

Annual Report

2014/2015



The world needs more efficient healthcare and more secure communication. Sectra plays a key role in meeting these needs.

SECTRA

Knowledge and passion

SECTRA'S VISION

To be beneficial for humanity

“At Sectra, we always put our customers first and few things make us happier and more proud than receiving a top ranking in customer satisfaction surveys, such as the distinctions we received in the KLAS survey. Sectra’s success is built on its close, long-standing relationships with its customers. Together with our customers, we help improve people’s quality of life and contribute to a safer society. We aim to solve our customers’ problems, thereby enabling them, in turn, to take better care of their customers and patients. We often do this in innovative and creative ways. At times, we are able to identify our customers’ future needs before they do and can thus develop products to solve problems before they arise.

We also know that what our customers value most – even more than our innovative and high-quality products – is Sectra’s employees. Therefore, we devote an enormous amount of energy to employing the right people and creating a culture where each employee is always there for our customers. Bolstered by the outstanding commitment of our employees and their understanding of our customers’ daily operations, Sectra strives to be more than simply a supplier – we aim to be a partner to our customers. That is what makes us a natural first choice for new customers as well and what enables us to generate a return for the company’s shareholders.”

TORBJÖRN KRONANDER, PRESIDENT AND CEO

Contents

page **9**

RECORD-BREAKING ORDER BOOKINGS

Sectra's President explains how new long-term customer contracts result in stable revenues over many years.

CEO LETTER

page **11**

TOP MARKS FROM CUSTOMERS

Sectra receives top ranking from customers – both in the US and globally – in the medical technology industry's most important customer evaluation of IT systems in the healthcare sector.



IMAGING IT SOLUTIONS

page **26**

REVIEWED AND APPROVED

Sectra's crypto product for secure communications receives security approval from the Netherlands and NATO.

SECURE COMMUNICATIONS

page **16**

ENABLING MORE EFFICIENT CANCER CARE

Launch of a new IT system for pathology departments, a customer segment where digitization of microscopic images could contribute to more efficient and effective cancer care.

IMAGING IT SOLUTIONS

Report on operations

4	About Sectra
8	The year in brief
9	CEO letter
12	Goals and strategies
13	The healthcare market
14	Imaging IT Solutions
20	Business Innovation
24	The security market
25	Secure Communications
30	History
32	Five-year summary
34	The share

Official Annual Report

36	Board of Directors and Auditor
38	Group Management
40	Administration report
46	Financial statements for the Group
48	Financial statements for the Parent Company
50	Accounting policies
53	Notes
64	Auditor's report
66	Glossary and references
67	Contact information
67	Annual General Meeting 2015
67	2015/2016 financial calendar

Driven by knowledge and passion

The world needs more efficient healthcare and more secure communication. Sectra plays a key role in meeting these needs. On the following pages, we explain why we exist as a company, what we do and how we distinguish ourselves from other suppliers.



Sectra's vision

To be beneficial for humanity

» Why

Population growth is resulting in a greater need for healthcare and placing demands on more efficient care

A growing number of people are living longer lives. At the same time, the proportion of people working in healthcare or contributing to the financing of the healthcare sector as taxpayers is decreasing. In most countries, this is creating enormous challenges for healthcare systems. In order to maintain a high quality of care, the healthcare sector is being forced to accomplish more with the same or fewer resources. Sectra's work enables hospitals across the world to become more efficient

and thus take care of more patients and even save more lives. *This is the driving force behind Sectra's operations.*

Technological development and threat of eavesdropping are driving demand for secure communications

Eavesdropping on telephone calls and messages is relatively easy and inexpensive. The rapid technological advances taking place in mobile data and telecommunications and changing threat scenarios are imposing new requirements on crypto products. This also makes society's most critical functions more vulnerable to

cyber-attacks and sabotage. Sectra's work provides more opportunities to communicate securely using modern technology and can provide greater protection against cyber-attacks on key social functions. When the most sensitive information of a nation or organization is protected, its citizens can feel secure. *This is the driving force behind Sectra's operations.*

Read more about the driving forces in Sectra's niche markets on pages 13 and 22.

» What



Imaging IT Solutions

Business Innovation

Offering for more efficient healthcare

Sectra develops IT solutions and services used to store and display medical images, communicate results and facilitate cooperation within and between hospitals. Sectra streamlines the entire healthcare chain in order to allow more patients to be taken care of while maintaining or improving the quality of care. Sectra also offers solutions that improve medical education and facilitate early diagnosis of osteoporosis and the care provided for the effects of osteoarthritis, which are some of society’s most costly diseases.

Since medical images play a key role in diagnostics and the determination of an appropriate treatment, Sectra’s systems play a central role in customer operations. Customers value Sectra’s systems because they are stable and thus always available – around the clock, all year long, regardless of load or the need for service and

upgrades. Sectra’s customers are involved in the company’s product development and can feel secure in the knowledge that their systems will be able to handle all of the challenges they face – today and in the future. Sectra’s systems allow customers to focus on their most important task – keeping up with their continuously increasing stream of patients and providing them with good care.

Sectra’s medical operations are included in the Imaging IT Solutions business area (page 14) and the Business Innovation area (page 20).

Customer promise

“Efficient and future-proof medical imaging solutions delivered by the best people in the industry.”



Secure Communications

Offering for secure communications

Sectra develops products and services for secure voice and data communications, which are used to protect the most sensitive information handled by authorities and defense organizations in Europe. Sectra’s products have been approved by the EU, NATO and several national security authorities. Sectra provides protection against eavesdropping attacks and prevents information leaks, which is crucial in ensuring the function of society and safety of people.

Sectra’s systems are based on advanced encryption and meet rigorous demands for stability and accessibility, even in areas where traditional mobile coverage is insufficient. They are also easy to use, which helps the user avoid mistakes and

save time, for example, in crisis situations. When it comes to civilian customers, this ease-of-use is a key reason why Sectra’s products are used on a daily basis for communicating information that requires protection.

Sectra’s security operations are conducted in the Secure Communications business area (page 25).

Customer promise

“An optimal balance between security, accessibility and usability.”

» How

The knowledge to meet expectations. The passion to exceed them.

In a mature market, there are many companies that can deliver products that meet a customer's basic needs. While Sectra is on the cutting edge in terms of its products, this does not necessarily give the company a long-term competitive edge since products and functions can be copied. What truly distinguishes Sectra from the competition is its employees. Sectra's customers can expect to work with a group of highly skilled individuals who are more than happy to share their experience. Individuals who are prepared to walk that extra mile to solve customers' problems – more than is normally expected from a supplier. Individuals with "The knowledge to meet expectations. The passion to exceed them." This is why customers choose Sectra. And why they remain loyal.

This unique "Sectra spirit" is built on the company's corporate culture, which is characterized by a sense of responsibility and an environment that also allows for mistakes. A key element of the corporate

culture is to "act, and act smart!" At Sectra, this means taking initiative without having to ask your boss, assuming responsibility and acting quickly when necessary in order to solve customers' problems.

Sectra's culture is based on:

- A strong drive to always attempt to exceed customer expectations.
- Continuous improvement and innovations in high-tech fields.
- Offering solutions that benefit both individuals and society.
- Taking initiative, assuming responsibility and acting – "act, and act smart!"
- Collaboration with demanding customers and competent end-users to create solid solutions.
- Tolerance and respect for each other as individuals and friends.
- Job satisfaction and humor.

This culture and the company's close, long-term cooperation with its customers – combined with innovation and technological excellence – form the basis for Sectra's success.



In 2015, Johan Kälvesten, one of Sectra's industry-based doctoral students, defended his dissertation on how automatic image analysis can be used to prevent fractures caused by osteoporosis. To learn more about how Sectra is applying Johan's research in its Osteoporosis business line, refer to page 22.

Research and development

Sectra has its roots in research at Linköping University. Its ties with the research community remain strong and the company's history is marked by innovation and business development that create significant customer value. Sectra is conducting research projects together with universities and hospitals around the world. The Center for Medical Image Science and Visualization (CMIV) in Sweden and University Hospitals in Cleveland in the US are two of Sectra's research partners.



Some 10–14% of consolidated sales is invested in R&D



5 industry-based doctoral students divide their time between Sectra and various universities



Approximately 10 research projects



Some 30 patents



Sectra's customers choose stable, easy-to-use systems for society's most critical functions

London's largest healthcare consortium

Agreements with such customers as Kings College Hospital NHS Foundation Trust, London North West Healthcare NHS Trust, Barking, Havering and Redbridge University Hospitals Trust, Barts Health NHS Trust in London. These customers have a combined catchment comprising 6.5 million Londoners.



Prominent US hospitals

University Hospitals in Cleveland (UHC) is one of Sectra's largest customers in the US and an important research partner. UHC conducts more than 2,000 radiology examinations every day. It is critical that Sectra's IT systems are accessible even during upgrades and service. Read more about how users at UHC were able to continue working without any disruptions during a major system upgrade.

sectra.com/ar_cleveland

Majority of Stockholm healthcare providers

Customers such as the Karolinska University Hospital, Södersjukhuset (Stockholm South General Hospital) and the Stockholm County Council use Sectra's solutions in their work to provide care for the two million residents in the region.



More than half of all EU countries protect their communication using Sectra's solutions

Users in 17 European countries and in the EU and NATO. Sweden and the Netherlands are Sectra's largest markets for security products.



More advanced education for medical students at South American university

Atenor Orrego Private University (UPAO) in Peru became a new customer during the year. Sectra's table for medical education is used by medical students around the world. Learn more about how the Karolinska Institute is modernizing its anatomy studies.

sectra.com/ar_ki

The year in brief

» Significant events

For details about these individual events, refer to sectra.com/news

First quarter

- University Hospitals in Cleveland, one of Sectra's largest customers in the US and a key research partner, signed a maintenance agreement and ordered Sectra's dose monitoring service, Sectra DoseTrack.
- New multi-year agreement for medical imaging management with Region Skåne, one of Sectra's major customers in Sweden. The order was valued at SEK 114 million.
- The Council of the European Union in Brussels extended its framework agreement with Sectra for secure telephony until 2018.

Second quarter

- Hartford HealthCare (HHC), a hospital chain based in Connecticut in the US, ordered Sectra's service for dose monitoring, Sectra DoseTrack, for five of its hospitals.
- The major Norwegian healthcare provider Helse Vest ordered a medical media archive from Sectra in order to achieve more efficient management of the region's medical imaging materials. The order was valued at SEK 19 million.
- Sectra distributed SEK 4.50 per share, totaling SEK 167 million, to its shareholders through a share redemption program.
- For the first time, Sectra fulfilled all of the financial goals established in 2013. See page 12.

Third quarter

- Sectra's IT system for managing medical images, Sectra PACS, won a grand slam in customer satisfaction. See page 11.
- Multi-year agreements were signed with several customers in the UK, including the large care providers London North West NHS Trust and Kingston Hospital NHS Foundation Trust.
- The Stockholm County Council ordered IT services from Sectra for the archiving of the region's radiology images. This is a multi-year agreement with an order value of SEK 85 million.
- The crypto product, Sectra Tiger/R, was launched for secure mobile telephony. This new product enables organizations to have coherent infrastructure in which users can communicate with each other regardless of security level.

Fourth quarter

- A multi-year agreement was signed with the Karolinska University Hospital, which purchased Sectra's IT service for efficient management of radiology images and patient information (PACS and RIS). The service is the first of its kind in Sweden for which the supplier takes turnkey responsibility for technology, administration and servicing of the radiological IT systems of hospitals. The order was valued at SEK 207 million.
- Launch of a new IT solution for pathology departments, a customer segment where digitization of microscopic images could contribute to more efficient and effective cancer care.
- Sectra strengthened its presence in Denmark through the acquisition of its partner it-mark ApS.

