Great Britain represents one of the largest such markets in Europe, with heavy demand for advanced encryption products. Great Britain also has strong ties in the security field to countries that were formerly members of the British Commonwealth.

Substantial investments in mammography

A transition from film-based mammography to digital mammography systems has begun, and interest in our new digital Sectra MicroDose Mammography, system is strong.

Sectra MicroDose Mammography, which was developed by Mamea Imaging AB, is based on a revolutionary new detector technology that makes it possible to achieve the same image quality as traditional film-based systems, but using a radiation dose that is five

times lower. During the year, the first of these systems were put into full clinical operation at Helsingborgs Lasarett, and at Klinikum Krefeld in Germany. These hospitals offer excellent examples of how digital technology can help to make mammography operations more efficient. In April we increased our ownership stake in Mamea Imaging AB from 38% to 95% by acquiring the founders' stock in order to safeguard the strategic resources, expertise and intellectual property rights associated with this unique mammography system.

To finance our major investment in mammography, we carried out a targeted issue of new shares worth roughly SEK 150 million. The task of building up marketing and sales channels in our selected markets will require significant investment in the years ahead. Our goal is for our mammography operations to comprise a substantial share of Sectra's total business within the next two to four years.

Liquidation of wireless information systems

The market for wireless information systems has been affected by low investment volumes in the financial markets and the aviation indus-





try. Our operations in this field accounted for less than 1 % of the Group's total sales for the year. In view of current market conditions, the Board of Directors has decided to shut down or sell off this business.

Good profitability

Net sales for the year totaled SEK 495.3 million (503.4). Our medical systems operations, which accounted for 84% of sales, continued to expand, and the market for

Profit after net financial items totaled SEK 27.6 million (78.9), which corresponds to a profit margin of 6 % (16). A nonrecurring write-down of development costs for Mamea Imaging AB carried in the balance sheet encumbered the profit by SEK 70.9 million.

An increasing share of our medical systems sales is made through partners, leading to changes in the nature of the deals involved. Direct sales deals will normally comprise total system deliveries that include

departments using our radiology image-processing system increased 30 % during the year, and the system is now in use at more than 500 hospitals around the world. In the U.S., established cooperative partners such as Philips Medical Systems have increased both sales and market shares, while new partners such as Eclipsys have finalized their first deals.

Our offering consists of high-quality products that have been developed to meet market demand for scalability and integration with other IT systems used in hospital environments. With our proven image-processing system for radiology departments and an array of clinical applications in areas such as mammography, orthopedics, cardiology and osteoporosis care, we are well equipped to address the growing global market in medical IT.

“The key to Sectra’s success consists of focusing on high-tech niche markets and profitability, committed and capable employees, a healthy internal social climate, short- and long-term cooperation with our customers, and being open to new opportunities.”

medical IT is in a strong growth phase. We posted lower net sales of secure communications systems in 2003/2004, mainly because batch ordering of the Tiger system did not occur to the same extent as in previous years. A number of new defense and government agency customers have ordered initial volumes for testing, and are currently in an evaluation phase. Our communications business was also affected by the Swedish military's freeze on orders in 2003, which resulted in postponements in procurements for planned projects.

both hardware and software. Sales through partners purely of software licenses. Deals made through partners are thus much smaller in terms of volume, and generally involve very short delivery times. At the same time, these deals provide high contribution margins.

Sectra system in 500 hospitals

Many hospitals are opting to increase their operational efficiency by introducing digital systems, and hospitals in more and more countries are demanding the system solutions that we have to offer. The number of radiology

Security solutions for the military

Like other defense organizations around the world, the Swedish armed forces are making the transition to an entirely new defense structure predicated on network-based information management. The restructuring that is under way demands the integration of strong security solutions into the new communication structures.

These new defense structures are placing heavier demands in terms of interoperability and international adaptation. Our encryption products are based on standardized platforms and a modular design, which means that they can be adapted to new markets and different national security requirements. With our strong core competence in encryption and



advanced radio design, we can offer cost-effective security solutions for the defense of the future.

“Medical Imaging Company of the Year 2004”

Only a skilled and expert end customer can identify the correct ways to apply the possibilities afforded by technology. As a result, Sectra’s product development is guided by the customers, a strategy that has proven successful over the years. Our products have been ranked highly in various surveys and studies on numerous occasions, thereby confirming that we are indeed meeting our customers’ strict requirements in terms of functionality, quality and performance.

We have also received a number of different distinctions, most recently when Frost & Sullivan named our medical company Sectra Imtec AB as their “Medical Imaging Company of the Year 2004”. This is a distinction that was given to Sectra in competition with the world’s leading suppliers of medical systems.

Key to continued success

The key to Sectra’s success consists of focusing on high-tech niche markets and profitability, committed and capable employees, a healthy internal social climate, short- and long-term cooperation with our customers, and being open to new opportunities. These attributes provide an excellent foundation for our continued efforts to build Sectra as a strong global brand.

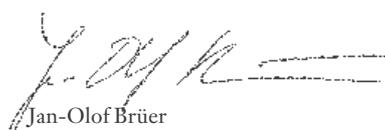
The products and system solutions that we are developing target markets with strong

growth potential. Our presence in the international market is increasing through the establishment of new offices in selected markets, and through strategic cooperative arrangements throughout the world. Together with these strategic cooperative arrangements, our market-leading position in our home market provides a strong platform for continued international expansion.

Sectra has now been in existence for 25 years, and in that time we have undergone phenomenal growth. I believe that the niches in which we are involved will see volume increases over the next decade, and will provide us with opportunity for excellent growth in the future as well.

Finally, I would like to thank all our employees who, through their tremendous efforts, have contributed to yet another highly successful year for Sectra.

Linköping, May 2004



Jan-Olof Brüer
President and CEO

Sectra in brief

Sectra was founded in 1978, and since the mid-1980s has successfully developed and sold high-technology systems and products in expanding niche segments. Current operations include medical systems and secure communication systems, niches in which Sectra has the potential to become the world leader.

Sectra has 347 employees in eight countries, and the company's products are used by customers all around the world. The combination of business areas enables Sectra to offer its customers, employees, cooperative partners and shareholders the long-term security and stability of a major company. At the same time, Sectra's organization preserves and protects the advantages of a small company, such as sensitivity to customer needs.

Customer obsession

Sectra's strategy is to let the customers' real needs drive our technical advancements and product development. As a result, Sectra strives to develop systems and products in close cooperation with the end users. This approach, combined with Sectra's comprehensive expertise in each market segment and the company's close ties with research institutions, has resulted in cutting-edge products characterized by high quality and strong user-friendliness.

Quality awareness

Quality awareness is an important part of Sectra's entire operations. Methods and tools are designed to ensure high quality in Sectra's products and services. All Sectra business operations are certified under ISO 9001:2000 and TickIT.

Sectra's products are also covered by industry-specific regulations and requirements. For instance, Sectra's medical systems meet the European requirements for CE marking, Medical Devices Directive 93/42/EEC, while the products that are installed in the North American market are approved by the FDA (Food and Drug Administration). Sectra's security products are designed in accordance with international security standards ITSEC (Information Technology Security Evaluation Criteria) and Common Criteria.

Patents and trademarks

Building and maintaining trademarks and protecting the company's assets with patents are part of Sectra's business development strategy. Sectra's trademark portfolio comprises some ten registered trademarks, and several of Sectra's products are protected by patents.

Environmental considerations

Sectra's digital radiology systems offer major advantages from an environmental standpoint. With the introduction of digital technology, the use of the environmentally hazardous chemicals and films associated with traditional radiology systems is disappearing.

It is vital to take the environment into consideration, and Sectra is working to limit the environmental impact of its operations. This means that decisions that impact the environment are made on the basis of what is ecologically justified, technically feasible and financially reasonable.

Sectra develops mainly software, along with other products to a lesser extent. Both these products and their manufacture by subcontractors have little impact on the environment, and Sectra is engaged in no activities that are subject to a reporting requirement under the Swedish Environmental Code.

Sectra's strategy is to let the customers' real needs drive our technical advancements and product development.



Visions

- Our trademark shall be a high-value brand for high-tech solutions and products.
- All our business areas shall have the potential to achieve international leadership.
- All our business areas shall contribute to strengthening our financial position.
- All our business areas shall contribute to strengthening our brand.
- We shall continuously innovate and make improvements at the cutting edge of technology.

Goals

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

Strategies

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

Group Structure



Medical systems



Sectra's medical systems operations have continued to expand on international markets and more than 500 sites worldwide use Sectra's systems.

The unique digital Sectra MicroDose Mammography™ system has been successfully installed and is fully operational in Helsingborg Hospital in Sweden and Klinikum Krefeld in Germany.

Sectra Imtec AB was selected as the "Medical Imaging Company of the Year 2004" in competition with all the world's other top medical imaging companies.

Sectra is a leading supplier of radiology image management systems. The medical systems operations are conducted through the wholly owned subsidiary Sectra Imtec AB, with a focus on digital image management and information systems for radiology clinics. Customers include both public and private hospitals worldwide.

During the year Sectra Imtec AB was selected as the "Medical Imaging Company of the Year 2004" by the analyst company Frost & Sullivan, a global leader in international strategic growth consulting. The award was given to Sectra in competition with all the world's other top medical imaging companies.

With headquarters in Linköping, Sweden, Sectra is established in numerous markets, with offices in Norway, Denmark, Germany, Italy, the U.S., UK and Australia. In addition to direct sales operations, Sectra sells through business partners in most markets, which has resulted in major sales successes, particularly in the U.S.

Fiscal year 2003/2004

With a focus on international growth, Sectra has continued to expand its medical systems operations internationally.

Increased international sales

Net sales for the fiscal year totaled SEK 418 million, of which international sales accounted for 61%. The main parts of the sales consist of software licenses to radiology departments.

The installed base of Sectra's radiology image management systems increased by 30% during the year and more than 500 sites worldwide use Sectra's systems, performing more 25 million radiology examinations a year. With the increase of the installed base, the proportion of additional sales such as supplemental sales, maintenance and upgrade agreements, is increasing.

The increasing share of sales on markets outside Scandinavia is entailing a change in the character of transaction. In direct sales, the model employed by Sectra in Scandinavia, transactions normally comprise complete systems delivery, including hardware and soft-

ware. Sales outside Scandinavia are largely conducted via partners and consist mainly of software licenses with short delivery times and high added value, generating a higher profit margin.

Strong position on the domestic market

In Sweden, a number of new contracts were signed during the fiscal year. Among these is the digitization of the image archive at Karolinska University Hospital, one of Sweden's most important brands in the health-care sector internationally and a leading university hospital in Europe. Several Scandinavian customers with whom Sectra has a long history of cooperation also showed continued confidence by placing orders for further development of their radiology operations.

Outside Scandinavia, Sectra's local subsidiaries continued to successfully support partner sales, and in some segments sell directly to end users.

“Business concept: Increase effectiveness of healthcare, while maintaining or increasing quality in patient care”

	03/04	02/03
No. of employees:	260	193
Net sales, SEK million:	418	386
Exports, %:	61	55

Net sales



¹¹ Philips Medical Systems' deliveries of Sectra's digital radiology systems on a global basis are invoiced Philips in the Netherlands and are reported under sales in the Rest of Europe

Number of hospitals that use Sectra's radiology image management systems



Continued sales successes in the U.S.

Today, a large share of Sectra's installations of digital radiology systems is in the U.S., one of the fastest growing markets for medical IT systems. Sectra's established sales channels such as Philips Medical Systems continued to increase sales and market share, while new partners such as Eclipsys made their first deliveries during the fiscal year. With a broad range of FDA approved focused clinical solutions, dedicated to for example 3D visualization, cardiovascular imaging, orthopedic templating and mammography, Sectra has strengthened its product offering to the U.S. health market. An intensive integration work together with education and extensive sales and product support pave the way for future sales successes together with partners.

Focus on the mammography area

The mammography area has a major growth potential and Sectra aims to become a leading supplier on this market. The unique low dose digital mammography system, Sectra MicroDose Mammography™, and the breast

imaging PACS received great response from the market.

The first installation of Sectra MicroDose Mammography is in full operation at Helsingborg Hospital in Sweden. More than 7.000 women have undergone mammography using the new system since it was installed in September 2003. During the year, Sectra also received its first export order for Sectra MicroDose Mammography from Klinikum Krefeld in Germany, where the system now is in routine operation. Sectra's digital mammography solution is presented in greater detail on page 18.

Sectra also received several orders for Sectra PACS™ dedicated to breast imaging during the year. In January, Sectra's breast imaging workstation, which forms a part of Sectra PACS for Breast Imaging, received clearance from the U.S. Food and Drug Administration (FDA) for sale on the U.S. market. Sectra is today the only supplier offering an FDA-approved mammography workstation for handling images from different suppliers' modalities.



Torbjörn Kronander, President

“With a market share of more than 50% in Scandinavia, strong worldwide partnerships and over 500 installations around the globe, Sectra has a strong base for continued international expansion.”

Benefits of digital image management systems

Radiology IT systems include RIS (Radiology Information System) and PACS (Picture Archiving and Communication System). The RIS facilitates administrative tasks such as appointment scheduling, billing and referrals while the PACS streamlines the process of reviewing, processing, distributing and storing radiology images.

The use of digital image management on an enterprise level offers major benefits to healthcare providers such as:

- Increased efficiency and effectiveness combined with improved image quality.
- Elimination of costs associated with printing, storing, handling and archiving film.

- Access to images and information at any time throughout the entire hospital network.
- Improved service to the radiology department customers.
- Elimination of use of environmentally harmful chemicals and films.