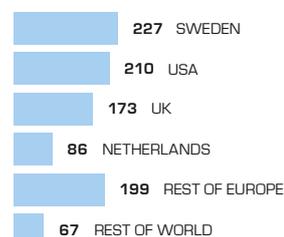
SALES BY SEGMENT 2014/2015

SEK million



SALES PER GEOGRAPHIC MARKET 2014/2015

SEK million



Other operations pertain to Sectra's operations for the financing of customer projects and asset management, as well as joint functions for administration, Group finances, marketing communication, IT, regulatory affairs and investor relations activities.

For comments on the company's financial performance, refer to the Administration Report on page 40.

KEY FIGURES, SEK million	14/15	13/14	12/13	11/12	10/11
Order bookings	1 550.4	925.7	916.0	701.1	630.9
Net sales	961.4	853.8	817.0	823.0	783.7
Operating profit	150.3	128.1	85.9	103.5	72.5
Profit before tax	164.4	141.5	86.6	127.9	70.2
Earnings per share, SEK	3.38	2.80	1.68	2.52	1.31
Cash flow ¹	85.0	123.6	191.2	148.6	44.9
Dividend/redemption ²	168.8	167.7	166.9	185.5	184.2

¹ Cash flow pertains to operations after changes in working capital.

² 14/15 pertains to the Board's proposal to the 2015 Annual General Meeting.

Increased customer value, satisfied customers and high returns



Torbjörn Kronander was listed by Swedish MedTech Magazine as one of the most influential people in the medical technology field in Sweden. He was made an honorary doctor of medicine by Linköping University along with Jan-Olof Brüer, Board member and former CEO of Sectra. There were strong reactions to Torbjörn Kronander's article in Swedish business daily Dagens Industri on how the condemning remarks of Swedish politicians about Saudi Arabia are jeopardizing Swedish export of medical technology. But above all, he led Sectra to new success together with his employees.

The 2014/2015 fiscal year was a favorable one for Sectra. There are several reasons for our positive performance, one of the most important of which is customer satisfaction. I am proud of and grateful for the efforts of our employees, which contributed significantly to our ability to deliver customer value, thereby enabling us to report a favorable earnings trend.

When I meet customers, both in the healthcare and security fields, I can see the strong confidence in Sectra that our employees have built up. It is highly gratifying to see that we have succeeded in creating such confidence and generating customer satisfaction for Sectra and our products. In this respect, we appear to have performed better than our competitors.

Highest customer satisfaction again

The fact that Sectra has satisfied customers was confirmed by both external and internal surveys around the world. Among other surveys, our medical IT solution Sectra PACS received a top ranking in KLAS, the industry's most important customer satisfaction survey (page 11) for IT systems in healthcare, for the second consecutive year. The surveys reveal that our high rating is attributable to the company's employees, as well as the stability and easy-to-use nature of our systems.

Our quality work is heavily based on feedback from users and customers. Accordingly, I would like to specifically thank all users who have taken the time to give us valuable feedback in different surveys, thus enabling us to continuously strive to improve even more.

We also appreciate the opinions and suggestions we receive from shareholders and investors. As a result of such feedback, we have now supplemented the Annual Report with an income statement classified by function and we held an open day at our Linköping office in connection with the most recent Annual General Meeting.

» Sectra's financial performance and strategic choices

Long-term contracts contribute to stable performance

Customer confidence in Sectra is also

reflected in order bookings, which are the highest in the company's history. However, it will not result in a quick, short-term increase in sales. Many of the new agreements are service deliveries with terms of up to ten years, which means that they will gradually increase net sales and contribute to a stable performance over a long time to come.

The scope for growth in Sectra's niche areas remains large, as confirmed by the higher order bookings in all business areas. The UK represented the largest increase, but the high order level in this market is only temporary since many hospitals had to purchase new systems or renew their agreements before summer 2015.

We are focused on controlled growth and primarily on being a leader in markets where the company already operates, as well as growing in a few carefully selected markets where we believe there is high growth potential. In line with this strategy, we strengthened our presence in Denmark during the year through the acquisition of our partner it-mark ApS, which offers online services for medical imaging management. We also established a new subsidiary of Sectra Communications in Finland, where we are working to boost our sales of security products and services, as well as another subsidiary in France linked to the activities being carried out in Business Innovation.

Sectra growing in major markets

Several of Sectra's major markets are displaying strong growth. We increased our sales by more than 20% in the US, where we are beginning to see the effects of our top ranking in the two most recent KLAS surveys, and in the UK and Norway. We are making progress, but I must emphasize that there are also areas of concern. Sales in Sweden have declined as a result of the

market for encryption systems being weak for several years. The favorable sales of medical systems were not sufficient to fully offset this downturn, which led to the lower sales in Sweden. However, the Secure Communications business area reported slightly improved earnings in recent quarters due to higher revenues from customers in Europe, and also as a result of our major customers in our domestic market of Sweden.

All financial goals achieved

Although not all of our business areas are performing as expected, we fulfilled all of the Group's financial goals (page 12) for the first time since they were established two years ago. Our financial focus will now concentrate on increasing operating profit, while maintaining our operating margin. Growth will be achieved through the development of customer partnerships, increased sales of software and cloud services, and new products and services related to existing areas. Primarily, we will grow organically, although smaller acquisitions may also continue to be made to strengthen and supplement organic growth.

Service sales replace traditional delivery models

It is increasingly common in the IT systems market to deliver software as a service (SaaS), instead of selling software as a product with subsequent maintenance and service agreements. This trend also applies to Sectra, but is not as clear in all markets. The vast majority of large-scale IT systems for the healthcare sector in the UK are purchased as SaaS. We completed the first SaaS deal in Sweden only last year and such orders remain uncommon in the US. Naturally, this affects Sectra to a great extent, particularly regarding short-term

cash flow. This is, however, counter-balanced by long-term stability. An order is realized quickly for product deliveries, within about a year, while a SaaS order can be spread over up to ten years. But this is not necessarily always a disadvantage. It is difficult to get banks and other credit institutions to lease software, which is beneficial for a financially strong company such as Sectra that can manage this itself. New players in the market can seldom sustain this type of business transaction. For Sectra, it also results in greater long-term security and stability since more than 50% of our sales have now been secured before the start of a fiscal year.

» The future

Innovation and research

Using modern IT technology, we help customers work efficiently and more securely. One of many examples is Sectra's new system for digital pathology that in addition to improving pathologists' work can also have a positive effect on the entire cancer care sector. Pilot customers tested the system this year with positive results and we are ready to begin deliveries to

the first customers. The system is based on technology developed jointly with researchers at Linköping University and representatives from many Swedish county councils. We are genuinely excited to help pathology departments make the move over to digital imaging management so that they, like radiologists, will also be able to, for example, share and distribute images and diagnoses with specialists at other hospitals. This is where Sectra has an advantage on its competitors since we have added pathology to the same underlying system used for our digital radiology. This means that hospitals can reuse their investments, reduce the number of IT systems and lower their costs.

For two consecutive years, we have increased investments in product development and future-oriented projects that have the potential to solve our customers' problems. We have also sold and licensed some of our patents, which made a positive contribution to our financial results. As part of the agreement, Sectra can, if we so wish, use the patents in proprietary products in the future. Accordingly, not only can investments in product development and research lead to improved market

positions, but money can also be made on protecting the innovations that we produce for the future.

Outlook

There can be no doubt that the world needs more efficient healthcare and more secure communication. Sectra is often one step ahead of its competitors, giving us unique opportunities to be involved in forming the future of the healthcare and security fields together with our customers. Thanks to our close, long-term customer relationships, our innovative, high-quality products and our strong financial position, we have the necessary prerequisites to drive the development of solutions that can improve people's quality of life, reduce society's healthcare costs and contribute to a safer society. This is how we create customer value, which, combined with high financial control, results in a favorable return for our shareholders.

Linköping, June 2015
Torbjörn Kronander
President and CEO Sectra AB

Sectra wins a grand slam in customer satisfaction

2014 Best in KLAS Awards: Software and Services Report, December 2014. © 2014 KLAS Enterprises, LLC. All rights reserved. www.KLASresearch.com

For the second consecutive year, Sectra's medical IT system, Sectra PACS, topped the company's segment in the medical technology industry's most important customer satisfaction survey in the US, "Best in KLAS," which is compiled by the analyst company KLAS. For the first time, KLAS also conducted a corresponding survey outside the US, in which Sectra was ranked as the leading global supplier. In the US, Sectra also topped the smaller categories "mid-size and small hospitals" and "radiology clinics" for the first time.

"Sectra is an outstanding partner. They exemplify how we want all of our supplier relationships to be. They are highly dedicated and provide us with solutions. We recently extended our contract with them."

Vice President/other senior position
at a large US hospital in July 2014



Community
PACS



PACS



Global
PACS



Ambulatory
PACS

Goals for stability, profitability and profit growth fulfilled

The purpose of Sectra's Group-wide goals and strategies is to build financially sound operations. This provides Sectra with opportunities to create customer value and thereby contribute to long-term growth in shareholder value.

Sectra's financial focus in 2014/2015 was on increasing its operating profit while maintaining its operating margin. All three financial goals had been met as of the balance-sheet date. Refer to the table below.

» Five Group-wide strategies

- International expansion in areas and regions where Sectra holds an established position. Primarily organic growth, supplemented by smaller acquisitions

that also strengthen the Group's organic growth.

- Partnerships to reach a broader geographic market and to offer a wider range of products and services to customers.
- Close relationships with demanding customers to ensure that Sectra's solutions meet market demands for quality, usability and functionality. Customer satisfaction is essential for continued successful development.
- A strong, innovative corporate culture

to attract and retain talented employees with the ability to solve our customers' problems and meet – or in many cases exceed – their expectations.

- Close collaboration with universities and research institutions to capture ideas and new product areas that Sectra's customers may find useful.

For long-term goals, priorities and future focus areas, refer to the CEO's letter and the sections for each business area.

Financial goals in order of priority	Status	Why this goal												
<p>1. Stability</p> <p>The equity/assets ratio is to be at least 30%</p> <table border="1"> <caption>Equity/assets ratio (%)</caption> <thead> <tr> <th>Year</th> <th>Ratio (%)</th> </tr> </thead> <tbody> <tr> <td>10/11</td> <td>61.0</td> </tr> <tr> <td>11/12</td> <td>69.4</td> </tr> <tr> <td>12/13</td> <td>61.4</td> </tr> <tr> <td>13/14</td> <td>60.7</td> </tr> <tr> <td>14/15</td> <td>56.1</td> </tr> </tbody> </table>	Year	Ratio (%)	10/11	61.0	11/12	69.4	12/13	61.4	13/14	60.7	14/15	56.1	<p>The equity/assets ratio was 56.1%, which is higher than the strategic goal. This high equity/assets ratio has had a positive impact on customer confidence in the company. Although Sectra has distributed more than SEK 500 million to shareholders through a share redemption program over the past three years, the equity/assets ratio remains high.</p>	<p>A strong financial position provides security for customers and enables investments in products and areas that create additional value for customers. A strong balance sheet also enables Sectra to finance managed-services agreements with customers, which is a major advantage since demand for these solutions has grown in recent years.</p>
Year	Ratio (%)													
10/11	61.0													
11/12	69.4													
12/13	61.4													
13/14	60.7													
14/15	56.1													
<p>2. Profitability</p> <p>The operating margin (EBIT margin) is to be at least 15%</p> <table border="1"> <caption>Operating margin (%)</caption> <thead> <tr> <th>Year</th> <th>Margin (%)</th> </tr> </thead> <tbody> <tr> <td>10/11</td> <td>9.3</td> </tr> <tr> <td>11/12</td> <td>9.9</td> </tr> <tr> <td>12/13</td> <td>10.5</td> </tr> <tr> <td>13/14</td> <td>15.0</td> </tr> <tr> <td>14/15</td> <td>15.6</td> </tr> </tbody> </table>	Year	Margin (%)	10/11	9.3	11/12	9.9	12/13	10.5	13/14	15.0	14/15	15.6	<p>The operating margin was 15.6%. Excluding nonrecurring items (refer to page 41), the operating margin was 14.8%. Profitability has displayed a positive trend in recent years through structural changes, a higher proportion of license and service sales, product development and a more efficient delivery organization.</p>	<p>A company must be profitable in order to invest in the development of new products and services. A healthy operating margin provides a guarantee that the business transactions in which Sectra can provide the most value are given higher priority than devoting resources to areas in which such value is lower. Favorable profitability enables Sectra to generate a strong return for its shareholders.</p>
Year	Margin (%)													
10/11	9.3													
11/12	9.9													
12/13	10.5													
13/14	15.0													
14/15	15.6													
<p>3. Growth</p> <p>Operating profit (EBIT) per share is to grow 10% per year, on average, over a five-year period.</p> <table border="1"> <caption>Operating profit per share (SEK)</caption> <thead> <tr> <th>Year</th> <th>Profit (SEK)</th> </tr> </thead> <tbody> <tr> <td>10/11</td> <td>-9.2</td> </tr> <tr> <td>11/12</td> <td>-1.8</td> </tr> <tr> <td>12/13</td> <td>-7.2</td> </tr> <tr> <td>13/14</td> <td>7.0</td> </tr> <tr> <td>14/15</td> <td>10.7</td> </tr> </tbody> </table>	Year	Profit (SEK)	10/11	-9.2	11/12	-1.8	12/13	-7.2	13/14	7.0	14/15	10.7	<p>Profit growth amounted to 10.7%. This was a result of Sectra's long-term efforts to boost cost-efficiency while increasing the proportion of higher-margin products, such as software licenses.</p>	<p>The goal of higher earnings per share puts development for individual shareholders first. Since the proportion of software, services and deliveries via the Internet is increasing at the expense of hardware deliveries, for example, the goal of achieving higher sales is not as relevant for the company.</p>
Year	Profit (SEK)													
10/11	-9.2													
11/12	-1.8													
12/13	-7.2													
13/14	7.0													
14/15	10.7													

Effective IT infrastructure promotes patient-centered care

Today, one in ten people in the world is over the age of 60 and this proportion is expected to double by 2050. More than half of all hospital beds are occupied by people over the age of 65. In order to take care of more patients, particularly more elderly patients, healthcare must become more efficient.

» Drivers and trends

- An aging population and greater prosperity requires higher capacity and efficiency in healthcare.
- In such areas as cancer, cardiovascular diseases, neurology and diseases of the musculoskeletal system, the right IT support is critical to reducing costs throughout the entire healthcare chain.
- Patient-centered care and integrated diagnostics require an IT infrastructure that supports more efficient work and image flows across traditional department boundaries, as well as IT solutions that give patients better insight into their own care.
- Consolidation and coordination of healthcare resources for increased cost efficiency. This contributes to the growing need for the communication, archiving and presentation of medical imaging data.
- Customers' buying behavior is moving toward purchasing IT systems and software in the form of managed-service agreements or a pay-per-use model, instead of making their own capital investments. This means that providers must have the capacity to finance agreements that can be quite extensive.

» Market potential

Most of Sectra's revenues from the healthcare market are currently derived from the radiology IT systems product segment (RIS/PACS). Size of the market, approximately 80% of which pertains to IT systems for managing medical images (PACS):

- Europe: approximately USD 524 million, growth 5% per year 2012–2019
- US: approximately 1,873 million, growth 6–9% per year 2012–2019

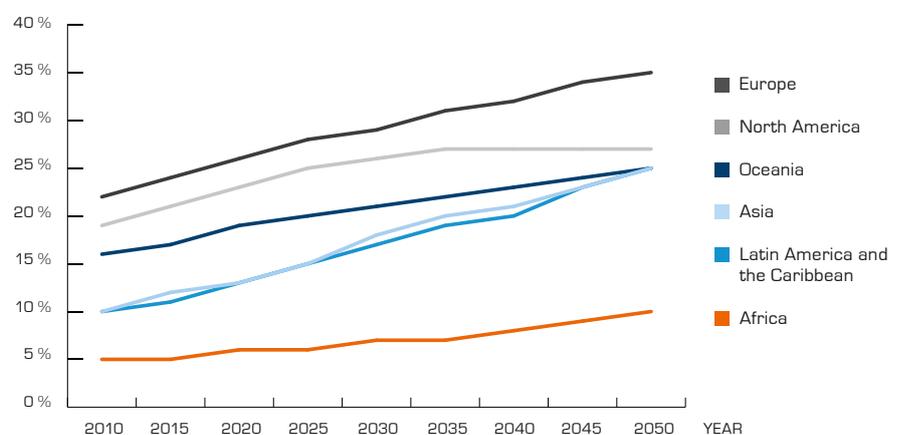
Source: GlobalData 2012



Mission statement for Sectra's medical operations

Increase the effectiveness of healthcare, while maintaining or increasing the quality of care.

» Proportion of the population over the age of 60



This graph shows the growth of the older portion of the world's population, which is imposing increased demands on more efficient healthcare.

Source: <http://www.census.gov/population/international/data/idb/informationGateway.php>

Imaging IT Solutions



» About Imaging IT Solutions

Number of employees: 426

Product offering

Medical IT systems and services that help Sectra's customers care for more patients, while retaining or improving the level of quality. Sectra offers flexible delivery models that allow customers to choose, for example, between purchasing the company's systems as traditional system installations, cloud services or managed services wherein Sectra is responsible for the operation of the system.

- Management, archiving and presentation of all types of medical images and patient information.
- Operational monitoring and radiation dose monitoring.
- Maintenance in the form of support, system monitoring and upgrades.
- Consulting services related to integration, system design, data migration and business development.
- Training.

Customers

Public and private healthcare providers that offer medical imaging services. Customers are normally major production-oriented hospitals and private clinic chains.

Sales channels and geographic presence

Own sales organization and/or partners in nearly 20 countries throughout Europe, North America, Australia/New Zealand, Russia, Japan, the Middle East and South-East Asia. The business area's largest markets are Sweden, the UK, the US, Norway and the Netherlands.

Major competitors

Agfa, Carestream, Fuji, General Electric, Philips, Siemens and local players in various countries.

» Where we are headed

The business area's long-term goal is to be a leading provider of total solutions for the management and communication of all types of medical images – primarily in large diagnostic imaging units, such as radiology, mammography and pathology, as well as other departments where medical images are used.

customers are able to manage all of their medical images in a consolidated solution. Sectra's technology also enables integrated diagnostics since it facilitates, for example, collaboration between radiologists and pathologists by allowing images from both diagnostic specialties to be archived and viewed in a single system.

The use of medical images for cancer diagnosis is a common thread that runs through Sectra's offering. While most customers are active in the fields of radiology and mammography, use of the company's products is growing in other areas as more customers implement systems for consolidated image management.

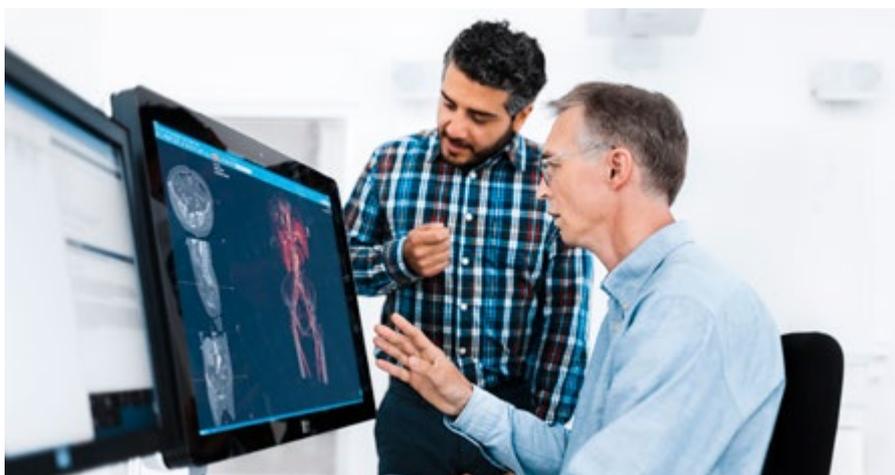
Sectra is one of the world's leading providers of IT systems for managing medical images and patient information. The company commands a market-leading position in Sweden, Norway, the Netherlands and Portugal. More than 1,700 healthcare providers currently use Sectra's systems and services.

» Where we are now

To enable healthcare providers to provide better, faster and more patient-centered care, Sectra offers systems and services for consolidated management and archiving of all types of medical images. The company's solutions are suitable for managing images from such medical fields as radiology, mammography, pathology, dermatology (skin), cardiology (heart) and orthopaedics. The size of the customer varies from small private clinics to some of the largest healthcare providers in the world. Regardless of their size, Sectra's



» The year in brief



The focus during the year was on further developing existing customer relationships, broadening the product portfolio with solutions that further optimize customer operations and growing through the addition of new customers in regions where Sectra has an established customer base and in carefully selected emerging markets through partners.

Sectra wins a grand slam in customer satisfaction

For the second consecutive year, Sectra's system for handling radiology images, Sectra PACS, topped the medical technology industry's most important customer satisfaction survey in the US, "Best in KLAS," which is compiled by the analyst company KLAS. For the first time, KLAS also conducted a corresponding survey outside the US, in which customers also ranked Sectra as number one.

Rapid growth in the UK and the US

The business area reported strong sales growth in the US, where Sectra is beginning to see the effects of its top ranking in the two most recent KLAS surveys, and in the UK and Norway. However, Sweden remains the company's largest market and

new agreements were signed with several major customers in the region. For examples, refer to pages 7-8.

New products and functions for cancer diagnosis

- The company launched an IT solution for pathology. Refer to page 16.
- Various software tools that facilitate cancer diagnosis and provide faster, clearer information for referring physicians.

New delivery model for image archiving offers scalability and cost-efficiency

- Sectra began delivering its solution for consolidated image archiving as a cloud service. Major customers such as the Stockholm County Council in Sweden were among the first to order the service.

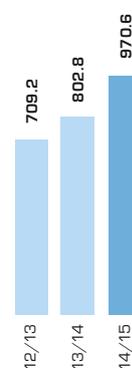
Expansion through acquisition

- The organization in Denmark was strengthened through the acquisition of Sectra's partner it-mark. Among other services, the company supplies IT services for medical imaging management (PACS) to healthcare providers, mainly in Denmark, as well as other countries in the EU.

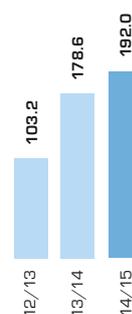
» Financial performance

For comments on the business area's financial performance, refer to the Administration Report on page 40.

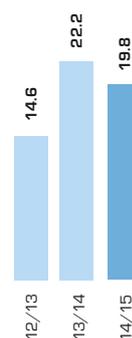
SALES
SEK million



OPERATING PROFIT
SEK million



OPERATING MARGIN
%



Better cancer care with IT systems for pathologists

Sectra has launched an IT solution for pathology that simplifies the work of pathologists and creates opportunities for better cooperation between the various physicians and departments involved in the care of cancer patients. The solution is based on the results of a large-scale ongoing research project in Sweden conducted by the CMIV, in which Sectra and 15 county councils are participating. The results from pilot projects, during which the solution was evaluated in a clinical environment, were highly positive.