Altogether, an increased efficiency of the general workflow can be achieved, which in turn helps ensure fast, effective responses and better service for the patient.



Market

A general trend in the industrial world is that the proportion of elderly people is increasing, thus resulting in rising healthcare costs. This calls for new technology in order to increase efficiency while maintaining quality.

The key to efficiency

Moving to digital reading and management of images enables handling today's ever-increasing healthcare costs due to the rising proportion of elderly people. Studies have shown that a conversion from a traditional film-based

radiology environment to one that is digitized may increase efficiency up to 30 % with a constant workforce. The use of digital radiology also offers major benefits to both healthcare professionals and patients. Consequently, the use of digital technology in healthcare increases and virtually every new hospital built in the western world today is designed to be film-free.

Focus on integration

A major trend in the healthcare market is the demand for tight integration between differ-

ent IT systems. A digital radiology system, which is often a major investment for a hospital, is a part of the entire IT strategy in a healthcare enterprise. Consequently, Sectra focuses on extensive integration with selected partners to build cost value. At Connectathon, the largest event in the U.S. for testing interoperability between different medical systems, Sectra PACS demonstrated the ability to integrate with systems from the majority of the world's leading suppliers.



Market potential

The market potential for radiology IT systems is determined by population size. The number of radiology examinations performed per capita and year varies between 0.6 and 1.3, when comparing countries in the industrial world. Consequently, the size of the population provides a reasonable estimate of the size of a market from a digital radiology perspective.

Globally there are about 10 players that compete directly with Sectra. These include large groups like General Electric, Siemens and Agfa, as well as medium-sized software companies. Sectra's main advantage is its ability to adapt to market demands for workflow efficient, complete image management solutions that are easily deployed and integrated throughout the enterprise. With a market share of more than 50 % in Scandinavia, strong worldwide partnerships and over 500 installations around the globe, Sectra has a strong base for continued international expansion.

Scandinavia leading the way

Scandinavia is one of the markets that have advanced the furthest in the transition to digital radiology with about 90 % of radiology departments being film-free. In countries like the U.K., Spain and France, PACS penetration is less than 10 %, and in Germany it is estimated to be less than 20 %. It is a fair assumption that these countries will follow the Scandinavian model and move from film to digital radiology at an accelerating rate of penetration.

The U.S. – a rapidly growing PACS market

With more than 5,800 hospitals and 7,000 outpatient-imaging centers performing about 380 million radiology examinations per year, the U.S. radiology market is one of the largest PACS markets in the world. The penetration of PACS in the U.S. can be estimated at about 15–25 %, indicating a huge remaining market potential. Sectra's strategy is to work in cooperation with business partners to provide innovative solutions to the business and clinical challenges faced by U.S. healthcare providers.

The mammography market

Mammography is the second most common radiology examination in the world. Almost every country in the western world offers women the opportunity to participate in some kind of mammography program. The digitization of radiology operations has started to affect the mammography market as well. Today there are approximately 30,000 conventional film-based systems installed worldwide and many countries are extending their mammography programs. Sectra estimates that the installed systems will be replaced at a rate of some 3,000–4,000 new systems each year, a large part of which will be digital, thus creating a major market potential.

Digital imaging for orthopedics

The private orthopedic clinic market in the U.S. is starting to adopt digital PACS solutions. Orthopedic surgeons are utilizing digital technology to reduce costs, improve office workflow, enhance diagnostic capabilities, and improve overall patient care. With Sectra's multiple orthopedic specific products devel-

oped in conjunction with leading orthopedic surgeons, including digital templating for pre-operative implant surgery, the orthopedic surgeon can increase the speed and accuracy of the pre-operative planning process. The first Sectra installations at private U.S. orthopedic clinics are fully operational, delivering the tangible results of digital imaging. Sectra is well positioned to take advantage of this rapidly growing U.S. orthopedic imaging market.

Products

For more than 15 years, Sectra has been developing PACS solutions – always with the need for modular design and flexible capabilities in mind. Sectra offers products that ensure scalability and integration with other IT systems used in the hospital environment.

Sectra has realized the importance of long-term customer relationships and strong trust between customer and supplier. Accordingly, Sectra's strategy is to work closely and for the long term with the customer in digitization projects, with the goal of optimizing the effectiveness of hospitals around the world.

A complete solution for digital radiology

Sectra's product portfolio includes systems for managing digital radiology images (PACS) and systems for managing patient information (RIS). Included in the portfolio are also clinical applications, for example for mammography, orthopedics and osteoporosis.

Sectra is one of a handful of companies in the world to offer a complete PACS solution, covering the entire workflow within a radiology department, including clients and servers, workflow managers and archives.



Sectra RIS is only sold in selected markets due to the extensive localization requirements.

Clinical applications

The focus of the continued development of Sectra's core product, PACS, is to meet the needs of healthcare specialists even better. As an important step in this process, several clinical applications have been included in the Sectra product family. Examples are the new templating application adding new measurement functions to support the orthopedic process as well as applications for 3D visualization, bone mass measurements and cardiology.

Low dose mammography system

Sectra's revolutionary system for mammography is another example of a clinical solution with growing demand on the global healthcare market. The unique mammography stand, Sectra MicroDose Mammography, and Sectra PACS for Breast Imaging, are specially designed to meet the strict requirements of breast imaging. The digital mammography stand is based on a completely new digital detector technology. This technology makes it possible to combine very high image quality with significantly reduced radiation doses. With Sectra MicroDose Mammography, the radiation dose can be reduced by 80 % compared to traditional film-based examinations – a revolutionary advance. Read more on page 18, about how Sectra mammography users benefit from a lower radiation dose, higher quality and a better working environment.

An open platform

The open design of the Sectra PACS enables smooth integration of clinical applications developed by third party vendors. Sectra Clinical Solutions Network™ (CSN) is a network of developers with cutting-edge expertise in specialized fields that increases the functionality and pace of development for Sectra PACS products. Through CSN, Sectra's customers will gain access to a broad array of clinical applications such as computer-aided detection, virtual colonoscopy and voice recognition, to name just a few.

Research and development

As part of the product development strategy, Sectra strives to develop its products in close cooperation with customers to meet the requirements of quality as well as user-friendliness. User groups, ongoing training and personal contact between end-users and Sectra engineers ensure that Sectra's products meet the high efficiency requirements set by the market.

Cutting edge technology

To be able to provide systems based on the latest technology, Sectra also has close cooperation with a number of universities and research centers. One example is the Center for Medical Image Science and Visualization (CMIV) at Linköping University. CMIV is a multidisciplinary research center initiated by Linköping University, the County Council in Östergötland, and Sectra. The center's research focuses on how digitization of radiology can further facilitate the work of clinicians and radiologists.

Future prospects

The market for radiology IT system continues to grow and the demand for clinical solutions is increasing. In the mammography area, film-based systems are beginning to be replaced and Sectra's mammography system has received great interest. By allocating substantial resources for market investments, Sectra's goal is to establish itself more rapidly as a leading player in the mammography area.

Sectra provides high-quality solutions developed to meet the demand for scalability and integration with other IT-systems in the hospital environment. With a proven PACS solution and several applications for specialized clinical fields such as mammography, orthopedics and osteoporosis care, Sectra is well positioned in the growing medical IT market. Sectra's presence in the international market is increasing and its leading position in the domestic market combined with worldwide strategic partnerships provides a strong platform for continued international expansion.

“In Eclipsys’ and Sectra’s integrated solution, Springhill Medical Center found the solution that fit the needs that had been identified.”

Integration contributes to making healthcare more efficient

Advances in technology have motivated a growing number of U.S. healthcare organizations to consider the strategic opportunities of PACS in addition to the integration of enterprise-wide hospital IT systems. In an environment as complex as healthcare, PACS is a proven technology that can streamline processes, enhance communication between departments and specialties, help prevent errors and significantly improve an organization’s bottom line.

In February 2003 Sectra entered a partnership with Eclipsys Corporation, one of North America’s leading healthcare solutions companies. Together Sectra and Eclipsys have developed Knowledge-Based Diagnostic Imaging™ (KBDI), an advanced clinical offering that provides hospitals with Sectra’s radiology PACS in conjunction with Eclipsys’ clinical information system, SunriseXA™.

“Through our partnership with Sectra we are able to provide a new diagnostic imaging solution that allows our customers to further streamline the workflow of clinical information, reduce operating costs and achieve new levels of efficiency,” says Paul L. Ruffin, president and CEO of Eclipsys.

Springhill Medical Center

Eclipsys delivered KBDI to its first customers in 2003, including Springhill Medical Center, a 252 bed complete medical-surgical healthcare facility in Mobile, Alabama. With more than 25 years of service to the community, Springhill Medical Center offers comprehensive medical services from open-heart surgery to full diagnostic capabilities, women’s and

children’s care, cancer care and a 24-hour emergency department.

Springhill Medical Center began its transformation to digital radiology in early 2002. Facing the rapid evolution of technology that can quickly overwhelm an organization whose main goal is to provide the best care possible for its patients, Springhill Medical Center realized the strategic importance of implementing a PACS that would be a seamless extension of its enterprise information systems. In Eclipsys’ and Sectra’s integrated solution, Springhill found the solution that fit the needs that had been identified.

“By utilizing the KBDI solution, the Springhill radiology department now has the ability to operate film-free while providing physicians with immediate access to radiology reports and images as part of the patient’s electronic medical record”, Mr. Dempsey, Director of Radiology at Springhill Medical Center concludes.

Springhill placed the solution into a live production environment in March 2004 and the system has performed “flawlessly from day one”, according to Mr. Dempsey. Training was completed by over 100 employees in 30 days prior to go live. The



Mr. Dempsey, Director of Radiology at Springhill Medical Center

workflow improvements facilitated by the system met with an immediate positive reception throughout the entire hospital, and the radiologists are very pleased with the solution and how the project has been carried out. The system is undergoing continual adaptation to the users’ individual needs in cooperation with the Eclipsys trainers.

Lower radiation dose, higher quality and better working environment

The Breast Disease Center of Helsingborg Hospital in Sweden, is a pioneer within digital mammography and the first hospital to use Sectra's unique digital MicroDose Mammography system in clinical operations.

About 14,000 women are currently screened for breast cancer annually at the Breast Disease Center of Helsingborg Hospital. Since fall 2003, the Breast Disease Center is fully digitized using Sectra MicroDose Mammography™ in full-scale breast cancer screening.

World record in mammography screening

The center examines over 60 women in one normal working day on the breast imaging unit – one woman every 4–6 minutes! This is a unique throughput capacity for a full field digital mammography system.

“With Sectra MicroDose Mammography we can keep a very high patient throughput without compromising the patient integrity or comfort, key conditions in a sensitive and delicate situation such

as breast cancer screening,” says Boel Heddson, Head of the Mammography Department at Helsingborg Hospital.

For the women who are examined, the digital technology means advantages like better service and a faster response.

A pioneer in digital mammography

Sectra PACS™ for Breast Imaging has been used for image review at the center since 2002, making Helsingborg one of the first totally film- and paper-free breast image clinics in Europe. All breast images taken at the Breast Disease Center are reviewed at Sectra's dedicated diagnostic workstation for mammography, included in Sectra PACS.

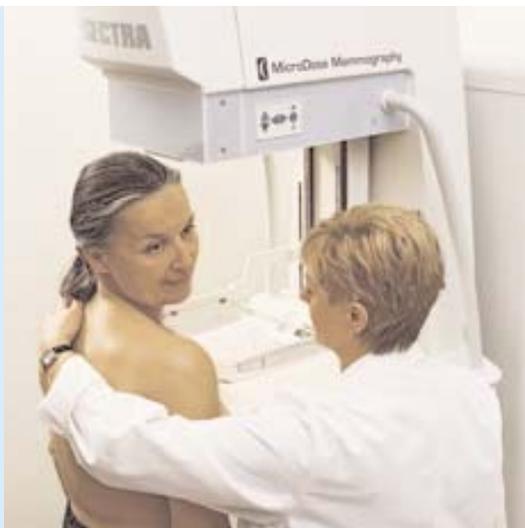
“Digital operation is the future and when we made the plans for a new Breast Disease Center, we decided we wanted to go completely film- and

paper-free,” says Boel Heddson. “The result is a totally modern department that works just as planned. We cannot imagine going back to the old way.”

Low dose system ideal for screening

With a mammography examination comes a certain dose of radiation and thus a certain risk. With today's technology, this risk is much less than the benefit of the examination and it is clear that more cancers are found and cured than are induced with the radiation. With Sectra MicroDose Mammography the radiation dose can be dramatically reduced. The dose women are exposed to can be reduced by 80% or more compared to conventional systems. Patented new technology makes it possible to combine the revolutionary low

The main advantages associated with Sectra MicroDose Mammography are that the radiation dose can be reduced by 80% compared with film-based systems, and the unique productivity that allows examination of over 60 patients per day.





radiation dose with the extremely high image quality required within mammography. This combination makes the system ideal for screening where a large number of healthy women are examined.

Improved working environment

A smooth and effective workflow is crucial within breast cancer screening. A large number of women pass through the department every day and time is a scarce resource – in Helsingborg the duration of a normal examination is about 5 minutes. Consequently, many examinations are performed in the same way day after day. Sectra MicroDose Mammography supports every step in this process, from initial patient contact to documented diagnosis. The number of manual steps has been reduced to a minimum, giving the nurse and the doctor more time to do what is important – taking care of the patient.

“We cannot imagine going back to the old, filmbased system”.

Boel Heddson, Head of the Mammography Department at Helsingborg Hospital.

“The work environment for us at the breast center has been decidedly improved with the new system,” says Boel Heddson. “The time consuming and heavy handling of cassettes, films and chemicals has disappeared. We can meet more patients and even provide better service and give them faster answers.”

Reduce traumatic recalls

The sensitive nature of breast cancer screening makes recalls of the patient very traumatic. With Sectra’s system, the image is available at the nurse’s workstation within seconds after it is taken and an immediate image quality control assures that the image maintains an adequate quality. When an image has to be retaken, this can be done while the woman is still in the examination room, saving her from the anxiety of being recalled to the examination.

After the examination is finished, the images are automatically transferred to Sectra PACS that manages and archives all the images taken at the center, where they are immediately available for review by the radiologist.

Individual adaptations

The radiologist’s diagnostic workstation can be customized to how the individual radiologist wants to have data and images presented to him or her.

“Compared to the old analogue system with films and screens, this is like a new world. We are all different and prefer to read images with different settings, for example in contrast or background. Now each and every one of us gets the images automatically presented in our preferred way,” Boel Heddson concludes.

Tight integration streamlines operations

Tight integration between the various systems of the center is essential. At a mammography department, patient information and data are administered through the RIS (Radiology Information System). Images are taken at different kinds of modalities, such as the MicroDose Mammography unit, ultrasound, stereotactic procedures and CR (computed radiography) and are read, archived and handled in PACS.

With Sectra PACS, information from all these systems is concentrated into one single workstation – the diagnostic workstation where the radiologist works. This means that the radiologist has access to information from all the various systems at his or her normal workspot, just one mouse click away.

Leading the way

With the revolutionary Sectra MicroDose Mammography system, Sectra can provide a highly effective solution for hospitals and breast clinics all over the world. Helsingborg Hospital is recognized as a very competent hospital and a pioneer in advancing technology, and is an important reference installation.

Secure Communication Systems



Sectra has developed new encryption systems for the Swedish Defense and a number of new international defense and government customers have begun using Sectra Tiger®.

Sectra has launched Tiger® XS, a new mobile security terminal that expands the product portfolio for secure mobile communications.

A subsidiary has been started in Great Britain as part of Sectra's commitment to international expansion.

Sectra has a strong core competence in encryption, and is one of the leading companies in the world in design and development of secure communication systems. These operations are conducted through a wholly-owned subsidiary, Sectra Communications AB, and are geared toward systems and products for secure mobile communication, high-speed encryption for telecom and data networks, and tactical radio systems. The customers comprise defense departments and public and government agencies in Europe and within NATO.

In addition to direct sales, Sectra works in cooperation with local resellers in selected markets. Sectra has for example a global cooperative arrangement with Kongsberg Defence Communications AS. This company is part of the Kongsberg Group, a Norwegian defense group, and sells Sectra's secure encryption telephone internationally.

Fiscal 2003/2004

Net sales of Sectra's secure communication systems totaled SEK 73 million, of which 49 % derived from sales in markets outside of

Sweden. The bulk of the revenue derives from development projects and customer-specific products.

During the year Sectra has continued to develop its existing defense products and produced new encryption systems for the Swedish military, including a new high-speed encryption system that protects sensitive information on the Swedish Defense's telecom and data networks.

Commitment to international expansion

Internationally, a number of new defense and government customers in, e.g. Austria and the U.S., have begun using Sectra's Tiger® mobile encryption system. In the US, the American military has ordered Tiger telephones within the framework of an evaluation program, FCT, whose purpose is to test and evaluate high-quality strategic products that have been developed internationally.

Sectra is committed to increasing its international sales, and during the year started a new subsidiary in Great Britain, Sectra Communications Ltd. Great Britain repre-

sents one of the largest defense and government agency markets for advanced encryption products in Europe.

Tiger XS – new product

During the year, Sectra expanded its product portfolio with the Tiger XS, a new mobile terminal for encrypting voice and data communication in current and future communications networks. Customers in Finland are the first to use Tiger XS. The product is based on the same NATO-approved architecture as the Tiger telephone, and on a mobile security system developed by Sectra for the Swedish Defense.

Tiger XS uses Bluetooth® wireless technology to communicate with external communication equipment, and protects information on both the GSM network and other communications networks such as Tetra, GPRS, UMTS and satellite. This means high flexibility for the user, and facilitates the transmission of sensitive information in various situations. You can read more about how the Tiger XS simplifies exchange of sensitive information on page 24.

“Business concept: To be the first-choice supplier of advanced communication, information and crypto systems for defense and government customers”

	03/04	02/03
No. of employees:	62	54
Sales, MSEK:	73	103
Exports, % :	49	64

Sales by geographical market



Security partner in satellite project

During the year, Sectra was chosen as security partner in the European Galileo satellite project, and given the task of reviewing the system's security architecture. Galileo is a satellite based navigation system of the same type as the American GPS system, and is being developed within the framework of an EU project. This project is strategically important for the future, and confirms Sectra's position as a leading supplier of security systems.

Market

Eavesdropping is a problem that affects government agencies, defense organizations and private companies. A host of revelations have occurred over the last year revealing that everyone from top UN officials to agency personnel has been the victims of eavesdropping. These incidents point to a major need for systems and products that protect against eavesdropping, and the issue of information security has been included on many agendas.

Network-based defense

Defense forces are being restructured the world over, and are moving away from emphasizing investment of large portions of their budgets in traditional areas such as weapons and personnel and toward an entirely new defense structure in which situation-adapted insertion forces and network-based information processing are important cornerstones. Achieving and maintaining an intelligence advantage is becoming increasingly important. During military operations, or when faced with threats from terrorist organizations, the defense organizations or coalition that can rapidly gather intelligence and form a joint status assessment will have a head start.

Continued international adaptation

The trend toward a more global approach to defense continues, as the boundaries between military and civil threat scenarios blur. Threat scenarios are also being perceived as more global than directed at national borders. Protection of the homeland remains important, but more and more collective initiatives are being undertaken. Various cooperative

defense measures are being initiated so that several countries can work together to protect themselves against terrorist attacks or attacks from other countries.



Tommy Waszkiewicz, President



Security partner in satellite project

The European Commission has decided to build Galileo together with the European Space Agency (ESA) in order to make Europe independent of other satellite navigation systems. This system will be under civil control and Sectra has been chosen as security partner in the Galileo project.

Galileo is intended for users within various sectors of society, such as transportation departments, police forces, customs authorities and emergency rescue services, as well as recreational users. Once the system is placed into service, these users will be able to determine their own position or the position of a stationary or moving object (e.g. vehicles, boats and aircraft) using a navigation receiver.

Secure communication between cooperating defense forces must be ensured, e.g. in connection with joint peacekeeping operations. This imposes heavy demands in terms of interoperability and international adaptation when it comes to designing and manufacturing of defense materiel. To meet these increasing requirements in terms of interoperability and international adaptation, Sectra is developing products and systems that can be used over many communications networks.

Market position

Sectra is the market leader in Sweden in the field of communication security and secure IT systems for military applications. Sectra Tiger, one of the world's most secure GSM telephones, has also gained Sectra international recognition as a leading supplier of secure mobile communication solutions. Sectra Tiger is being used by defense organizations and public agencies in Sweden, Norway, Finland, Germany, the Czech Republic, Austria, Holland, the US and NATO's central organization, and by the US European Command (USEUCOM). This makes Sectra one of the major actors in Europe.

The competition on the world market within the defense sector consists of major international IT/electronics companies such as Rohde & Schwarz and General Dynamics, for whom communication security is a minor secondary area of activity, and specialized security companies in defined geographical markets.

Sectra has been supplying defense departments and government agencies with secure communication systems since the 1980s. As a

result, the company has built up a strong technology platform and competence that covers everything from designing individual security components to integrating entire systems. One of Sectra's strengths is the fact that existing products can be adapted to new markets and different national security requirements quickly and cost-effectively.

Products

The customers using Sectra's communication system comprise national defense organizations, governments and public authorities, all of whom have the most stringent requirements in terms of high assurance security. They must feel totally safe and secure against security breaches, and their security solutions must provide long-term future protection. Confidence in Sectra's solutions is based largely on their ability to separate public information from information that must be protected.

Protecting all communication

Sectra's product offering in the field of secure communication systems covers the entire security chain, from encryption modules, encryption interfaces and encryption cards to complete systems for, e.g. secure mobile communications and air situation awareness. These products protect all communication, regardless of whether it occurs via for example networked computers, mobile telephones or by satellite terminals.

Tiger – a mobile communication platform

Tiger is a concept developed by Sectra to meet customer demand for secure mobile commu-

nication. The concept consists of systems and products, developed in cooperation with the Swedish and Norwegian Defenses, that are designed to meet the very strictest security requirements. All the products involved in the system are based on a platform that has been approved by numerous national security and accrediting bodies in Europe and NATO.

Different situations require different solutions. The Tiger system comprises:

- Sectra Tiger GSM/DECT telephone
- Sectra Tiger XS mobile security terminal
- PC application, Key Generation Unit, to generate and store encryption keys
- Security Management Center for electronic key distribution and managing various user groups

These products facilitate the exchange of sensitive information in a secure manner, regardless of whether it is communicated in transit from a mobile telephone or from a desk phone at the workplace. To increase user flexibility, the products function over many types of communications networks, such as GSM, GPRS, DECT, satellite and Tetra.

Research & Development

Sectra's products are developed under customer contract, and are based on standardized platforms. This enables the products to interoperate effectively in both proprietary and standardized systems. The use of standardized platforms enables Sectra to shorten development times and cut costs in developing new products. Because of a modular design, the products are optimally adaptable to different national requirements, and to changing security requirements in the future.

“Because of a modular design, the products are optimally adaptable to different national requirements, and to changing security requirements in the future.”

Unique competence and close customer relations

With its strong core competence in encryption and radio design, Sectra is on the cutting edge in developing secure communication systems and tactical radio systems. Sectra has pushed forward the boundaries within these areas of technology on numerous occasions. The unique competence has been built up in close cooperation with both Swedish and Norwegian Defenses, and with the Swedish Defense Research Agency.

All development work is carried out in close cooperation with the end users. Our goal is to offer the best solutions on the market, solutions that meet our customers' requirements in terms of high performance, quality and user-friendliness.

Outlook

Information security is essential to Sectra's customers. The restructuring that is under way within both the Swedish Defense and other defense organizations around the world demands the integration of strong security solutions into the communication structures of the future. Public authorities, organizations and governments are also becoming increasingly aware of the need to protect sensitive information against eavesdropping.

Sectra provides products and systems which, because of their modular design, are optimally adaptable to current and future requirements. With its strong core competence in encryption and radio design, Sectra is well positioned to continue to be a leading supplier of secure communication systems.



Tiger XS – new flexible security terminal



During the year, Sectra launched the Tiger[®] XS mobile encryption terminal. This new product will provide users with strong security when transferring sensitive information on current and future communications networks.

Tiger is a concept that Sectra has been developing since the early 1990s to meet customer demand for secure mobile communications. The concept comprises systems and products designed to meet the very strictest security requirements, as set forth in the laws and security regulations of various countries. The latest addition to the Tiger family, Tiger XS, can be used together with a regular mobile phone.

High flexibility

Tiger XS uses Bluetooth[®] wireless technology to communicate with various communication devices. This enables a high level of security

on communications networks such as GSM, Tetra, GPRS, UMTS and satellite. Tiger XS ensures that users will have their information protected all the way to the recipient, even in situations in which the traffic passes through several different communication networks. This also means that customers can keep up with rapid technological advances in the field, since Tiger XS has the ability to work together with the latest products, and with future communication technologies.

The ability to use Tiger XS in different types of communications networks such as Tetra, provides high flexibility and interoperability, essential properties for creating a cost-effective network-based defense.

Swedish military tests Tiger XS

In the event of an emergency, terrorism or other disaster it is important for the armed services to be able to cooperate with other authorities and defense forces abroad. The Swedish Defense is committed to building a network-based defense in order to be able to react rapidly to different types of both domestic and international threats. Tiger XS is one of the products involved in the Swedish military's testing of future encryption products within the context of this network-based defense.

Used together with regular mobile telephone

In Sweden, the Swedish Emergency Management Agency (SEMA) is the authority responsible for coordinating all public authorities signal protection activities, and for ensuring that these authorities can cooperate in a secure way. SEMA and the Swedish Defense Forces have begun joint user testing of the Tiger XS. According to the signal protection coordinator at SEMA, Arne Jonsson, changes in how we do our jobs today constitute the main reason why the Swedish Defense Forces are testing a mobile encryption system together with SEMA.

"Today we work in ways that require that we must, to a certain extent, always be reachable for making decisions or receiving information," explains Arne Jonsson. "We are at the same time moving about during our work days in different ways than before (more trips, meetings in other locations, etc), and we thus have a need for a product that will allow us to communicate securely with one another, regardless of our locations. This can apply to, e.g. emergency situations or periods of high preparedness," he adds.

The Sectra Tiger encryption telephone is currently being used to transmit sensitive information, but Arne Jonsson sees advantages in using Tiger XS.



“The ability to use Tiger XS in different types of communications networks such as Tetra, provides high flexibility and interoperability, essential properties for creating a cost-effective network-based defense.”

“Today we are spoiled in terms of being able to pick out any mobile telephone model we like. Only a small portion of our mobile conversations require secure communication protection, and one of the advantages with Tiger XS is that the users can keep their regular mobile phones and still have the capacity to converse with no unauthorized eavesdropping,” says Arne Jonsson.

Secure technology for the future

Tiger XS is based on the same NATO-approved security architecture as the Tiger telephone. A modular design and a standardized platform mean that the product can be adapted to differing national security requirements. This also means that it will be possible to use Tiger XS with the communication technologies of tomorrow.