To learn more about the results, visit:

sectra.com/ar_pathology

Pathology, a large specialized clinical area, is on the verge of digitizing the management of microscopic images. While Europe – and particularly Scandinavia – are at the forefront of the transition to digital technology, so far only a few individual hospitals have introduced digital imaging management for pathology. In the US, the use of digital technology for primary diagnostics in pathology has not yet been approved by the Food and Drug Administration (FDA). The growth rate is expected to remain low in the short term and then gradually increase as the individual markets mature.



Marie Ekström Trägårdh

President of Imaging IT Solutions and Executive Vice President of Sectra AB

“To be able to develop the market’s best solutions, we must understand our customers’ everyday operations and, perhaps even more importantly, how we can best meet the needs of the patient. This requires in-depth knowledge of care processes and workflows, which we gain by regularly meeting with customers in their operating environments. I recently sat in on a tumor board, where two oncologists, a radiologist, a pathologist, a cancer coordinator and a surgeon were discussing a case. Another two radiologists participated remotely. The pathologist was using several large maps and tissue samples, and it was obviously difficult for the physicians participating remotely to view them. That meeting reinforced my conviction that what we do at Sectra really matters. By providing all participants with an overview of the available information, including digital pathology images, we can make the work of the care providers more efficient and create significantly higher quality decision-making data for the patient’s treatment. These types of decisions are a matter of life and death. By offering technology that improves the availability of images and information, and contributing to knowledge sharing, Sectra can make a difference for the individual patient. This is the biggest driving force for us at Sectra.”



» The way forward



Opportunities

- Major global need for further efficiency in radiology and other image-intensive areas in healthcare. Sectra has good potential to grow through new and existing products and services.
- Grow through additional sales to the company's existing customer base, as Sectra has done for many years in its domestic market in Scandinavia.
- Extend the product offering into new segments. Primarily pathology, but also other types of image-intensive operations in which cancer diagnosis, integration and workflow play an important role. Imaging management has not yet been digitized in the field of pathology, which could thus benefit significantly from Sectra's expertise and solutions.

- Demand for IT solutions such as cloud services is growing since these solutions offer major cost and operational benefits for both customers and providers. This area offers considerable growth potential for Sectra in both new and existing customer segments.

Risks

- Not being able to maintain the pace of innovation or leadership in today's rapid technological development.
- The price trend.
- Political decisions that impact healthcare reimbursement systems or levels.

For information on operating risks, refer to Note 30 Risks, risk management and sensitivity analysis (page 62).

Focus on offering customers efficient and future-proof solutions for managing and communicating all types of medical images

Activities	Can yield a significant positive effect on earnings:
Develop relationships with existing customers through which Sectra's existing products and services can contribute to further efficiency enhancements.	Short term
Grow within radiology by adding new customers in regions where Sectra has an established customer base. This includes an increased focus on the US, where Sectra has a very high level of customer satisfaction, but a relatively small market share.	Short term
Assess individual new markets for direct sales.	Medium – long term
Grow in carefully selected emerging markets, such as in Saudi Arabia and South America, through new and existing partners.	Medium – long term
Sales of the solution for digital pathology launched in April 2015.	Medium term
Greater internal efficiency. Partly by establishing a service-oriented organization that can support the sale of cloud solutions.	Medium term
Increased customer satisfaction by continuously measuring and monitoring customer opinions about Sectra's support and products.	Medium – long term
Continued product development and broadening of the product portfolio.	Long term

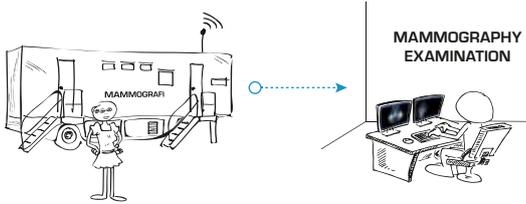
Short term = 1–2 years Medium term = 3–5 years Long term = more than 5 years

How Sectra contributes to improving care for patients like Anna



This is Anna!

She was recently diagnosed with breast cancer. Her life has been turned upside down. Her story illustrates how Sectra's work makes a difference for the individual patient and Sectra's view on the future of healthcare.

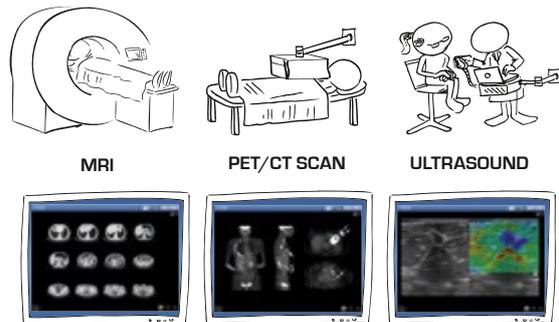


Quick response key in reducing anxiety

Anna was called for breast screening at a mobile mammography bus close to her home. Unfortunately, they found something suspicious. Anna was quickly called back for further examinations and a biopsy. She was later diagnosed with breast cancer.

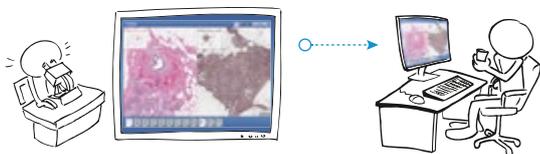
Medical images play an essential role in the care process

Anna has several imaging studies done to identify her type of cancer and to see if it has spread to her other organs. During the coming years of examinations and follow-up, her image data will grow tremendously. Efficient storage, display and sharing of these images is essential for her treatment. It is equally important that the physicians involved in her treatment are able to navigate her extensive patient history, create quick and accurate reports based on comprehensive information and communicate their results to other members of Anna's care team.



Digital Pathology – an enabler in cancer care

Pathological findings are another essential component of the diagnostic process. These findings provide the hard evidence of Anna's cancer type and stage, which is decisive for her treatment plan. Through digital technology, the pathologists can efficiently utilize experts in other regions and easily share the pathological report and images to all caregivers involved. Digital pathology makes it possible for everyone involved in Anna's care to gain an overview of the available information, including digital pathology images, which creates significantly higher quality decision-making data for treatment.



Story continues on next page...



Cooperation across borders

Anna's care team is now able to discuss her treatment plan. With both radiology and pathology images in digital form and accessible from a shared technical platform, the different specialists have secure access to all of Anna's data from various locations. They can cooperate effectively, for example, using video conferences and shared screens. This increases the efficiency of the multi-disciplinary team meeting, which is key in cancer care.

... continue reading Anna's story

Quick and easy imaging overview

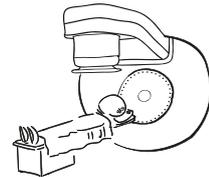
It was decided that Anna would receive a mastectomy, followed by chemotherapy and radiation therapy, and finally, reconstructive surgery. Collecting and structuring data from the different treatments provides clinicians with an instant overview of Anna's status.



SURGERY



CHEMOTHERAPY



RADIATION



FOLLOW-UP

Images enable a clear patient dialogue

Structuring and displaying Anna's images and information in an integrated view ensures that clinicians are better informed. This not only increases their efficiency, it also helps to enable a better information transfer and discussion with Anna and her family about the progress of her cancer treatment.

We are happy to announce that Anna's disease is in remission. She is now a breast cancer survivor.



How can Sectra's solutions support Anna?

Focus on cancer care

Cancer care is a strategic area for Sectra. The company develops and sells solutions that enable integrated diagnostics and facilitate cooperation between medical departments, such as radiology and pathology, which play an important role in the diagnosis and treatment of cancer patients. Sectra's software tools also facilitate cancer diagnosis and dose monitoring, and enable faster, clearer information to be sent to referring physicians.

Support for image-intensive departments

Sectra's solutions make archiving, displaying and sharing of images more efficient.

Reviews can be performed quickly and securely, and a large number of examinations can be reported. This is particularly important for departments that make extensive use of medical images, such as mammography, radiology, pathology and orthopaedics.

Complete patient overview

To enable caregivers to provide better, faster and more patient-centered care, Sectra manages all types of medical images in a cohesive system. This is key when it comes to providing Anna with the best possible care and making her images and information available to everyone involved in her care team. Cohesive patient

data is also erasing the boundaries between various systems, such as RIS, PACS and journal systems. Sectra transfers RIS and PACS functionality to modules that can be adapted and integrated with the customer's local IT ecosystem. This ensures that everyone in the care chain has access to the patient's images and information, regardless of geographical and organizational boundaries.

Business Innovation

» Where we are headed

Sectra's long-term goals for its Business Innovation operations are:

- To contribute to better care for patients by solving difficult and important problems encountered by customers.
- For research projects to validate clinical benefits or lead to new and innovative solutions that add value for customers in Sectra's niche areas, thereby offering significant international business potential.
- To build and manage a strong patent portfolio in Sectra's key areas.
- For the business units to grow and account for at least 10% of the Group's sales, and subsequently evolve into separate business areas. Alternatively, projects may be transferred to an existing business area, as was the case with digital pathology in 2014/2015.

» Where we are now

Business Innovation is the Group's incubator for the future. This is where Sectra evaluates and promotes opportunities to commercialize new technologies and new segments in the Group's main and related areas. Through Business Innovation, Sectra participates in research that may lead to a better quality of life for the individual, increased customer value and cost savings for healthcare and society.

In some cases, the projects are maturing business units that are building a customer base for their products and services, but need to continue growing before they become a separate business area. The solutions offered by Sectra through Business Innovation are largely delivered online as cloud services. The projects must be able to generate a profit within five years.

Sound scientific and medical evidence is essential in healthcare, and implementing new technologies and methods is often a long process and associated with high risk. As a result, many research and other early-phase projects will never grow to any major degree, but it is hoped that some will be very successful.



» About Business Innovation

Number of employees: 27

Operations

Business Innovation includes the Orthopaedics, Osteoporosis and Medical Education business units, as well as Sectra's research department. Business Innovation also manages and develops Sectra's patent portfolio.

Customers

Private and public mammography and orthopaedic clinics, and universities engaged in medical education.

Sales channels

Own sales organization and partners such as Zimmer in 17 countries in orthopaedics and Tellyes Scientific in China in medical education.