Network-based defense

The Swedish Defense's primary task was formerly to protect Sweden against a massive invasion, but that threat has now essentially vanished. It is instead important to react quickly to various types of threats, both domestically and internationally. The Swedish Defense is consequently committed to an entirely new type of defense – network-based defense (NBD).

The trend is away from emphasizing investment of large portions of defense budgets in traditional areas such as weapons and personnel and toward an entirely new defense structure in which situation-specific insertion forces and network-based information processing are important cornerstones. The importance of working quickly and flexibly to today's defense forces cannot be overstated.

Network-based defense extends beyond the Swedish Defense Forces. In the event of a crisis, terrorism or other disaster in Sweden or abroad, it is important for the Swedish Defense to be able to cooperate with other authorities and militaries abroad. Similar investments in NBD are currently under way in other countries in the western world.

Employees

Unique expertise in an international environment



Sectra's employees are its most important resource, and Sectra's success is the direct result of their expertise and commitment. The employees solid experience and cutting-edge expertise are essential to meeting customer needs.

Sectra has offices in eight countries, with customers mainly in Europe and North America, but also in Asia and Australia. This gives Sectra employees an opportunity to work and grow in an exciting international environment.

Stimulating work environment

As a growth company, Sectra is in an excellent position to offer its employees new challenges and opportunities for professional and personal growth in a stimulating work environment. Sectra develops high-tech products based on the latest research results, and attracting, keeping and developing skilled employees is crucial. In addition to being intimately familiar with advanced technology, Sectra employees must also have a good understanding of the customers' businesses. That is why it is important for Sectra to offer a work environment that encourages creativity and new ways of thinking.

Expertise, education and training

Sectra had a total of 347 employees at year-end. The employees possess unique expertise, and most of them are university graduates. Many of the employees have done post-graduate research work, acquiring highly specialized IT expertise. The company also benefits from the contributions of four professors and 17 PhDs. Sectra conducts an annual interview with each employee to review their need to develop skills and expertise. The employees



Employee education levels:



Smart people know when to ask other smart people.®

then undergo ongoing, individually tailored training based on their results of the review.

Sectra's headquarter is based in Mjärdevi Science Park near Linköping University and Institute of Technology, which facilitates recruitment of new employees. The company also offers university students opportunities to complete a portion of their education at Sectra in the form of degree projects.

Health and work environment

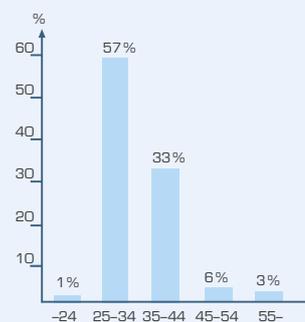
Employee well-being is of the utmost importance. Sectra takes a preventive approach to health and work environment issues, e.g. by offering its employees regular health checkups and access to subsidized spare-time physical activities. Sectra's health program also includes ergonomic counseling to minimize the risk of work-related injury.

Participation in Sectra's success

In order to strengthen employee commitment and motivation, Sectra has endeavored over the years to offer its employees opportunities to participate in the company's success. In addition to traditional compensation systems, Sectra has worked systematically to spread ownership to its employees through convertible debenture and employee option programs. As a result, the majority of the company's employees are also Sectra shareholders.



Employee age distribution



	2003/04	2002/03	2001/02
No. of employees at year-end	347	274	250
No. of which are women	82	68	63
Staff turnover, %	2.3	7.3	3.2
Average age	35	34	33
Value added/employee, MSEK	0.7	0.9	0.8

The Sectra share

Sectra's share capital as of April 30, 2004 totaled SEK 35,851,511, divided among 35,851,511 shares. Of these shares, 2,620,692 are series A shares, while 33,230,819 are series B shares. The par value of each share is SEK 1.

All shares confer equal rights to the company's assets and earnings. One series A share confers ten votes, while one series B share confers one vote at the Annual General Meeting.

Share price evolution

Sectra's series B share has been listed on the Stockholm Stock Exchange's O-list since March 1999. Sectra's share price rose 54% compared with the end of the preceding fiscal year. The Swedish Affärsvärlden general index rose 35% over the same period. The last price paid for the Sectra share was SEK 58.5 (38.0) as of April 30, 2004, yielding a total market capitalization of SEK 2,097 million. The year's highest quotation for the Sectra share was SEK 64.5 on November 10, 2003, while the lowest quotation was SEK 37.0 on May 8, 2003.

Issues of new shares

The 2003 Annual General Meeting authorized the Board of Directors to adopt resolutions on one or more occasions during the time until the next General Meeting to issue a maximum of 3,300,000 new series B shares. The authorization was made to enable issue of new shares in connection with the execution, or financing, of acquisitions of all or parts of companies or operations, and in connection with market investments.

In order to finance market investment in the mammography field, the Board of Directors exercised its authorization during the year to undertake a targeted issue of 2,700,000 new series B shares with a share price of SEK 55.50. The shares were

purchased mainly by Scandinavian institutional investors.

To pay for the acquisition of Mamea Imaging AB in April 2004, the Board of Directors also exercised the authorization to issue 540,540 series B shares to the sellers. Sectra's share capital is increased to SEK 36,392,051 upon registration of the share issue. The Sectra Board of Directors has also resolved, pending the approval of the Annual General Meeting, to issue a maximum of 900,000 warrants to fund future payment of the supplemental purchase price in the purchase agreement with Mamea's founders. If all the warrants are exercised to subscribe shares, the company's share capital will increase by SEK 900,000, which corresponds to 2.6% of the share capital and 1.5% of the votes in the company.

Shareholders

The number of shareholders increased 11% during the fiscal year to 7,245 (6,530). The percentage of institutional and legal owners rose to roughly 28% (21%). Sectra's ten largest owners account for 57% (62%) of the total share capital.

Dividend policy

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

Convertible debentures

In October 2003, convertible debentures with a total par value of SEK 20.6 million were issued to Sectra employees. Upon full conversion the debentures will provide Sectra with 330,000 series B shares, which corresponds to 0.9% of the share capital and 0.6% of the votes. The convertible debentures mature on June 30, 2006, and have a conversion price of SEK 62.5. Similar convertible debenture plans have been issued in the past; see list on following page.

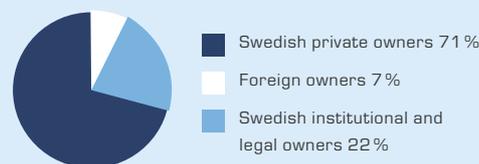
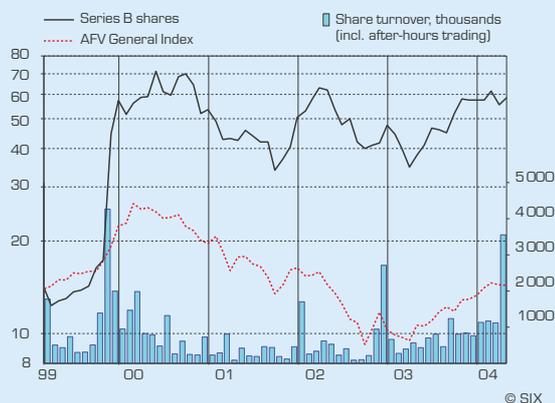
No conversions occurred with respect to the convertible loan of SEK 27.5 million from 2000/01. The loan was paid back on the due date, July 1, 2003.

Employee options

An offer to subscribe additional employee options was extended to Sectra's employees in the U.S. during the year. If these options are fully exercised, the employees will acquire a maximum of 80,000 series B shares in the company, corresponding to roughly 0.2% of the share capital and 0.1% of the votes. The options can be exercised through January 2007, and have a conversion price of SEK 47. See the next page for a list of all previously issued employee options.

The conversion period for the employee options issued in 2000/01 expired during the fiscal year with no options being exercised.

Full conversion and exercise of issued incentive plans will result in a maximum increase of 974,750 in the number of shares, which corresponds to 2.7% of the share capital and 1.6% of the votes.



Breakdown of shares by owner category

Progress of share capital

Year	Transaction	Par value	Increase in no. of shares	Total no. of shares	Increase in share capital	Total share capital
1995/96	Bonus issue	100.00	20 000	80 000	2 000 000	8 000 000
1996/97	Split 10:1	10.00	720 000	800 000	0	8 000 000
1996/97	Bonus issue	10.00	200 000	1 000 000	2 000 000	10 000 000
1997/98	Bonus issue	10.00	200 000	1 200 000	2 000 000	12 000 000
1997/98	New issue	10.00	880 143	2 080 143	8 801 430	20 801 430
1998/99	Bonus issue	10.00	419 857	2 500 000	4 198 570	25 000 000
1998/99	Split 4:1	2.50	7 500 000	10 000 000	0	25 000 000
1998/99	New issue	2.50	500 000	10 500 000	1 250 000	26 250 000
1999/00	New issue	2.50	420 315	10 920 315	1 050 787	27 300 787
2000/01	Bonus issue	3.00	0	10 920 315	5 460 158	32 760 945
2000/01	Split 3:1	1.00	21 840 630	32 760 945	0	32 760 945
2002/03	New issue	1.00	315 566	33 076 511	315 566	33 076 511
2003/04	New issue	1.00	75 000	33 151 511	75 000	33 151 511
2003/04	New issue	1.00	2 700 000	35 851 511	2 700 000	35 851 511

Distribution of shares

No. of shares per shareholders	No. of owners	No. of shares	Votes	Share capital
1-10 000	7 098	5 378 291	9.1 %	15.0 %
10 001-100 000	107	3 165 429	6.0 %	8.8 %
100 001-1 000 000	33	10 132 027	24.7 %	28.3 %
> 1 000 001	7	17 175 764	60.2 %	47.9 %
	7 245	35 851 511	100.0 %	100.0 %

Summary of convertible debentures

	2001/02	2002/03	2003/04
No. of series B shares	308 200	171 550	330 000
Conversion price, SEK	57.70	64.80	62.50
Conversion period	May 15-June 14 2004	May 16-June 14 2005	May 16-June 14 2006
Expiration	July 1, 2004	July 1, 2005	June, 30 2006
Dilution at full conversion, capital	0.9 %	0.5 %	0.9 %

Sectra's largest shareholders

Sectra's largest shareholders as of April 30, 2004 according to the share register kept by the VPC, plus subsequent changes known to Sectra.

Shareholder	No. of A shares	No. of B shares	Total no. of shares	Votes, %	Capital, %
	Jan-Olof Br�uer	638 059	3 719 904	4 357 963	17.0 %
Torbj�rn Kronander	638 057	3 719 901	4 357 958	17.0 %	12.2 %
Frithjof Qvigstad	332 866	2 422 569	2 755 435	9.7 %	7.7 %
Robert Forchheimer	202 203	1 348 104	1 550 307	5.7 %	4.3 %
Thomas Ericson	196 329	1 349 044	1 545 373	5.6 %	4.3 %
Viiveke F�k	196 629	1 320 150	1 516 779	5.5 %	4.2 %
Ingemar Ingemarsson	196 316	1 228 499	1 424 815	5.4 %	4.0 %
Nordea	0	1 209 000	1 209 000	2.0 %	3.4 %
Tredje AP-Fonden	0	1 000 000	1 000 000	1.7 %	2.8 %
Lannebo Sm�bolag	0	955 450	955 450	1.6 %	2.7 %
Other (roughly 7,235)	220 233	14 958 198	14 958 198	28.9 %	42.3 %
Total	2 620 692	33 230 819	35 851 511	100.0 %	100.0 %

Summary of employee options

	2001/02	2002/03	2003/04
No. of series B shares	30 000	55 000	80 000
Conversion price, SEK	42	42	47
Conversion period	Nov. 29, 2002-Jan. 28, 2005	Nov. 29, 2003-Jan. 28, 2006	Nov. 29, 2004-Jan. 28, 2007
Exercised no. of shares as of April 30, 2004	50 000	25 000	0
Dilution when fully exercised, capital	0.1 %	0.2 %	0.2 %

Five year summary

Amounts in SEK thousands unless otherwise stated	2003/04	2002/03	2001/02	2000/01	1999/00
CONSOLIDATED INCOME STATEMENTS					
Net sales	495 336	503 418	409 969	264 909	211 760
Other operating income	-	-	-	80	846
Operating expenses	- 398 753	- 419 849	- 342 980	- 219 824	- 180 371
Depreciation	- 6 052	- 6 849	- 6 841	- 6 335	- 6 184
Items affecting comparability	- 70 936 ¹⁾	-	-	-	- 3 574
Operating profit	19 595	76 720	60 148	38 830	22 477
Net financial items	8 046	2 202	1 253	509	1 609
Profit after financial items	27 641	78 922	61 401	39 339	24 086
Income tax	- 10 199	- 25 703	- 21 113	- 11 601	- 7 886
Minority interest	3 547	96	142	-	-
Net earnings for the year	20 989	53 315	40 430	27 738	16 200
CONSOLIDATED BALANCE SHEETS					
Assets					
Intangible assets	97 110	11 202	11 033	12 609	16 327
Tangible assets	16 681	97 692	54 236	29 405	14 087
Cash and bank balances	332 342	170 479	130 439	87 401	42 450
Other current assets	190 896	193 155	165 760	119 431	102 052
Total assets	637 029	472 528	361 468	248 846	174 916
Equity and liabilities					
Equity	393 033	206 030	164 660	134 702	109 923
Provisions	891	15 389	11 610	8 440	6 558
Minority interests	- 2 561	42	- 112	-	-
Long-term liabilities	71 615	57 626	68 031	37 967	9 134
Current liabilities	174 051	193 441	117 279	67 737	49 301
Total equity and liabilities	637 029	472 528	361 468	248 846	174 916

¹⁾ Items affecting comparability pertain to the write-down of capitalized development costs in Mamea Imaging AB.

KEY FIGURES³⁾	2003/04	2002/03	2001/02	2000/01	1999/00
Financial					
Working capital, SEK million	480.5	291.0	237.9	182.1	125.6
Liquidity ratio	3.1	2.0	2.6	3.3	3.2
Solvency, %	61.7	43.6	45.6	54.1	62.9
Debt ratio	0.22	0.41	0.45	0.29	0.08
Investments, SEK million	37.9	5.1	8.8	10.3	24.6
Profitability					
Gross margin, %	19.5	16.6	16.4	15.5	16.8
Operating margin, %	4.0	15.2	14.7	13.3	13.6
Profit margin, %	5.6	15.7	15.0	13.5	14.4
Earning capacity of total capital, %	6.1	20.6	21.2	18.6	17.1
Earning capacity of working capital, %	8.8	32.5	30.0	26.7	26.9
Earning capacity of equity, %	5.8	28.7	26.9	22.7	20.1
Employees					
No. of employees, average	296	262	221	182	156
No. of employees at end of period	347	274	250	185	166
Sales per employee, SEK million	1.7	1.9	1.9	1.6	1.2
Added value per employee, SEK million	0.7	0.9	0.6	0.7	0.7
Data per share					
No. of shares at fiscal year-end ¹⁾	35 851 511	33 076 511	32 760 945	32 760 945	32 760 945
Average number of shares	33 326 511	32 918 728	32 760 945	32 760 945	32 130 472
Equity per share, SEK	10.96	6.23	5.03	4.12	3.36
Cash flow per share after dilution ²⁾ , SEK	10.52	6.09	4.91	4.04	3.33
Cash flow per share, SEK	1.68	1.92	1.53	1.10	0.75
Cash flow per share after dilution ²⁾ , SEK	1.61	1.88	1.50	1.09	0.76
Earnings per share, SEK	0.63	1.62	1.23	0.85	0.51
Earnings per share after dilution ²⁾ , SEK	0.61	1.57	1.20	0.84	0.49
Dividend per share, SEK	0.50	0.50	0.40	0.30	0.20
Dividend yield, %	0.9	1.3	0.7	0.7	0.3
P/E ratio, times	92.9	23.6	50.0	50.0	115.7
Share price at fiscal year-end, SEK	58.5	38.0	62.0	42.5	59.0

¹⁾ Adjusted for stock splits and bonus issues.

²⁾ The dilution is based on the current unregistered issue (540.540) plus convertible debentures issued in 2001/02 (308.200), 2002/03 (171.550) and 2003/04 (330.000), and on employee options from 2001/02 (30.000) 2002/03 (55.000) and 2003/04 (80.000)

³⁾ Definition of key figures, page 46.

Administration Report

The Board of Directors and President of Sectra AB (publ.), organization number 556064-8304, hereby issue the Annual Report and Consolidated Financial Statements for May 1, 2003 – April 30, 2004.

Business activities

Sectra was founded in 1978 and since the mid-1980s, Sectra has successfully developed and sold high-technology products within expanding niche segments. Current operations are focused on medical systems and secure communication systems.

Sectra's strategy is to let customers' actual needs guide the technical advances and product development. As a result, Sectra endeavors to develop systems and products in close cooperation with the end users. This approach, combined with Sectra's strong expertise in each market segment and close ties to research, has resulted in advanced products characterized by high quality and strong user-friendliness.

Group structure

Sectra AB is the Parent Company of the Group, which comprises the wholly-owned active subsidiaries Sectra Communications AB, Sectra Imtec AB, Sectra Wireless Technologies AB, and one dormant company, Sectra Secure Transmission AB.

Sectra Imtec AB has eight wholly-owned active subsidiaries: Sectra Skandinavien AB, Sectra Norge AS, Sectra GmbH (Germany), Sectra A/S (Denmark), Sectra Pronosco A/S (Denmark), Sectra Italia S.r.l, Sectra North America Inc, Sectra Ltd (Great Britain), and one dormant company, Paxlink AB.

Sectra Communications AB has one wholly-owned subsidiary, Sectra Communications Ltd (Great Britain) and the dormant company, Sectra Communications BV (The Netherlands).

Sectra AB and Sectra Imtec AB are also part-owners of Mamea Imaging AB (95%).

Markets

Medical systems

The market for medical systems is growing rapidly. Many hospitals are opting to improve

the efficiency of their radiology operations by implementing digital systems, and more and more countries are demanding the system solutions that Sectra has to offer. Hospitals in Scandinavia have progressed the farthest in the transition to digital radiology, with roughly 90% of Scandinavia radiology departments having switched to using digital systems. Sectra's market share in Scandinavia in terms of digital radiology examinations performed is over 50%. In the U.S., which is the world's largest and one of the fastest growing markets for medical IT, digital radiology systems have achieved 15 – 25% market penetration. Substantial sales potential exists in the U.S. where Sectra is growing rapidly.

Mammography is the second most commonly performed radiology examination in the world, and the transition from film-based mammography to digital systems has begun. It is estimated that there are around 30,000 film-based mammography systems installed worldwide, and many countries are expanding their mammography programs, making this an area with major growth potential.

Sectra offers high-quality products that have been developed to meet market demand for scalability and integration with other IT systems used in hospital environments.

Secure communication systems

The market for secure communication systems is characterized by investment in new defense structures predicated on network-based information management. The information flow involved in network-based defense demands the integration of strong security solutions into the communication structures. The new defense structures are placing heavier demands in terms of interoperability and international adaptation.

Sectra's encryption products are based on standardized platforms and a modular design, which means that they can be adapted to new markets and different national security requirements. These features are essential to the creation of the new, cost-effective network-based defense.

The 2003/2004 fiscal year

Medical systems

Net sales for medical systems totaled SEK 418.4 M (386.0) for the year, an increase of 8.4%. The operating profit totaled SEK 0.0 M. A nonrecurring write-down of development costs for Mamea Imaging AB carried on the balance sheet encumbered the profit by SEK 70.9 M. The company has continued to expand in international markets. The number of radiology departments using Sectra's radiology image-processing system increased 30% during the year, and Sectra's system is now in use in more than 500 hospitals around the world. In the U.S., established cooperative partners such as Philips Medical Systems have increased both sales and market shares, while new partners such as Eclipsys have finalized their first deals.

Sectra's international organization has been strengthened in many countries through the addition of new mammography specialists. The first Sectra MicroDose Mammography units have been put into full clinical operation at Helsingborgs Lasarett, and at Klinikum Krefeld in Germany. These hospitals offer excellent examples of how digital technology can help to make mammography examinations more efficient. During the year, Sectra increased its investments in the mammography field in order to become a leading supplier in this market. Sectra's aim in increasing its marketing resources and building up sales channels in numerous countries is to establish Sectra as a leading actor in the mammography field on the basis of our unique Sectra MicroDose Mammography system.

Secure communication systems

Net sales of secure communication systems totaled SEK 72.5 M (102.6) for the fiscal year. Operating profit totaled SEK 0.2 M. The decline in sales occurred mainly because batch ordering of the Tiger system did not take place to the same extent as in previous years. A number of new defense and government agency customers have ordered initial volumes for testing, and are currently in an evaluation phase. Our communications business was also

affected by the Swedish military's freeze on orders in 2003, which resulted in postponements in procurements for planned projects.

During the year, Sectra increased its commitment to cultivating the international defense and government agency markets, an effort which included the start-up of a secure communications subsidiary in England.

Sales and earnings

Consolidated net sales totaled SEK 495.3 M (503.4). Consolidated earnings after financial items totaled SEK 27.6 M (78.9), which corresponds to a profit margin of 5.6%. Excluding the nonrecurring write-down of capitalized development costs in Mamea Imaging AB, consolidated earnings after financial items totaled SEK 98.6 M (78.9).

Parent Company revenues totaled SEK 53.0 M (51.8), while operating profit totaled SEK 22.6 M (19.5).

Sectra's goal is to increase its international sales, and 59.3% (57.7) of the total sales for the year derive from markets outside of Sweden. Sales in these markets are transacted mainly in USD, EUR and NOK.

With respect to medical systems, which account for 84% of Sectra's total business, an increasing share of sales is derived from partner sales, which entails changes in the nature of the deals involved. In the context of direct sales, which is the model Sectra use in Scandinavia, deals will normally comprise total system deliveries that include both hardware and software. Sales through partners consist purely of software licenses. Deals made through partners are thus much smaller in terms of volume, and generally involve very short delivery times. At the same time, these deals provide high contribution margins.

Financial position

Sectra enjoys a stable financial position. The Company's equity ratio as of April 30, 2004 was 61.7% (44.6), with liquidity at 3.1 (2.0). The Company's interest-bearing debt totaled SEK 87.4 M (85.0), where of 49.3 (54.5) was attributable to convertible debentures.

Acquisitions and investments

On April 30, 2004, Sectra AB acquired 60,000 shares from the founders of Mamea Imaging AB, thereby increasing its ownership stake from 38% to 95%. This acquisition represents a strategic investment in the future product supply of the unique digital mammography stand developed by Mamea. The acquisition resulted in an SEK 16.4 M increase in Sectra's goodwill, plus an increase of SEK 71.4 M in capitalized development costs following a nonrecurring write-down of SEK 70.9 M.

Group investments totaled SEK 37.9 M (5.1) for the year. The acquisition of Mamea Imaging AB added SEK 33.8 M to investments. Other investments pertained mainly to computer and other equipment.

Liquidation of wireless information systems

The market for wireless information systems has been affected by low investment volumes in the financial markets and the aviation industry. Sectra's operations in this field accounted for less than 1% of the Group's total sales for the year and, in view of current market conditions, the Board of Directors has decided to shut down or sell off the operations in Sectra Wireless Technologies AB.

Sectra is since 2002 involved in an ongoing dispute with the company CNS Systems AB.

The Sectra share

Sectra's share capital as of April 30, 2004 totaled SEK 35,851,511 divided among 35,851,511 shares. Of these shares, 2,620,692 are series A shares, while 33,230,819 are series B shares. The par value of each share is SEK 1. All the shares confer equal rights to the Company's assets and earnings. One series A share confers ten votes at the Annual General Meeting, while each series B share confers one vote.

To make it possible to finance any acquisitions or market investments with the Company's own stock, the 2003 Annual General Meeting authorized the Board of

Directors to adopt resolutions on one more or more occasions during the time until the next General Meeting to issue a maximum of 3,300,000 series B shares. The Board of Directors exercised the authorization during the year to undertake a targeted issue of 2,700,000 series B shares with a share price of SEK 55.50 in order to finance market investment in the mammography field. The shares were purchased mainly by Scandinavia institutional investors.

To pay for the acquisition of Mamea Imaging AB in April 2004, the Board of Directors also exercised the authorization to issue 540,540 series B shares to the sellers. The Sectra Board of Directors has also resolved, pending the approval of the Annual General Meeting, to issue a maximum of 900,000 warrants to fund future payment of the supplemental purchase price in the purchase agreement with Mamea's founders. If all the warrants are exercised to subscribe shares, the Company's share capital will increase by SEK 900,000, which corresponds to 2.6% of the share capital and 1.5% of the votes in the Company.

Current new issues plus full conversion and exercise of issued incentive plans, see list on page 29, will result in a maximum increase of 4.3% in the share capital and of 2.5% in the votes. The total number of shares after dilution will be 37,366,801.

Convertible debentures and employee options

In October 2003, convertible debentures with a total par value of SEK 20.6 M were issued to Sectra employees. Upon full conversion the debentures will provide Sectra with 330,000 series B shares, which corresponds to 0.9% of the share capital and 0.6% of the votes. The convertible debentures mature on June 30, 2006, and have a conversion price of SEK 62.5. Similar convertible debenture plans have existed in the past; see list on page 29.

The convertible loan of SEK 27.5 M from 2000/01 was paid off on the due date, July 1, 2003, with no conversions having occurred.

An offer to subscribe additional employee options was extended to Sectra's employees in the USA during the year. If these options are fully exercised, the employees will acquire a maximum of 80,000 series B shares in the company, corresponding to roughly 0.2% of the share capital and 0.1% of the votes. The options can be exercised through January 2007, and have a conversion price of SEK 47. See page 29 for a list of all previously issued employee options.

75,000 employee options from option plans issued in 2001/02 and 2002/03 were exercised during the year. The conversion period for the employee options issued in 2000/01 expired during the fiscal year with no options being exercised.

Employees

Sectra had 347 (274) employees as of fiscal year-end, April 30, 2004, 24% (25) of whom were women. The employee turnover rate was 2.3% (7.3).

Outlook

Sectra has a strong technology platform. The products and system solutions that Sectra is developing target markets with strong growth potential. The Company's leading position in its domestic market provides a solid platform

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

Activities of the Board of Directors during the year

Sectra's Board of Directors consists of five members elected by the Annual General Meeting plus two employee representatives with two deputies. Other senior Group executives make presentations to the Board of Directors whenever they are deemed necessary.

In addition to its statutory meeting, the Board held 11 meetings during the year. The issues addressed have included business trends within the Group, year-end accounts, interim reports, financing, investments, acquisitions and budgets.

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

Owners representing more than 50% of the votes in the Company have appointed a nominating committee consisting of Chairman of the Board Thomas Ericsson plus Viiveke Fåk and Bengt Bengtsson as representatives of the principal owners.