Jakob Algulin, head of the Medical Education business unit
 Maria Bolin, head of the Osteoporosis business unit
 Hanna Eriksson, head of the Orthopaedics business unit
 Claes Lundström, Research Director Medical Systems

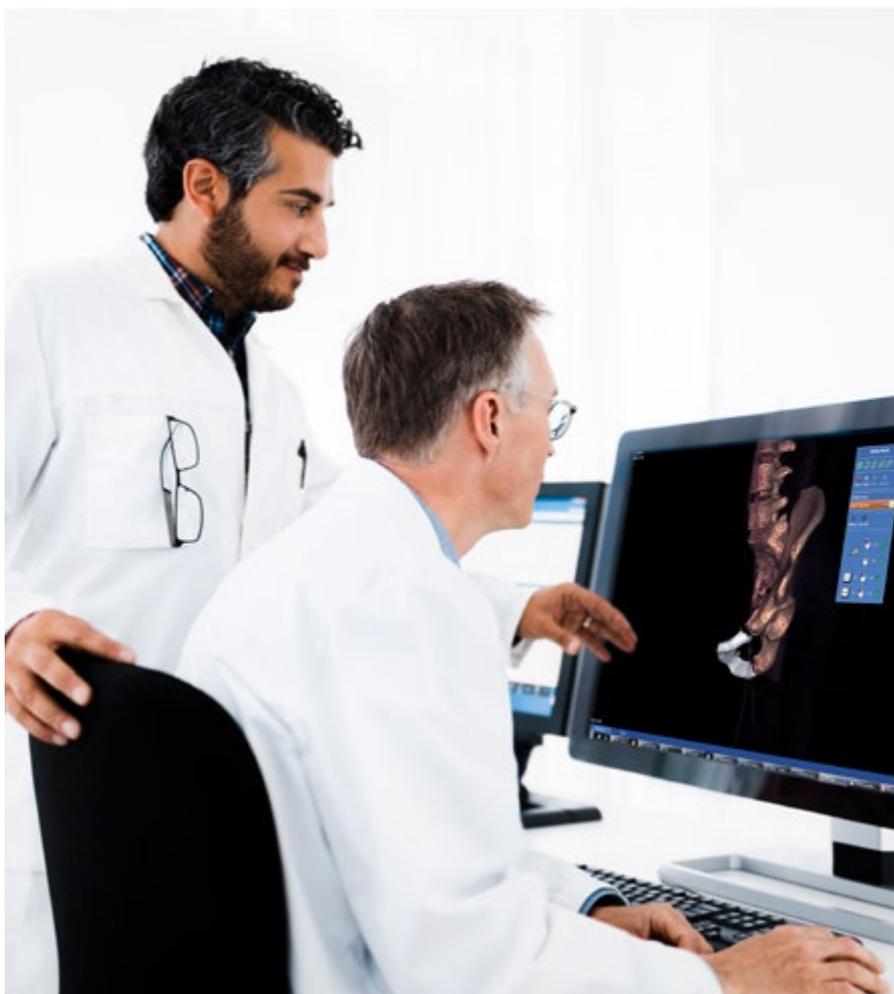
» The year in brief

Capacity for innovation and research activities generate cash

Sale and licensing of patents for a total of SEK 16.3 million. This transaction pertained to patents that have not been used by Sectra and constituted a non-recurring effect that is not expected to happen again.

New distribution partners in South America

Cooperation was initiated with new partners in several South American markets, such as Colombia, Ecuador and Peru, for sales of Sectra's solutions for medical education. The business line also carried out its first installations in the US and expanded its presence in Asia through new partnerships.

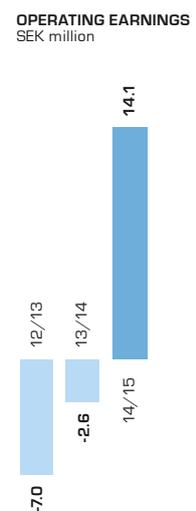
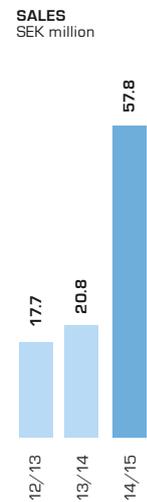


3D-planning for orthopaedists

Development and launch of a new planning tool that allows orthopaedists to use 3D images to quickly diagnose and plan treatment, for example, in cases of acute trauma.

» Financial performance

For comments on the business area's financial performance, refer to the Administration Report on page 40.



» Orthopaedics

Market potential

More than 151 million people suffer from osteoarthritis, a disease that often leads to hip, knee and shoulder joint replacement surgery. In total, nearly three million joint replacement surgeries¹ are carried out annually worldwide and this number is expected to rise sharply due to the aging population. This presents major opportunities for IT systems and services that can streamline logistics and facilitate the planning and monitoring of orthopaedic procedures.

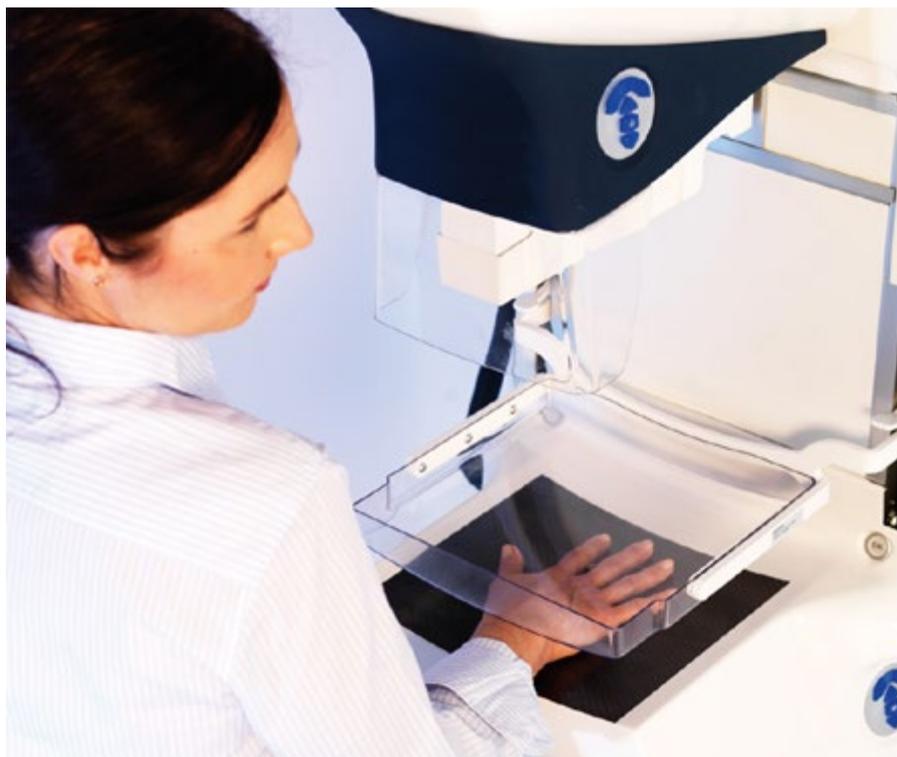
Safer surgery using digital planning

The Orthopaedics business line offers IT systems for image-based planning and monitoring of orthopaedic surgery. Using medical images, measurement tools and a library of more than 75,000 implant templates, orthopaedists can plan orthopaedic procedures with greater accuracy. For the patient, digital planning reduces the risk of postoperative complications. For hospitals, the number of implants that need to be readily available for each surgical procedure decreases. This reduces inventory costs and increases capital efficiency.

Sectra's solution for orthopaedists is sold as a cloud-based service for customers that do not use Sectra's IT solution for managing radiology images (PACS) and as a traditional software installation. The business line is currently a market leader in Scandinavia in this niche and commands a strong market position in several other countries, including the UK and the Netherlands.

The way forward

- Grow in the countries where the business line has its own sales organization, namely Benelux, France, Italy, North America, Switzerland, Scandinavia, the UK, Germany and Austria.
- Increase sales of cloud-based services



for planning joint replacement surgeries through collaboration with implant suppliers.

- Grow in the trauma segment through sales of the new planning tool using 3D images. Primarily through extended collaboration with existing customers.

» Osteoporosis

Preventive and profitable care to reduce suffering

Osteoporosis is one of the world's most costly and painful diseases. In Sweden and the five largest European countries combined, the estimated costs of osteoporotic fractures are EUR 30 billion per year². This is partly due to the fact that 80%³ of the people suffering from this disease do not receive the correct diagnosis and treatment. From a socioeconomic perspective, there is a major need to implement meth-

ods that facilitate early diagnosis of the disease. By integrating early osteoporosis diagnosis into existing healthcare flows, the costs incurred society for care and aftercare for osteoporotic fractures could be reduced significantly.

Sectra's analysis method can be used to measure bone density with the help of a simple X-ray image of the hand. This analysis indicates the individual's risk of fractures caused by osteoporosis. The image can be taken in connection with a mammography examination or another type of radiology examination. Customers include private and public mammography clinics and healthcare providers that treat osteoporosis.

Mammography clinics in 12 countries have now introduced Sectra's method and to date, more than 15,000 women with a higher risk for osteoporotic fractures have been identified.

The way forward

- Convince public healthcare providers to implement Sectra's method in their healthcare flows. However, the decision-making and implementation processes in the public healthcare sector are very slow and, in parallel with its long-term work, the business line is also focusing on increasing sales to private mammography clinics.

» Medical education

Visualization technology improves medical education

By interacting with medical images from actual patient cases, students are provided with a better understanding of anatomy, functions and variations between individuals, and better knowledge of rare diseases in the early stages of their medical education. Sectra offers software for a range of image viewing systems, such as visualization tables⁴, tablets, projectors and 3D printers. The company's offering includes access to an education portal, where users can share case studies and knowledge.

Customers include universities engaged in medical education. To date, Sectra's solution are used by healthcare personnel and veterinarians in more than 25 countries in Europe, North America,

South America, China, the Middle East and South-East Asia. Sales are primarily conducted through partners.

The way forward

- Increase the number of users who subscribe to the solution in order to share case studies via Sectra's education portal.
- Grow in key markets, such as the US and China.
- Expand into new markets through distributors.

» Research

Sectra's research department conducts and participates in projects in order to produce clinical evidence for existing techniques, as well as to create new products. Many of these research projects are carried out in cooperation with leading research institutes, such as the Center for Medical Image Science and Visualization (CMIV) in Linköping and University Hospitals in Cleveland.

Ongoing research projects

Sectra is currently involved in approximately ten research projects, including a large-scale Swedish project to digitize microscopic images in pathology, which

commenced in summer 2012. The research results from the first phase of the project include a method for studying pathologists' image viewing patterns (how their eyes move across an image) and which interactive device (computer mouse or the equivalent) works best. Based on these results, pathologist reviews can now be streamlined and become more efficient. The current project phase focuses on the digitization process in the clinical operations of pathology departments.

During the year, the research department also worked on new support functions for radiologist workflows, including a function to automatically identify the body part being captured using images from radiology examinations with CT scans. These types of functions make it easier to find similar, relevant images from the patient's medical history and offer effective support in defining indistinct tumor boundaries. The research team also worked on a method to enable large-scale studies into the usage patterns of radiologists using Sectra's products in order to identify the best and most efficient work methods, which can also provide important input for product improvements.

Research recognized with the Dirk Bartz Prize

Sectra's table for medical education was awarded the Dirk Bartz Prize for Visual Computing in Medicine 2015 by the Eurographics Association. The prize is intended to acknowledge the contribution that innovative computer graphics can make to the medical field.



The Security Market

– growing demand for secure communication

Communication plays a crucial role in the function and security of our global society. Communication enables us to pass on knowledge and information, influence events and change the world. As a result, sensitive communication must be protected, particularly in relation to trade secrets, critical social functions and infrastructure, government contacts or national security. Shifts in political stability and the recent publicity surrounding the mass surveillance of high-profile politicians are factors that are increasing the demand for secure communication.



Sectra's mission statement

To deliver approved and efficient security solutions to authorities, defense departments and critical social infrastructure throughout Europe.

Drivers and trends

- Eavesdropping on telephone calls and messages is relatively easy and inexpensive, and poses a threat to society.
- New threat scenarios and rapid technological developments in mobile data and telecommunications are resulting in new requirements for crypto products and represent major security challenges for companies and organizations.
- A growing interest shown by civil authorities and critical social infrastructure when it comes to protecting sensitive and confidential information with security-approved products.
- Data is increasingly being stored on servers at remote locations and there is a need to transfer large volumes of data efficiently and securely.

- Increased threat of cyber-attacks and risk of sabotage against critical social infrastructure.

Products approved by independent security authorities

For government agencies, defense departments and critical social functions, the ability to transfer information can be a matter of life and death. The demands on stability, accessibility and usability are thus extremely high and the communication equipment used for handling classified information must, according to customer regulations, be reviewed and approved by an independent security authority.

Four levels of security – Top Secret, Secret, Confidential and Restricted – define the handling of sensitive infor-

mation and the potential damage that its disclosure could cause. Sectra's offering includes approved solutions for all security levels.

Market potential

Customers are restrictive with information about crypto equipment and planned investments. As a result, there is no relevant market research. Sectra estimates that the number of potential users of the company's products for secure telephony at the Secret security level is approximately 0.3 per thousand of the population, or 100,000 individuals, in Europe. The corresponding figure for the slightly less-demanding Restricted security level is estimated to be ten times higher.