Sectra's adaptation to IFRS

Similar to all exchange-listed companies within the EU, Sectra must apply the accounting regulations set forth in the International Financial Reporting Standards (IFRS) as of January 1, 2005. Together with outside accounting experts, Sectra has clarified the impact that this transition will have on the Company's accounting. The transition to IFRS principles does not entail known changes in our current accounting principles beyond the expanded supplementary information in the notes.

Proposed allocation of profit

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

Divided (36.392.051 shares SEK 0.50)	18 196 025.50
Earnings to be carried forward	99 022 124.92
Total	117 218 150.42

No transfer to restricted reserves has been proposed.

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

Linköping, June 2, 2004

Jan-Olof Brüer
Group CEO and President

Thomas Ericsson
Chairman of the Board

Torbjörn Kronander
Board member

Gündor Rentsch
Board member

Carl-Erik Ridderstråle
Board member

Karin Partain
Employee representative

Claes Lundström
Employee representative

Our auditor's report was submitted on June 4, 2004

Lindebergs Grant Thornton AB
Ivar Verner, Certified Public Accountant

Income Statements

Amounts in SEK thousands	Note	Group		Parent Company	
		2003/2004	2002/03	2003/04	2002/03
Operating income	1				
Net sales		495 336	503 418	53 018	51 842
Operating expenses					
Goods for resale		- 111 717	- 162 889	-	-
Personnel costs	2	- 187 307	-162 912	- 12 249	- 9 089
Other external costs	3, 4	- 99 729	- 94 048	- 16 900	- 21 788
Depreciation	12	- 4 476	- 5 273	- 1 316	- 1 432
Goodwill amortization	11	- 1 576	- 1 576	-	-
Items affecting comparability ¹⁾	9	- 70 936	-	-	-
Operating profit		19 595	76 720	22 553	19 533
Result from financial items					
Income from participation in Group companies	5	-	-	80 548	64 211
Interest income and similar income	6	14 285	9 253	6 086	6 238
Interest expenses and similar expenses	7	- 6 239	- 7 051	- 5 536	- 5 679
Earnings after financial items		27 641	78 922	103 651	84 303
Appropriations	8	-	-	- 22 979	- 13 708
Earnings before tax		27 641	78 922	80 672	70 595
Income tax, paid		- 25 363	- 21 924	- 22 761	- 21 180
Income tax, deferred		15 164	- 3 779	-	-
Minority interest		3 547	96	-	-
Net earnings for the year		20 989	53 315	57 911	49 415
Profit per share, SEK					
Before dilution		0.63	1.62		
After dilution		0.61	1.57		
No. of shares at year-end					
Before dilution		35 851 511	33 076 511		
After dilution ²⁾		37 366 801	33 806 261		
Average, before dilution		33 326 511	32 918 728		
Average, after dilution ²⁾		34 215 473	33 680 203		

¹⁾ Items affecting comparability pertain to a nonrecurring write-down of capitalized development costs in Mamea Imaging AB.

²⁾ The dilution is based on the current unregistered issue (540,540) plus convertible debentures issued in 2001/02 (308,200), 2002/03 (171,550) and 2003/04 (330,000), and on employee options from 2001/02 (30,000) 2002/03 (55,000) and 2003/04 (80,000).

Balance Sheets

Amounts in SEK thousands	Note	Group		Parent Company	
		040430	030430	040430	030430
ASSETS					
Fixed assets					
Capitalized development costs	9	71 359	-	-	-
Patents	10	1 494	1 745	-	-
Goodwill	11	24 257	9 457	-	-
Machinery and equipment	12	14 773	14 352	5 322	5 817
Participation in Group companies	13	-	-	53 978	8 978
Participation in associated companies		-	8 366	-	-
Other shares		1 908	1 804	39	39
Receivables from Group companies		-	-	-	-
Receivables from associated companies		-	73 170	-	25 132
Total fixed assets		113 791	108 894	59 339	39 966
Current assets					
Inventories		9 950	11 719	-	-
Accounts receivable		116 286	154 999	-	74
Receivables from Group companies		-	-	220 151	173 914
Receivables from associated companies		-	7 243	-	2 719
Other receivables		16 066	1 516	12 541	41
Prepaid expenses and accrued income	14	48 594	17 678	2 216	2 466
Cash and bank balances	15	332 342	170 479	276 399	89 719
Total current assets		523 238	363 634	511 307	268 933
TOTAL ASSETS		637 029	472 528	570 646	308 899

Amounts in SEK thousands	Note	Group		Parent Company	
		040430	030430	040430	030430
EQUITY AND LIABILITIES					
Equity	16				
Restricted equity					
Share capital		35 852	33 077	35 852	33 077
Restricted reserves		271 507	63 583	209 342	33 085
Total restricted equity		307 359	96 660	245 194	66 162
Unrestricted equity					
Unrestricted reserves		64 685	56 055	59 308	29 527
Net earnings for the year		20 989	53 315	57 911	49 415
Total unrestricted equity		85 674	109 370	117 219	78 942
Total equity		393 033	206 030	362 413	145 104
Untaxed reserves	17	-	-	74 183	51 204
Appropriations	18	891	15 389	-	-
Minority interest		- 2 561	42	-	-
Long-term liabilities					
Debts to financial institutions	19	39 953	28 550	36 074	28 550
Other liabilities	20	31 662	29 076	31 549	27 171
Total long-term liabilities		71 615	57 626	67 623	55 721
Current liabilities					
Advances from customers		-	1 029	-	-
Accounts payable		21 789	14 260	706	1 099
Debts to Group companies		-	-	6 337	-
Tax liability		20 569	13 100	21 903	11 566
Other current liabilities	20, 21	32 936	47 955	26 409	36 147
Accrued expenses and deferred income	22	98 757	117 097	11 072	8 058
Total current liabilities		174 051	193 441	66 427	56 870
TOTAL EQUITY AND LIABILITIES		637 029	472 528	570 646	308 899
Pledged assets and contingent liabilities	23				
Pledged assets		46 250	106 132	21 000	16 000
Contingent liabilities		-	25 000	-	-

Cash Flow Statements

Amounts in SEK thousands	Note	Group		Parent Company	
		2003/04	2002/03	2003/04	2002/03
CURRENT OPERATIONS					
Operating profit		19 595	76 720	22 553	19 533
Corrections for items not included in cash flow:					
Depreciation		76 704	5 938	1 316	1 432
Earnings from securities		6	3	6	3
Sales of fixed assets		- 118	543	-	122
Items not included in cash flow		0	- 1 600	- 9	-
Interest received		14 286	9 282	6 686	7 018
Interest paid		- 6 239	- 6 748	- 6 387	- 6 719
Income tax paid		- 17 894	- 16 599	-11 220	- 12 018
Cash flow from current operations before changes in working capital		86 340	67 539	12 945	9 371
Changes in working capital					
Change in inventories		1 770	4 674	-	-
Change in receivables		- 6 754	- 32 069	- 55 694	- 28 235
Change in current liabilities		- 17 298	70 360	8 782	23 928
Cash flow from current operations		64 058	106 536	- 33 967	5 064
INVESTMENT ACTIVITY					
Acquisitions of fixed assets		- 4 081	- 5 221	- 821	- 1 972
Acquisition of subsidiary	24	-33 841	-	-	-
Sales of tangible fixed assets		488	2 025	-	30
Cash flow from investment activity		- 37 434	- 3 196	- 821	- 1 942
FINANCING ACTIVITY					
Sales of shares		150 752	16	150 752	16
New issues/conversion		- 6 902	5 460	- 6 902	5 460
Change in long-term receivables		- 104	- 47 178	10 132	- 3 140
Change in long-term liabilities		10 199	- 8 494	7 524	- 8 774
Divided to shareholders		- 16 538	- 13 104	- 16 538	- 13 104
Received Group contribution		-	-	76 500	37 650
Cash flow from financing activity		137 407	- 63 300	221 468	18 108
Cash flow for the year		164 031	44 008	186 680	21 230
Liquid assets at start of year		170 479	130 439	89 719	68 489
Exchange rate difference in liquid assets		- 2 168	- 3 968	-	-
Liquid assets at year-end		332 342	170 479	276 399	89 719
Unutilized credit facilities		15 000	15 000	15 000	15 000

Accounting Principles

Amounts in SEK thousands unless otherwise indicated.

General accounting principles

The Annual Report has been prepared in accordance with the Swedish Annual Accounts Act, and with the recommendations and pronouncements of the Swedish Financial Accounting Standards Council. During the year, the new recommendations of the Swedish Financial Accounting Standards Council have entailed no changes in the accounting principles, except with respect to the supplemental information to be provided.

The application of the recommendations of the Swedish Financial Accounting Standards Council constitutes a gradual adaptation to the International Financial Reporting Standards (IFRS), which must be applied by all exchange-listed companies as of January 2005.

Consolidated Financial Statements

The Consolidated Financial Statements have been prepared using the acquisition method in accordance with Swedish Financial Accounting Standards Council recommendation 1:00. The Consolidated Financial Statements include those companies in which the Parent Company controls more than 50% of the votes, either directly or through subsidiaries. In the event of acquisitions, the acquired companies are absorbed into the Group as of their acquisition date. To establish the Group's acquisition cost, the assets and liabilities of acquired subsidiaries are valued at their fair market value. The difference between the calculated acquisition cost and the purchase price for the shares of the subsidiary is reported as Group goodwill.

Associated companies' financial statements

Shareholdings in associated companies in which the Group holds a minimum of 20% and a maximum of 50% of the votes are reported using the equity method. The value of the shares of the associated company is changed based on Sectra's share of the earnings after taxes.

Translation of foreign subsidiaries

Financial statements for foreign subsidiaries are translated using the current rate method. Foreign companies are operated with a high degree of independence, and all foreign units are consequently classified as independent.

Valuation principles, etc.

Assets, appropriations and liabilities are valued at their historical cost or nominal value, unless otherwise indicated in the notes below.

Inventories

Stock is reported at the lower of cost or market value based on the first-in-first-out principle. Estimated obsolescence has been taken into account. Costs for self-manufactured works in progress and finished goods consist of direct production costs plus a reasonable surcharge for indirect production costs.

Reporting of revenues

Revenues are reported as per Swedish Financial Accounting Standards Council recommendation 11. Project-based income is reported based on the project's degree of completion as of the Balance Sheet date. The degree of completion is calculated as the ratio of expenses paid as of the Balance Sheet date to the estimated total expenses. In cases where a loss is expected to occur on an uncompleted project, the entire anticipated loss is applied against the income for the year.

Depreciation principles for fixed assets

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

Development costs carried on	
Balance Sheet	10 years
Patents	10 years
Goodwill	10 years
Office furniture	10 years
Computers and office equipment	5 years
Personal computers	3 years

Receivables

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

Receivables and liabilities in foreign currencies

Receivables and liabilities in foreign currencies are translated at the exchange rate as of the Balance Sheet date. Exchange rate differences on current receivables and liabilities are included in the operating profit.

Taxes

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

Intra-Group transactions

100% of the Parent Company's total sales are referable to other companies within the Group to which the Parent Company belongs. Purchases from Group companies accounted for 0%.

Development costs

Sectra develops proprietary software and equipment in the fields of medical equipment and secure communications. Development costs are carried on the Balance Sheet in accordance with Swedish Financial Accounting Standards Council recommendation 15. Customer-related development costs are part of the project costs, and are expensed when the accounts are settled.

Financial risks

Examples of financial risks include currency exchange, interest, financing and liquidity risks. These financial risks are managed in accordance with the financial policy set by the Board of Directors. The purpose of the financial operations is to support the Group's business activities and identify and limit the Group's financial risks. The financial operations within the Sectra Group are carried out within the financial function of the Parent Company.

Notes

NOTE 1 SEGMENT REPORTING

The primary segments comprise the Group's operational divisions, i.e. Medical Systems and Secure Communication Systems. Other activities are not reported separately, as they comprise such a small share of the total business activity.

Geographical regions are reported as secondary segments.

Consolidated net sales by business area:

	03/04	02/03
Medical Systems	418 379	385 951
Secure Communication Systems	72 499	102 585
Other activities	57 520	66 531
Group eliminations	- 53 062	- 51 649
Total	495 336	503 418
	03/04	02/03
Sweden	201 763	217 254
Rest of Europe	270 972	277 293
Other markets	22 601	8 871
Total	495 336	503 418

Group breakdown for the year, based on primary segments:

	Medical systems	Secure comm.	Other operations	Eliminations	Total Group
Operating profit	- 39	203	19 431	-	19 595
Assets	261 902	50 370	584 584	- 259 827	637 029
Liabilities	292 063	36 389	213 920	- 298 375	243 997
Investments	90 027	241	1 349	-	91 617
Depreciation	74 665	571	1 751	-	76 987

Group breakdown for the year, based on secondary segments:

	Assets	Investments
Sweden	200 008	90 521
Rest of Europe	52 717	1 082
Other markets	9 177	14
Total	261 902	91 617

NOTE 2 EMPLOYEES AND PERSONNEL COSTS

Average no. of employees	03/04	of which women	02/03	of which women
Parent Company				
Sweden	17	11	16	10
Group				
Sweden	243	61	227	55
Norway	10	2	9	2
USA	16	2	9	2
Germany	8	2	6	1
Denmark	9	1	7	1
Italy	2	-	2	-
Great Britain	6	-	1	-
Australia	2	-	1	-
Group total	296	68	262	61

Salaries and other remuneration

	03/04		02/03	
	Board and CEO	Other employees	Board and CEO	Other employees
Parent Company				
Sweden	1 220	4 748	1 274	4 214
Group				
Sweden	4 377	84 382	4 317	79 515
Norway	880	4 871	909	4 309
USA	1 118	7 007	1 437	5 508
Germany	838	2 871	661	2 534
Denmark	1 455	4 137	1 058	2 952
Italy	1 636	301	350	229
Great Britain	2 207	2 236	391	98
Australia	650	426	-	189
Group total	13 161	106 231	9 123	95 334

Social security costs

	03/04		02/03	
	Board and CEO	Other employees	Board and CEO	Other employees
Parent Company				
Sweden	701	1 956	700	1 738
(of which pension costs)	(366)	(841)	(357)	(733)
Koncernen				
Sweden	2 409	38 211	2 431	35 231
(of which pension costs)	(1 229)	(16 931)	(1 257)	(15 641)
Norway	196	1 622	178	1 603
(of which pension costs)	(56)	(695)	(51)	(797)
USA	171	1 536	783	2 726
(of which pension costs)	-	-	-	-
Germany	100	601	92	431
(of which pension costs)	(55)	(319)	(46)	(165)
Denmark	101	713	120	381
(of which pension costs)	(83)	(267)	(102)	(128)
Italy	1 677	419	560	269
(of which pension costs)	(337)	(118)	(217)	(142)
Great Britain	303	361	42	14
(of which pension costs)	(86)	(88)	-	-
Australia	58	38	-	17
(of which pension costs)	(58)	(38)	-	(17)
Group total	5 015	43 501	4 206	40 672

Absenteeism due to illness

Total absenteeism 2003/04 in % of regular work hours.