Secure Communications

» About Secure Communications

Employees: 55

Product offering

Security-approved solutions and services that prevent classified information from falling into the wrong hands:

- Products that are approved by national security authorities and international organizations, such as the EU and NATO, for secure voice and text communication and secure data transmission.
- Customer-specific development projects and services.
- Training and support.

Customers

Authorities, defense departments and critical social infrastructure that handle classified information. Many are subject to regulations stipulating that their products must be approved by an independent security authority for handling classified information.

Sales channels and geographic presence

Sales are only conducted with customers in the European market. Sectra mainly works with direct sales, but also conducts sales jointly with partners in some countries. The business area has offices in Sweden and the Netherlands, which are the largest markets for the business area, as well as a newly formed company in Finland.

Major competitors

Advenica (formerly Business Security), Tutus, Thales, Rohde & Schwarz, Secunet, Fox IT and Selex Communications.



» Where we are headed

The business area's long-term goal is to be the preferred secure communications partner for authorities, defense departments and critical social infrastructure in Europe. Sectra aims to enable people who handle classified information, and who are subject to regulations stipulating that their communication equipment must be approved, to gain access to the latest technology.

» Where we are now

Sectra has more than 30 years of experience in developing secure communication systems. The company's solutions are used by customers in most European countries, and by the EU and NATO. This is the result of close and long-lasting partnerships with customers, as well as national security authorities in many countries. Being trusted to protect a nation's most sensitive information requires a high degree of confidence in the provider. Sectra knows what is required to meet the most high-level security standards, while also satisfying organization and end-user expectations of high flexibility and mobility.



Michael Bertilsson

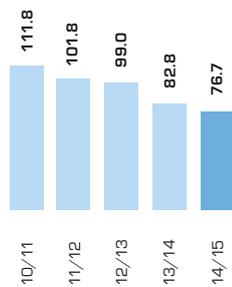
President of Secure Communications

"When I hear that our solutions are being used to exchange critical information – for example, by EU missions in tumultuous areas around the world – I feel that what we are doing at Sectra is meaningful and fills an important function in society. As a Swedish company, we are involved in protecting the most sensitive information handled by our customers. In many cases, it's a matter of national security for other countries! This is an enormous task with which to be entrusted and we must do so by utilizing the know-how and dedication of our employees and the technical excellence of our products."

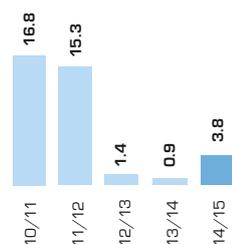
» Financial performance

For comments on the business area's financial performance, refer to the Administration Report on page 40.

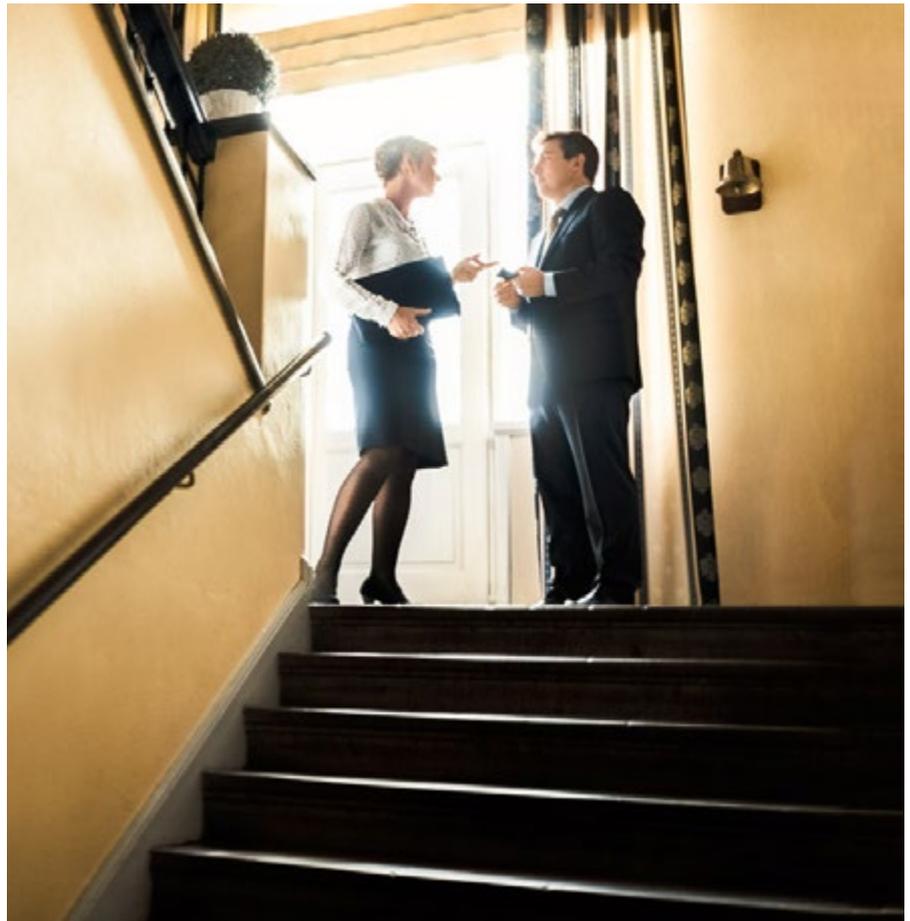
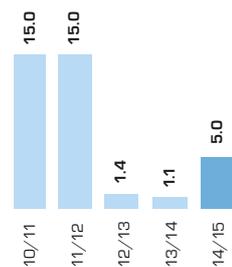
SALES
SEK million



OPERATING PROFIT
SEK million



OPERATING MARGIN
%



» The year in brief

The focus was on restoring profit levels and acquiring security approval for newly developed products to enable continued expansion in Sweden, the Netherlands and other countries in which Sectra has an established customer base.

Netherlands and NATO approve new product

Sectra Tiger/S 7401 was approved at the Secret security level by the security authority in the Netherlands and endorsed at the Confidential security level by NATO. The first units were deployed by the Dutch Ministry of Defense and NATO.

Ecosystem for secure communications at various security levels

Launch of Sectra Tiger/R – the newest addition to Sectra's Tiger system for secure mobile telephony. With the introduction of this new product, Sectra has created an ecosystem that makes it possible for organizations to have users in different security classes in the same operating environment, where they can all communicate with each other.

» The way forward

Opportunities

- Authorities, defense departments and organizations are facing major security challenges due to rapid technological developments. The use of smartphones, tablets and cloud services for data storage, for example, are growing very fast. As experts with extensive experience and certified products in secure communications, Sectra is ideally positioned to take a central role when this market emerges.
- Investments in security are increasing in such areas as private enterprise and critical infrastructure due to the major attention surrounding extensive eavesdropping incidents and cyber-attacks. This presents an opportunity to broaden the business area's activities to encompass new customer segments.

Risks

- Unpredictable changes in security requirements or delays in approval processes by security authorities, which extends the time before a product can be delivered to customers.
- Dependence on large, individual customers. The business area's two largest customers account for more than half of its sales.

For information on operating risks, refer to Note 30 Risks, risk management and sensitivity analysis (page 62).



Sectra Tiger/S 7401



Sectra Tiger/R

Focus on stable, accessible and easy-to-use solutions for secure communications

Activities

Security approvals for the new crypto products Tiger/S 7401 (Secret), in the EU and NATO, and Sectra Tiger/R (Restricted), primarily in the Netherlands, followed by the EU and NATO.

Restoring the operations' profit levels. Key features will be:

- Product orders from the principal customer in Sweden.
- Increased sales in the Netherlands and the rest of Europe. This will be enabled by the new offering in the form of a complete ecosystem of solutions at various security levels and the approval of the new Sectra Tiger products.
- Having satisfied users.

Expanding the operations into new customer segments, primarily customers in critical infrastructure and private enterprise.

Can yield a positive effect on earnings:

Short term

Short - medium term

Medium - long term

Short term = 1-2 years Medium term = 3-5 years Long term = more than 5 years

How our expertise in encryption technology secures communication for persons like John



This is John!

He works at the Ministry of Foreign Affairs and he has just been informed about a terror attack in a neighboring country. John's story illustrates how Sectra helps to securely communicate classified information over ordinary mobile networks without fear of interception.

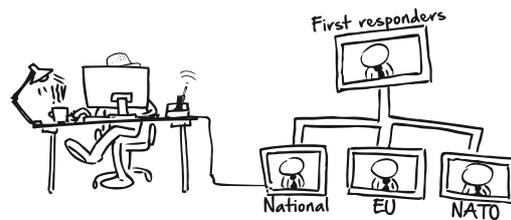


Encrypted speech to avoid eavesdropping

John is travelling when he is informed about the terror attack. He plays a key-role in counterterrorism and puts himself in immediate contact with his embassy in the attacked country to get a quick update. John deals with highly sensitive information and eavesdropping should be avoided at all times. Secure encrypted communication technology is essential for him.

Secure communication in different domains

National security protocols immediately become effective. John needs to call various people to discuss the situation and to coordinate actions. Not everyone is cleared to access the same information, so the communication solution he uses needs to easily switch between multiple security domains both nationally and internationally. Thanks to Sectra, John can use just one device to connect with all his counterparts.



Story continues on next page...

Easy to eavesdrop on ordinary cell phones

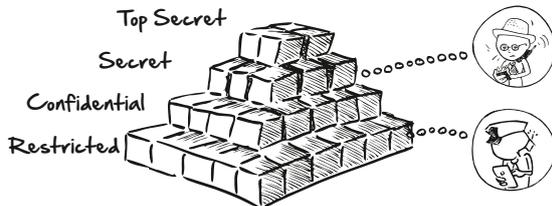
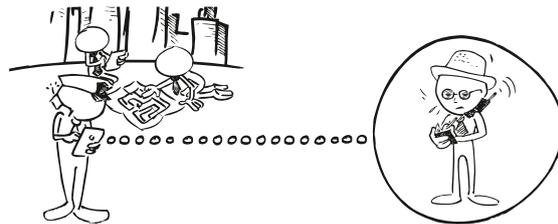
John needs to take several kinds of eavesdropping threats into account. For example, false base stations could be placed around the embassy. Cell phones automatically connect to the base station with the strongest signal, making it relatively easy to eavesdrop this way. The telephony network itself may also be monitored. In the case of a regular phone call, the eavesdropper can listen to, or even record, everything that is said or written. They would also be able to edit and manipulate phone conversations and text messages.



...continue reading John's story

Availability is key

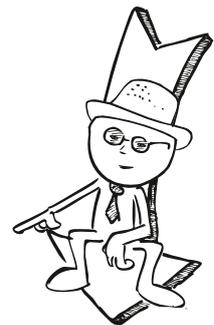
A group of experts is sent to the attacked country to help in the investigation. John gets regular updates from the commander via the secure and encrypted network. The new intelligence leads to security enhancements for several objects. John needs to instruct and inform various local authorities.



Handling security classification level

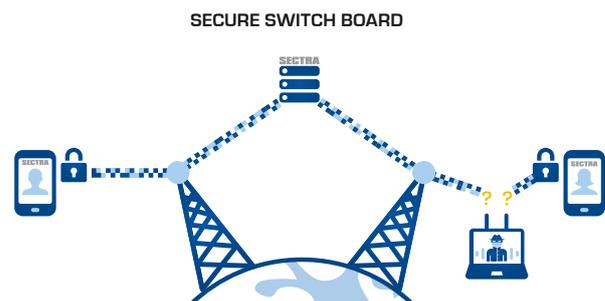
The command of the investigation team is not cleared to the same, very high, security level as John is. Thanks to Sectra's solution being able to handle several security levels, John can use the same device when he communicates with the investigation team as when he talks to his other counterparts who are cleared on John's level.

A few weeks after the attack the terror alert level is reduced. Through Sectra's secure communication solutions, approved by the EU and NATO, John was able to keep his conversations secure and classified. We feel deep satisfaction in knowing that our solutions help people like John to operate for a more secure world.



Sectra's solution - exclusive end-to-end encryption

With Sectra's solutions, calls are routed via a secure switch board, an integral part of the Sectra system. Encryption is performed exclusively on the two communicating cell phones and ensures that any signal captured by an eavesdropper cannot be interpreted but only come through as a random noise.



Sectra's history

The road to world-leading products

Sectra carried out its first consulting assignment in the late 1970s. A few years later, the company recruited additional joint owners with grand visions for Sectra's future. This marked the start of the company's expansion and development into a well-established IT brand. Data security became Sectra's first niche area and new business areas were subsequently added, while others were discontinued. The medical technology operations, which grew to become Sectra's largest business, started in 1989. Given the fact that customer confidence is a critical success factor, Sectra has always prioritized stable, long-term growth over rapid, high-risk expansion.

In 1978, a team of researchers from the Institute of Technology at Linköping University were presented with the task of creating a security solution for banks. In order to take on the assignment, Professor Ingemar Ingemarsson formed the company Sectra (SECure TRANsmission) together with his postgraduate students Viiveke Fåk, Rolf Blom and Robert Forchheimer. Linköping University and the Institute of Technology remain a valuable source of knowledge for Sectra and many of the company's most prominent employees have been recruited from these institutes.

From consultancy to product development

A few years later, Jan-Olof Brüer became a postgraduate student in information theory under the supervision of Professor Ingemarsson. When one of Sectra's founders left the company, Jan-Olof was recruited as a joint owner, bringing with him new ideas on how to turn Sectra into a "real" company and ultimately taking over as President. The company now transitioned into the development and sale of products and system solutions in data security and image encoding.

"We had a good laugh at what we thought were simply a flight of fancy. Today, I would say that Jan-Olof's vision has been surpassed," explains Professor Ingemarsson.

While Sectra's aim has always been to operate in niches with long-term growth potential, not all of its operations throughout the years proved to be successful and some were discontinued or divested. Digital equipment for press photographers, which was launched at the Olympic Games in Atlanta in 1984, smart heating regulation

systems for apartment buildings and private homes, and communication systems for monitoring air traffic are a few examples.

National security

After an initial focus on bank customers, Sectra's operations took a new direction.

"Already in 1987, we received a defense order for a new cryptoprocessor. This marked the beginning of our focus on security products for customers in defense departments and government authorities," explains Jan-Olof Brüer, who is currently a Board member and one of Sectra's principal owners.

Sectra has been a market leader in crypto equipment for the Swedish Defense Forces since the 1990s and the company's security products are currently used by government authorities and defense departments in most EU member states.

Medical technology

Guided by a keen interest in medical technology and a vision of digital radiology images, Sectra's current President and CEO, Torbjörn Kronander, came to the Institute of Technology at Linköping University as a postgraduate student in the 1980s. He was soon recruited to Sectra by Professor Ingemarsson and the company began expanding into digital image management systems for radiology departments in 1989. Imaging IT Solutions is now the company's largest business area and a niche in which Sectra commands a world-leading position.

International expansion

Sectra decided early on to focus on niche areas with global potential and its first

subsidiary outside Sweden was formed in Norway in 1995. The company's international journey also included plans to become a listed company, and a listing was carried out in 1999. The aim was to confirm that the company had developed into a strong player before turning its focus to the international arena. The listing also enabled strategic acquisitions and financing of the company's continued expansion. Following the formation of companies in France and Finland in 2015, Sectra now has subsidiaries in 14 countries.

Strategic acquisitions and divestments

Sectra has grown both organically and through acquisitions. The company's first acquisition was completed in 1995 and its most recent in 2015. These acquisitions have included:

- The Swedish companies Imtec AB and RadiSoft AB which, like Sectra, developed IT systems for the healthcare sector.
- ImaXperts, a Dutch company that distributed Sectra's medical systems in the Netherlands, Belgium and Luxembourg.
- Product rights for systems for radiation dose monitoring.
- Burnbank in the UK, which sells IT services for medical imaging to the healthcare sector.

Over the years, Sectra has also divested various sub-operations – most recently in 2011, when Sectra sold its operation for the development and sale of MicroDose Mammography, an innovative radiology device that halved the radiation doses delivered during mammography examinations.



THEN

Sectra presents products for data security and image transfer.

NOW

At the RSNA radiology trade fair in Chicago, Sectra presents solutions for more efficient, patient-centered care flows.



THEN

Sectra delivers telephones to the Swedish Defense Forces, which becomes the first organization in the world to use encrypted mobile communications.

NOW

Customers in more than half of all European countries protect their classified information using Sectra's products.

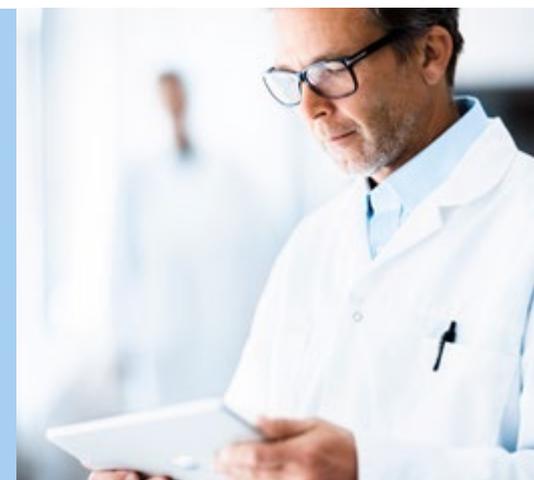


THEN

Sweden's first film-free radiology department – using Sectra systems – is opened. Images are sent to a nearby hospital via the telephone network.

NOW

More than 1,700 hospitals worldwide use Sectra's medical products and approximately 75 million radiology examinations are managed using Sectra's systems each year.



Five-year summary

Increased stability and profitability based on a long-term, innovative and efficient approach

» 2014/2015

Increased stability based on long-term customer contracts

Many large, long-term customer contracts were signed and Sectra reported record-breaking order bookings. Strong growth in the UK, Norway and the US. Cash flow impacted by the high number of customer projects in the installation phase. Launch of IT system for digital pathology and acquisition of partner it-mark in Denmark. All financial goals were achieved and the Board of Directors proposes that SEK 168.8 million be transferred to shareholders through a share redemption program.

» 2013/2014

Positive profit trend

Due to the structural changes, internal efficiency enhancements, business and product development implemented in recent years, the Group achieved its operating margin target of 15%. Strong growth in the UK and the Netherlands, and increased investment in product development. The company transferred SEK 167.7 million to shareholders.

» 2012/2013

Focused growth initiatives

Efforts to strengthen the company's position in markets where Sectra holds an established position continued, including in the UK, where the medical IT services company Burnbank was acquired. Order bookings rose 30% due to successful sales in such countries as Sweden, the UK and the Netherlands. Strong financial position and solid cash flow. The company transferred SEK 166.9 million to shareholders.

» 2011/2012

Sectra's largest structural transaction

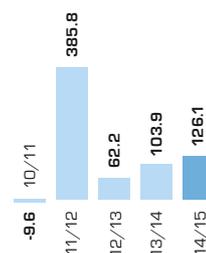
Sectra divested the operation for development and sales of the low-dose mammography product MicroDose Mammography. The capital gain was SEK 322 million and the structural transaction had a very positive impact on profitability and cash flow. In autumn 2011, Sectra transferred SEK 184 million to shareholders through a share redemption program (attributable to distributable profits in 2010/2011) and an additional SEK 185 million was transferred for 2011/2012. Although the weak economic situation affected growth in many countries, order bookings rose 11% due to successful sales in northern Europe.

» 2010/2011

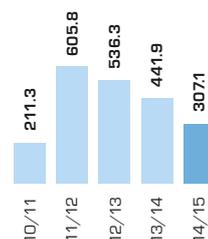
Deliveries of new-generation IT system for medical images commence

Sectra's sales rose nearly 4%, despite slow market growth due to the economic climate in both Europe and the US. Very few major transactions were implemented, which contributed to lower order bookings. An extensive development project for a new-generation IT system for medical imaging management was completed, which led to increased amortization. Earnings were negatively impacted by the strong SEK, and currency fluctuations had a negative effect of SEK 18 million on financial items. Major investments in a low-dose mammography product were also charged against profit.

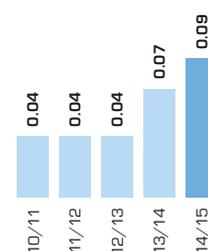
NET PROFIT FOR THE YEAR
SEK million



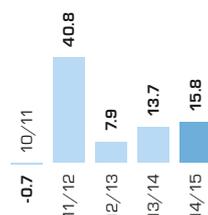
CASH AND CASH EQUIVALENTS
SEK million



DEBT/EQUITY RATIO



RETURN ON TOTAL CAPITAL
%



Amounts in SEK thousands unless otherwise stated.

Definition of key figures, see note 63.

	2014/2015	2013/2014	2012/2013	2011/2012 ¹	2010/2011
Sales, earnings and order bookings					
Net sales	961 392	853 796	816 954	823 090	783 691
Annual growth	12.6	4.5	-0.7	5.0	4.0
Depreciation	-42 324	-45 590	-45 955	-43 389	-41 288
Impairment	0	-18 972	0	0	0
Operating profit (EBIT)	150 294	128 072	85 866	103 465	72 544
Average growth for operating profit per share, five-year, %	10.7	7.0	-7.2	-1.8	-9.2
Profit after financial items (EBT)	164 416	141 464	86 554	127 855	70 173
Net earnings for the year from remaining operations	126 077	103 858	62 246	92 848	48 299
Profit/loss from discontinued operations ²	0	0	0	292 967	-57 916
Net earnings/loss for the year	126 077	103 858	62 246	385 815	-9 617
Order bookings	1 550 397	925 716	916 022	701 157	630 968
Profitability					
Gross margin, %	20.0	22.6	16.1	17.8	14.5
Operating margin, %	15.6	15.0	10.5	12.6	9.3
Profit margin, %	17.1	16.6	10.6	15.6	9.0
Return on total capital, incl. discontinued operations, %	15.8	13.7	7.9	40.8	-0.7
Return on working capital, incl. discontinued operations, %	25.1	21.1	11.6	59.7	-1.1
Return on equity, incl. discontinued operations, %	20.6	16.3	8.6	58.0	-1.6
Value added, SEK million	626.1	548.1	502.1	488.9	475.5
Funding and working capital					
Working capital, SEK million	667.7	661.3	691.8	822.0	592.9
of which goodwill	46.8	40.2	46.1	0.0	0.0
of which other intangible and tangible fixed assets	178.8	133.2	125.7	119.3	255.2
Liquidity ratio, multiple	2.2	2.7	2.6	3.4	2.1
Solvency, %	56.1	60.7	61.4	69.4	61
Debt ratio	0.09	0.07	0.04	0.04	0.04
Investments, SEK million	63.9	54.6	76.2	31.1	42.9
Cash flow					
Cash flow from operating activities	165 639	159 836	133 634	153 545	25 623
Operating cash flow	85 039	123 632	191 216	148 580	44 852
Cash flow from investment activity	-63 931	-54 633	-76 206	-31 103	-20 547
Cash flow from financing activity	-154 288	-158 059	-182 697	-173 042	-16 898
Cash flow for the year	-133 180	-89 060	-67 687	395 530	7 407
Employees					
No. of employees, average	546	523	527	500	496
No. of employees at fiscal year-end	565	536	528	502	500
Sales per employee, SEK million	1.8	1.6	1.6	1.6	1.6
Value added per employee, SEK million	1.1	1.0	1.0	1.0	1.0
Data per share					
Dividend per share/redemption ⁵ , SEK	4.50	4.50	4.50	5.00	5.00
Dividend yield, %	3.8	5.8	8.4	11.6	14.7
Earnings per share, SEK	3.38	2.8	1.68	2.52	1.31
Earnings per share incl. discontinued operations ² , SEK	3.38	2.8	1.68	10.47	-0.26
Earnings per share after dilution ⁴ , SEK	3.31	2.73	1.65	2.46	1.29
Earnings per share after dilution incl. discontinued operations ^{2,4} , SEK	3.31	2.73	1.65	10.23	-0.26
Cash flow per share, SEK	2.28	4.31	3.6	4.17	2.24
Cash flow per share, incl. discontinued operations, SEK	2.28	4.31	3.6	3.34	0.7
Cash flow per share after dilution ⁴ , SEK	2.23	4.19	3.53	4.05	2.19
Cash flow per share after dilution incl. discontinued operations ^{2,4} , SEK	2.23	4.19	3.53	3.24	0.68
Equity per share, SEK	16.44	16.49	17.94	21.37	15.46
Equity per share after full dilution ⁴ , SEK	16.01	16.05	17.55	20.77	15.13
No. of shares at fiscal year-end ³	37 271 017	37 094 978	37 094 978	36 842 088	36 842 088
Average number of shares	37 256 347	37 094 978	37 052 830	36 842 088	36 842 088
Share price at fiscal year-end, SEK	119.5	77.75	53.00	43.00	34.00
P/E ratio, multiple	35.3	27.8	31.5	17.1	26.0