	Group	Parent Company
All employees	2.2	6.8
Share of long-term absences	57.6	70.0
Women	2.8	2.6
Men	2.1	13.6
Employees 29 years and younger	0.7	1.4
Employees 30 – 49 years	1.9	3.1
Employees 50 years and older	21.8	33.3

TERMS FOR THE BOARD OF DIRECTORS, PRESIDENT AND SENIOR EXECUTIVES

Principles

The Chairman of the Board and the Board members are compensated as resolved by the Annual General Meeting. The compensation paid to the President/Group CEO is determined by the Chairman of the Board. The President/Group CEO determines the compensation paid to other senior executives. The compensation for the President/Group CEO and other senior executives consists of a base salary, other benefits, and pension. "Other senior executives" refers to the six individuals who, together with the President/Group CEO, comprise the Group management.

Salaries and compensation

	Board remuneration	Base salary	Adjustable compensation	Pensions cost	Total
Chairman of the Board	118	-	-	-	118
Board members	234	-	-	-	234
President	-	867	-	242	1 109
Senior executives	-	3 320	287	541	4 148
Total	352	4 187	287	783	5 609

The remuneration paid to the members of the Board in 2003/04 consisted of two price base amounts to outside members and three price base amounts to the Chairman of the Board. Internal members received no Board remuneration. One price base amount for 2004 equaled SEK 39,300. The President/Group CEO received SEK 1,109 thousand in compensation for 2003/04. Please refer to the presentation of the Board of Directors and Group management for information concerning executive holdings of Sectra stock and convertible debentures.

Terms of notice and severance pay

The Company must give the President/Group CEO 18 months' notice of termination. The CEO must give the Company six months' notice of resignation. The notice periods for other senior executives range from 12 to 3 months on the part of the Company, and from six to three months on the part of the executives. There are no special agreements regarding severance pay.

Pension

No special agreements exist concerning retirement ages for the President/Group CEO or other senior executives. Pension benefits for the CEO and other senior executives are paid within the framework of the pension plan that applies to all employees, and which comprises defined-contribution and vested pensions.

NOTE 3 Fees to auditors

Group	03/04	02/03
Audit	569	526
Consultation	679	437
Total	1 248	963

NOTE 4 COSTS FOR OPERATING LEASES

Annual leasing fees paid for operating leases totaled SEK 434 thousand (405). Agreed leasing fees for operating leases are payable as shown below:

Group	04/05	05/06	06/07
Cars	125	73	17
Other	236	107	107
Total	361	180	124

NOTE 5 INCOME FROM PARTICIPATION IN GROUP COMPANIES

	Group		Parent Company	
	03/04	02/03	03/04	02/03
Group contribution	-	-	80 800	64 500
Interest income	-	-	600	751
Interest expenses	-	-	- 852	- 1 040
Total	-	-	80 548	64 211

NOTE 6 INTEREST INCOME AND SIMILAR INCOME

	Group		Parent Company	
	03/04	02/03	03/04	02/03
Other interest income	14 274	9 282	6 075	6 267
Dividend	6	3	6	3
Earnings from sales of securities	5	- 32	5	- 32
Total	14 285	9 253	6 086	6 238

NOTE 7 INTEREST EXPENSES AND SIMILAR EXPENSES

	Group		Parent Company	
	03/04	02/03	03/04	02/03
Interest portion of annual costs for financial leases	656	303	-	-
Other interest expenses	5 583	6 748	5 536	5 679
Total	6 239	7 051	5 536	5 679

NOTE 8 APPROPRIATIONS

	Parent Company	
	03/04	02/03
Change in accrual fund	- 22 829	- 13 640
Change in excess depreciation	- 150	- 68
Total	- 22 979	- 13 708

NOTE 9 DEVELOPMENT COSTS CARRIED ON BALANCE SHEET

	Group		Parent Company	
	040430	030430	040430	030430
Acquisition cost at start of year	-	-	-	-
Acquisitions	142 295	-	-	-
Cumulative acquisition cost	142 295	-	-	-
Incoming depreciation	-	-	-	-
Write-downs for the year	70 936	-	-	-
Cumulative depreciation	70 936	-	-	-
Residual value at year-end	71 359	-	-	-

A nonrecurring write-down for capitalized development costs in Mamea Imaging AB has been reported among the items affecting comparability in the Income Statement.

NOTE 10 PATENTS

	Group		Parent Company	
	040430	030430	040430	030430
Acquisition cost at start of year	1 904	-	-	-
Investments for the year	20	1 904	-	-
Cumulative acquisition cost	1 924	1 904	-	-
Incoming depreciation	159	-	-	-
Depreciation for the year	271	159	-	-
Cumulative depreciation	430	159	-	-
Residual value at year-end	1 494	1 745	-	-

NOTE 11 GOODWILL

	Group		Parent Company	
	040430	030430	040430	030430
Acquisition cost at start of year	15 761	15 761	-	-
Acquisitions	16 376	-	-	-
Cumulative acquisition cost	32 137	15 761	-	-
Amortization at start of year	6 304	4 728	-	-
Amortization for the year	1 576	1 576	-	-
Cumulative amortization	7 880	6 304	-	-
Residual value at year-end	24 257	9 457	-	-

NOTE 12 MACHINERY AND EQUIPMENT

	Group		Parent Company	
	040430	030430	040430	030430
Acquisition cost at start of year	27 113	34 261	13 213	17 019
Acquisitions	455	-	-	-
Investments for the year	3 895	3 317	821	1 972
Sales/Disposals for the year	- 1 776	- 10 465	- 73	- 5 778
Cumulative acquisition cost at year-end	29 687	27 113	13 961	13 213
Depreciation at start of year	15 378	19 297	7 397	11 591
Sales/Disposals	- 601	- 8 389	- 73	- 5 627
Acquisitions	166	-	-	-
Depreciation for the year	4 205	4 470	1 315	1 432
Cumulative depreciation at year-end	19 148	15 378	8 639	7 396
Residual value	10 539	11 735	5 322	5 817
Equipment held under financial lease agreements:				
Acquisition cost	5 376	4 005	-	-
Cumulative depreciation	- 1 142	- 1 388	-	-
Total book value	14 773	14 352	5 322	5 817

NOTE 13 PARTICIPATION IN GROUP COMPANIES

	Organization no.	Location	No. of shares	Share of capital %	Par value	Book value 040430
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	13 000
Sectra Wireless Technologies AB	556570-9325	Linköping, Sweden	3 000 000	100	3 000	8 000
Sectra Secure Transmission AB	556247-1283	Linköping, Sweden	100 000	100	100	95
Mamea Imaging AB	556570-7022	Stockholm, Sweden	60 000	57	102	30 000
Total book value						53 978
Sectra Imtec AB:						
Sectra Skandinavien AB	556483-9479	Linköping, Sweden	40 350	100	100	21 016
Paxlink AB	556572-3292	Örebro, Sweden	700	100	100	0
Sectra Norge AS	975 353 265	Oslo, Norway	5 000	100	NOK 500	283
Sectra NA Inc		Shelton, USA	500	100	USD 50	384
Sectra GmbH		Aachen, Germany	500	100	EUR 26	219
Sectra Italia S.r.l.	03185950965	Milano, Italy	500	100	EUR 50	453
Sectra A/S	26121361	Herlev, Denmark	5 000	100	DKK 100	639
Sectra Ltd	4571654	London, UK	1	100	£ 0.001	0
Sectra Pty Ltd		Sydney, Australia	1	100	AUD 0.1	0
Mamea Imaging AB	556570-7022	Stockholm, Sweden	40 000	38	68	6 000
Total book value						28 994
Sectra Communications AB:						
Sectra Communications Ltd	4884887	Cheltenham, UK	1	100	£0.001	0
Sectra Communications BV		The Hague, NL	1 800	100	EUR 18	164
Total book value						164
Sectra A/S:						
Sectra Pronosco AS	26591856	Herlev, Denmark	5 000	100	DKK 500	DKK 500
Total book value						DKK 500

NOTE 14 PREPAID EXPENSES AND ACCRUED INCOME

	Group		Parent Company	
	040430	030430	040430	030430
Prepaid rental	1 746	1 290	1 064	950
Accrued interest income	1 036	2 224	834	1 211
Prepaid support agreements	1 457	358	72	28
Other items	11 336	-	246	277
Works in progress	33 019	13 806	-	-
Total	48 594	17 678	2 216	2 466

NOTE 15 BANK OVERDRAFT FACILITY

	Group		Parent Company	
	040430	030430	040430	030430
Total overdraft facility	15 000	15 000	15 000	15 000
Amount unutilized	- 15 000	- 15 000	- 15 000	- 15 000
Amount utilized	0	0	0	0

NOTE 16 EQUITY

Group

	Share capital	Restricted reserves	Unrestricted capital	Earnings for the year
Amount at start of year	33 077	63 583	56 055	53 315
New issues/conversion	2 775	147 977	-	-
Paid unregistered shares	-	30 000	-	-
Disposition by AGM				
Dividend	-	-	-	- 16 538
To be carried forward	-	-	36 777	- 36 777
Transfer	-	28 147	- 28 147	-
Share of capital	-	- 2 366	-	-
Shareholdings reclassified to subsidiaries	-	5 885	-	-
Present value difference	-	- 1 719	-	-
Net earnings for the year	-	-	-	20 989
Amount at year-end	35 852	271 507	64 685	20 989

Parent Company

	Share capital	Share premium reserve	Legal reserve	Unrestricted equity	Earnings for the year
Amount at start of year	33 077	32 935	150	29 527	49 415
New issues/conversion	2 775	147 976	-	-	-
Paid unregistered shares	-	30 000	-	-	-
Disposition by AGM:					
Dividend	-	-	-	-	- 16 538
To be carried forward	-	-	-	32 877	- 32 877
Group contribution paid	-	-	-	- 4 300	-
Tax impact	-	-	-	1 204	-
Present value difference	-	- 1 719	-	-	-
Net earnings for the year	-	-	-	-	57 911
Amount at year-end	35 852	209 192	150	59 308	57 911

NOTE 17 UNTAXED RESERVES

	Parent Company	
	040430	030430
Tax allocation reserves:		
Allocated fiscal year 99	-	3 483
Allocated fiscal year 00	3 160	3 160
Allocated fiscal year 01	4 400	4 400
Allocated fiscal year 02	8 328	8 328
Allocated fiscal year 03	13 619	13 619
Allocated fiscal year 04	16 200	16 200
Allocated fiscal year 05	26 312	-
Excess depreciation	2 164	2 014
Total	74 183	51 204

Of total untaxed reserves, SEK 20,771 thousand (14,337) is deferred Group tax.

NOTE 18 APPROPRIATIONS

	Group	
	040430	030430
Deferred tax liabilities/receivables referable to:		
Untaxed reserves	21 907	15 389
Unused loss carry forward	- 21 603	-
Other appropriations	587	-
Total	891	15 389

NOTE 19 OTHER DEBTS TO FINANCIAL INSTITUTIONS

	Group		Parent Company	
	040430	030430	040430	030430
Due 0 – 5 years from fiscal year-end	16 676	22 390	12 797	22 390
(of which referable to financial leases)	(3 880)	(1 905)	(3 880)	(1 905)
Due more than 5 years from fiscal year-end	23 277	8 066	23 277	8 066
Total	39 953	30 456	36 074	30 456

NOTE 20 OTHER LONG-TERM LIABILITIES

	Group		Parent Company	
	040430	030430	040430	030430
Convertible debentures 00/03	-	27 345	-	27 345
Convertible debentures 01/04	17 783	16 974	17 783	16 974
Convertible debentures 02/05	11 116	10 196	11 116	10 196
Convertible debentures 03/06	20 433	-	20 433	-
Other liabilities	113	-	-	-
Total	49 445	54 515	49 332	54 515

Because convertible debenture loan 01/04 will fall due for payment within one year, it has been posted to the Balance Sheet as a current liability.

The convertible debentures run at 4% interest. Debentures 01/04 will mature on July 1, 2004. Conversion to series B shares can occur from May 15 – June 14, 2004. Debentures 02/05 will mature on July 1, 2005. Conversion to series B shares can occur from May 16 – June 14, 2005. Debentures 03/06 will mature on July 1, 2006. Conversion to series B shares can occur from May 16 – June 14, 2006. Full conversion of the issued convertibles programs will increase the number of series B shares by 809,750, which corresponds to 2.3 % of the share capital and 1.4% of the number of votes.

The present value difference is calculated as the difference between interest on convertibles debentures 2003/06 and the market rate. The other convertible debentures are assumed to run under market conditions as of the date of issue.

NOTE 21 OTHER CURRENT LIABILITIES

Of the current liabilities in the Group as of April 30, 2004, SEK 354 thousand (712) are referable to financial leases.

NOTE 22 ACCRUED EXPENSES AND DEFERRED INCOME

	Group		Parent Company	
	040430	030430	040430	030430
Accrued social security fees	15 017	13 090	827	851
Accrued vacation pay	19 356	16 397	914	874
Prepaid support agreements	22 407	5 971	-	-
Accrued accounts payable	9 578	33 919	-	-
Advances received	8 548	27 509	-	-
Accrued royalties	4 767	4 005	1 081	-
Other items	19 084	16 206	8 250	6 333
Total	98 757	117 097	11 072	8 058

NOTE 23 PLEDGED ASSETS AND CONTINGENT LIABILITIES

	Group		Parent Company	
	040430	030430	040430	030430
Chattel mortgages	36 250	73 438	11 000	11 000
Bank accounts	10 000	32 694	10 000	5 000
Total pledged assets	46 250	106 132	21 000	16 000
Guarantee commitments	-	25 000	-	-
Total contingent liabilities	-	25 000	-	-

NOTE 24 ACQUISITION OF SUBSIDIARY

Group	2003/04
Acquisition of debt	- 7 330
Financing of acquired subsidiary during the year	- 26 511
Total	- 33 841

Definitions of key figures

Added value per employee Operating profit plus labor costs divided by average number of employees

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

Cash flow per share Cash flow from current operations divided by the number of shares at the end of the period.

Debt ratio Interest-bearing debts divided by equity.

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

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

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

Equity Equity includes 72 percent of untaxed reserves.

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

Equity ratio Equity as a percentage of total assets.

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

Liquidity Current assets divided by current liabilities.

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

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

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

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

Yield Dividend as a percent of share price.

Glossary

Bluetooth® A radio-based technology that enables wireless communication between different devices, such as handheld computers, printers and mobile telephones.

Cardiology The study of the heart and its action and diseases.

Crypto Equipment that uses mathematical manipulations (algorithms and keys) to encrypt clear text data so that they can be interpreted or read only by the intended recipient. In order to read encrypted data, the recipient must have the correct key and algorithm so that the data can be reconverted into their original clear text form.

GPS (Global Positioning System) A navigation system involving satellites that transmit exact positions and times. Using a GPS receiver, it is possible to pinpoint your position no matter where you are.

GPRS (General Packet Radio Service) A means of sending data packets on the GSM network. GPRS enables connection to the Internet and e-mail retrieval from a telephone or handheld computer.

HIS (Hospital Information System) The overall information system at a hospital.

Mammography screening Mammography means an effort to detect unsuspected breast cancer at an early stage in asymptomatic women.

PACS (Picture Archiving and Communication System) A system for handling and archiving digital images.

RIS (Radiology Information System) An administrative system for handling patient information at radiology departments.

UMTS (Universal Mobile Telecommunications System) Third-generation mobile telephony system and successor to the NMT and GSMS systems. UMTS provides faster information transfer than is possible using current mobile telephony.

Virtuell kolonoskopi Computer aided examination of the colon.

Auditor's Report

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

We 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 2003 – 30 April 2004. These accounts and the administration of the company are the responsibility of the board of directors and the managing director. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we 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 our opinion concerning discharge from liability, we 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.

We 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. We believe that our audit provides a reasonable basis for our 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.

We 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 4th 2004

Lindebergs Grant Thornton AB
Ivar Verner
Authorized public accountant

Board of Directors, Group Executive Board and Auditor

Board of Directors

Thomas Ericson Professor of Data Transmission at Linköping Institute of Technology. Born 1942. Member of the Board and Chairman since 1984. Board member of Linköping Institute of Technology. Sectra holdings: 196,329 A shares and 1,349,044 B shares. Convertible debentures SEK 115,400.

Jan-Olof Brüer Ph.D. Born 1951. Board member since 1982. President and CEO Sectra AB since 1985. Sectra holdings: 638,059 A shares and 3,719,904 B shares. Convertible debentures SEK 4,338,800.

Torbjörn Kronander Ph.D. Born 1957. Board member since 1988. President Sectra Imtec AB since 1997 and Vice President Sectra AB since 1998. Board member of Center for Medical Imaging And Visualization. Sectra holdings: 638,057 A shares and 3,719,901 B shares. Convertible debentures SEK 4,338,800.

Günder Rentsch M. Pol. Sc. Born 1941. Board member since 1994. Chairman of the Board at ITB AB and Board member of WM-Data AB, Streamserve Inc, and Readsoft AB et al. Sectra holdings: 200,000 B shares. Convertible debentures SEK 2,154,000.

Carl-Erik Ridderstråle Tech. lic. Born 1942. Board member since 2001. Advisor Toyota Industries Corporation. Chairman of the Board at Hultdin System AB, Bröderna Edstrand AB and SQS and Board member of KMT AB et al. Sectra holdings: 16 500 B shares. Convertible debentures SEK 3,288,700.

Karin Partain M. Sc. Born 1964. Employee representative since 2003. Project manager Sectra Communications AB, employee since 1996. Sectra holdings: 7,810 B shares. Convertible debentures SEK 62,500.

Claes Lundström M. Sc. Born 1973. Employee representative since 2003. Systems engineer Sectra Imtec AB. Sectra holdings: 5,412 B shares. Convertible debentures SEK 407,720.

Patrik Preimer M. Sc. and MBA Born 1968. Deputy employee representative since 2003. Manager Sales and Deployment Support Sectra Imtec AB. Sectra holdings: 7,621 B shares. Convertible debentures SEK 619,800.

George Ekström B. Sc. Born 1966. Deputy employee representative since 2003. System developer Sectra Communications AB.

Group Executive Board

Jan-Olof Brüer President and CEO Sectra AB. See also under Board of Directors above.

Torbjörn Kronander President Sectra Imtec AB and Vice President Sectra AB. See also under Board of Directors above.

Tommy Waszkiewicz Born 1965. President Sectra Communications AB since 2002. Employee since 1990. Sectra holdings: 208,090 B shares. Convertible debentures SEK 1,994,200.

Dick Ollas Born 1968. President Sectra Wireless Technologies AB since 1999. Employee since 1993. Sectra holdings: 10,652 B shares. Convertible debentures SEK 1,532,500.

Simo Pykälistö Born 1972. CFO Sectra AB, employee since 2003. Sectra holdings: 200 B shares. Convertible debentures SEK 475,000.

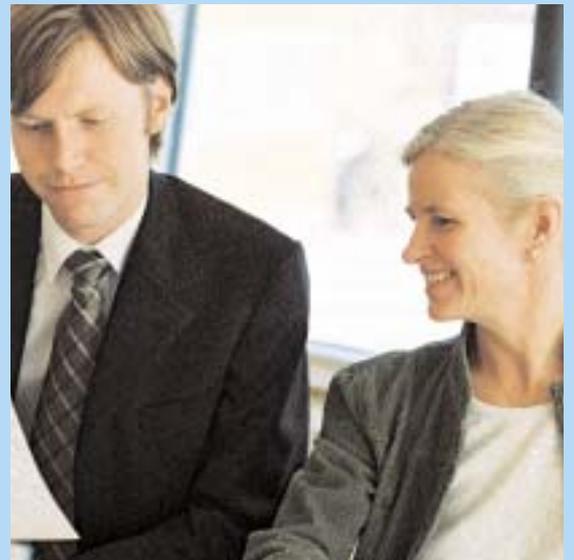
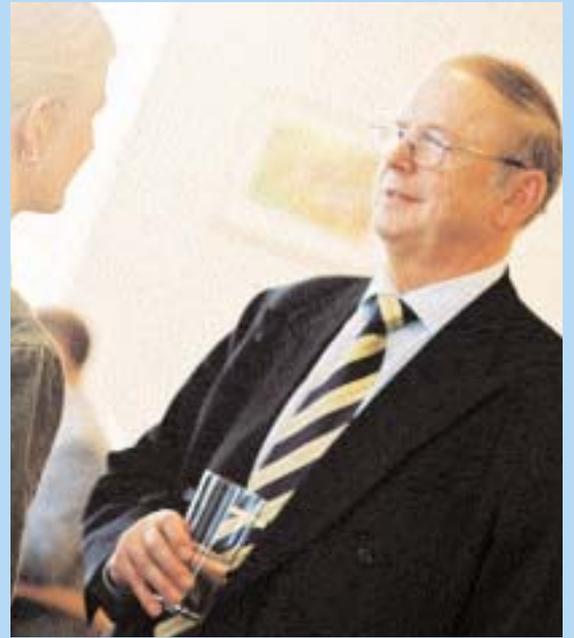
Jan Johansson Born 1972. IT Coordinator Sectra AB, employee since 1999. Sectra holdings: 2,012 B shares. Convertible debentures SEK 452,100.

Helena Johansson Born 1970. Chief Information Officer Sectra AB, employee since 1993. Sectra holdings: 9 239 B shares. Convertible debentures SEK 279,600.

Auditor

Lindebergs Grant Thornton AB

Chief coordinating auditor Ivar Verner, certified public accountant.



From left to right: Jan Johansson, Helena Johansson, Simo Pykälistö, Tommy Waszkiewicz, Dick Ollas.
Jan-Olof Brüer, Thomas Ericson, Gündor Rentsch, Carl-Erik Ridderstråle, Torbjörn Kronander, Claes Lundström, Karin Partain.

Sectra's history

Sectra completed its first consulting project in 1978. Today, 25 years later, Sectra is a brand that stands for world-leading products to make healthcare more efficient and protect military secrets.

Sectra's history dates back to the late 1970s, when a group of researchers at the Linköping Institute of Technology were given the task of create a security solution for banks. Professor Ingemar Ingemarsson started Sectra (SEcure TRAnsmiSSion) together with his three doctoral students, Viiveke Fåk, Rolf Blom and Robert Forchheimer to take on the assignment.

"We were working as researchers in information theory at the Linköping Institute of Technology and, under the company's name, we did consulting work in data security and image coding," says Professor Ingemarsson.

Linköping University and the Linköping Institute of Technology have been important to Sectra's development. These institutions are a source of knowledge, and a number of the company's most prominent employees were recruited there.

New strategic orientation

Jan-Olof Brüer earned his doctorate in information theory in the early 1980s, with Professor Ingemarsson as his advisor. Dr. Brüer had new ideas about how Sectra should become a "proper" company.

"The founders had a good laugh at what we then saw as his dreams. But now I see that those visions have come true," says Professor Ingemarsson.

Dr. Brüer was hired as Sectra's CEO. The nature of the company changed under his leadership, making the transition to selling products and system solutions in the areas of data security, digital radio and image coding. This new strategic orientation marked the beginning of Sectra's expansion phase.

"We founders were academics and researchers. The smartest decision we ever made was to bring in

knowledgeable business-oriented people," says Professor Fåk.

Long-term growth

The niches in which Sectra operates have been chosen from a growth perspective.

"A lot of people think that Sectra's areas of activity came about by chance. On the contrary, these were the field of technology in which we had an interest, and that was the basis on which we identified niche markets from a long-term growth perspective," continues Professor Ingemarsson.

Dr. Torbjörn Kronander, the current CEO of Sectra's medical operations, came to the Linköping Institute of Technology to earn his doctorate in the mid-1980s, bringing with him a strong interest in medical technology and a vision of digital radiology. He was eventually recruited to Sectra, where he proposed expanding the company's operations in the direction of medical technology. Sectra's focus on digital image processing for radiology departments began in 1988.

"When Dr. Kronander started we still had only ten people working at Sectra. Medical technology currently constitutes our largest business area, and our radiology system is one of the world leaders," continues Professor Ingemarsson.

Sectra resolved early on to target niches with global potential. The first foreign office was opened in Norway in 1995. Sectra has since opened offices in six more countries as part of the company's commitment to international growth.

Initial public offering

As early as 1990 Sectra had made it a goal to become a publicly traded company by the end of the century, and the company had its IPO on the Stockholm Stock Exchange in 1999. The

aim was to validate that the company had grown to become a strong player before continuing on its path toward internationalization. Being listed on the exchange enabled strategic acquisitions, and gained Sectra greater legitimacy in the eyes of its customers and cooperative partners.

Cutting-edge technology

Since the start, Sectra has maintained close ties to the world of research. The company is open to new possibilities, and has helped to push forward the boundaries in relevant fields of technology. The most recent example of this is the unique mammography system, Sectra MicroDose Mammography, which was conceived at a meeting between Sectra and Assoc. Professor Mats Danielsson and his research team at the Royal Swedish Institute of Technology in the late 1990s. Professor Danielsson and his team had developed a revolutionary radiation detector that Sectra perceived could be used in digital mammography. A cooperative arrangement was established, and today Sectra can offer the mammography departments of the world a unique solution.

Key to continued success

The key to Sectra's success consists of focusing on high-tech niche markets and profitability, committed and capable employees, a healthy internal social climate, short- and long-term cooperation with our customers, and being open to new opportunities. These attributes give Sectra an excellent foundation on which to face the future.



Where to find Sectra

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