¹ The 2011/2012 amounts include a nonrecurring item that had a positive impact of SEK 30 million on sales and SEK 25 million on operating profit.

² Discontinued operations pertain to the divestment of the operation for the development and sale of the MicroDose Mammography modality.

³ Adjusted for stock splits and bonus issues.

⁴ Dilution is based on the convertible debenture loan 2014/2015 [146,936], 2013/2014 [235,772], 2012/2013 [163,479] and 2011/2012 [285,734] and the employee stock option program 2012/2013 [100,000].

⁵ 2014/2015 refers to the redemption program proposed by the Board of Directors.

The share price increased more than 50%

Sectra's success is reflected in the share price that increased 54.2% in 2014/2015. On the basis of a strong financial position and solid cash flow, the Board of Directors proposes that the 2015 Annual General Meeting resolve to transfer SEK 168.8 million to shareholders, corresponding to a direct return of 3.8% based on the year-end share price.

Dividend policy

Sectra's dividend policy is that the dividend for each year is to be adapted to the company's capital requirements for both the operation and growth, and to the shareholders' desire for direct returns. The objective is to provide shareholders with a balanced and favorable direct return over time and to adjust the dividend so that the company's equity/assets ratio is never less than 30%.

Share redemption program and dividend

The 2014 AGM resolved to transfer SEK 4.50 per share, a total of SEK 167.7 million, to shareholders through a share redemption program. Redemption was implemented through a 2:1 share split, combined with a mandatory redemption process and a stock dividend to restore the share capital. No ordinary dividend was paid.

The Board of Directors proposes that the 2015 Annual General Meeting resolves to transfer SEK 4.50 per share, totaling SEK 168.8 million, to shareholders through the same type of redemption process. No ordinary dividend is proposed. More information and a schedule will be available in the Investor/General Meeting section on Sectra's website not later than August 17, three weeks prior to the Annual General Meeting on September 7, 2015.

On April 30, 2015, the equity/assets ratio was 56.1% and should the Annual General Meeting resolve on a share redemption program in accordance with the proposal, the comparable equity/assets ratio will amount to 48.1%. This is well above Sectra's goal, which specifies that the equity/assets ratio is to exceed 30%.

Facts

Ticker: SECT B
Market name: Nasdaq Stockholm
Year of listing: 1999
Segment: Mid Cap
Sector: Healthcare
Market capitalization: SEK 4 454 million

» Analysts

The following analysts monitor Sectra's performance and publish analyses:

Carnegie, Kristofer Liljeberg

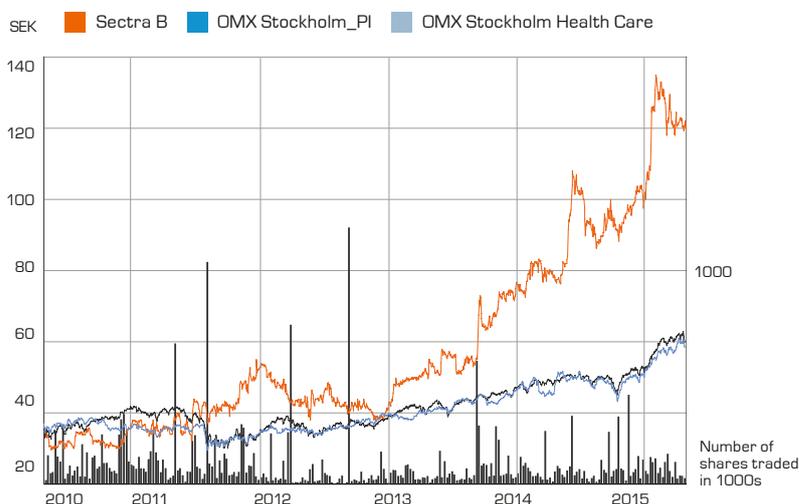
tel. +46 (0)8-676 87 63

Remium, Christian Lee

tel. +46 (0)8-454 32 21

» Share price performance

During the fiscal year, the share price rose 54.2% to SEK 119.5 on the balance-sheet date. The Stockholm Exchange's Total Index rose 21.5% during the same period. The number of shares traded was 3.9 million (3.8), corresponding to a turnover rate of 0.11 times (0.11).



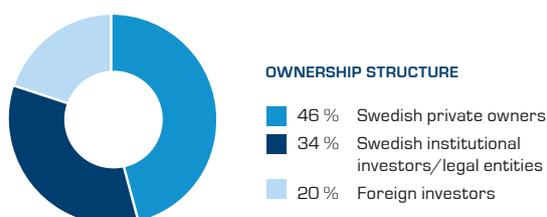
» Share capital development and number of shares 2014/2015

Date	Transaction	Change in share capital	Total share capital	Total no. of shares
May 1, 2014	Share capital on balance-sheet date		37 094 978	37 094 978
June 19, 2014	New share issue - redemption of convertibles	176 039	37 271 017	37 271 017
Sep 29, 2014	Share redemption program - 2:1 split	0	37 271 017	74 542 034
Oct 15, 2014	Share redemption program - share redemption	-18 635 508.50	18 635 508.50	37 271 017
Oct 15, 2014	Share redemption program - stock dividend	18 635 508.50	37 271 017	37 271 017
Apr 30, 2015	Share capital on balance-sheet date		37 271 017	37 271 017

The total number of shares outstanding on the balance-sheet date was 37,271,017, comprising 2,620,692 Class A shares and 34,650,325 Class B shares. A Class A share confers ten votes, while a Class B share confers one vote. All shares carry equal rights to the company's assets and profits. For more information about the share capital's development since listing in 1999, see sectra.com/sharecapital

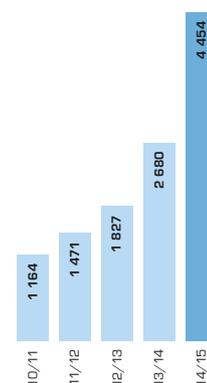
» Ownership structure

The number of shares comprises direct shareholdings, holdings through related parties and legal entities at April 30, 2015. For current holdings, see sectra.com/shareholders

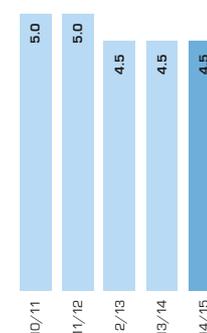


Shareholders	Class A shares	Class B shares	Total no. of shares	Capital	Votes
Torbjörn Kronander	765 697	2 630 484	3 396 181	9.1%	16.9%
Jan-Olof Brüer	765 699	2 626 104	3 391 803	9.1%	16.9%
Nordea Investment Funds	0	5 958 384	5 958 384	16.0%	9.8%
Frithjof Qvigstad	262 866	1 902 519	2 165 385	5.8%	7.4%
IF Skadeförsäkring AB	0	4 221 154	4 221 154	11.3%	6.9%
Viiveke Fåk	221 700	1 088 150	1 309 850	3.5%	5.4%
Robert Forchheimer	202 203	1 178 104	1 380 307	3.7%	5.3%
Ingemar Ingemarsson	221 347	150 999	372 346	1.0%	3.9%
Fourth Swedish National Pension Fund	0	1 699 407	1 699 407	4.6%	2.8%
Thomas Ericson	136 329	298 197	434 526	1.2%	2.7%
10 largest shareholders	2 575 841	21 715 503	24 291 344	65.2%	78.0%
All other owners 5 559	44 851	12 934 822	12 979 673	34.8%	22.0%
Total	2 620 692	34 650 325	37 271 017	100%	100%

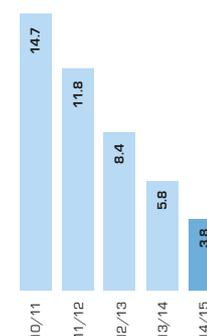
MARKET CAPITALIZATION
SEK million



DIVIDEND/REDEMPTION PER SHARE
SEK



DIRECT RETURN
%



Board of Directors and Auditor

The number of shares comprises direct shareholdings, holdings through related parties and legal entities on the balance-sheet date of April 30, 2015. For current holdings, refer to sectra.com/boardofdirectors. For information about matters addressed by the Board during 2014/2015, see the Corporate Governance report sectra.com/governance

Carl-Erik Ridderstråle
Chairman of the Board
Remuneration Committee Chairman



Torbjörn Kronander
Board member
President and CEO Sectra AB



Anders Persson
Board member
Audit Committee member



Born/Elected	Born 1942/Elected 2001	Born 1957/Elected 1988	Born 1953/Elected 2004
Sectra holdings	77,096 Class B shares and convertibles corresponding to 111,845 Class B shares	765,439 Class A shares, 2,613,968 Class B shares and convertibles corresponding to 141,945 Class B shares	16,673 Class B shares and convertibles corresponding to 19,229 Class B Shares
Board fees 2014/2015	SEK 370,000	SEK 0	SEK 205,000
The Board members independence	Independent in relation to the company, the management and the company's major shareholders	One of the company's largest shareholders with 16.9% of the votes and 9.1% of capital	Independent in relation to the company, the management and the company's major shareholders
Education	Licentiate of Science (Technology)	PhD (Technology), MBA, officer in the Naval Reserve	Doctor of Medicine, PhD (Technology), Professor, Senior Physician
Professional experience/previous assignments	Previously President of BT Industries and Vice Chairman of the Board of Seco Tools AB	Previously President of Sectra's medical operation and Executive Vice President of Sectra AB, full-time at Sectra since 1991, ship captain	Director of the Center for Medical Image Science and Visualization (CMIV) and Senior Physician in radiology
Other posts	Chairman of the Board of Hultdin System AB, Trätrappor Norsjö AB and Kåge Gjutmek AB, Board member of DIAB International AB and Valedo AB	Board member of the Center for Medical Image Science and Visualization (CMIV), Cellavision AB and Shannon AB et.al., member of the Royal Swedish Academy of Engineering Sciences	Board member of the Center for Medical Image Science and Visualization (CMIV) and the National Supercomputer Center at Linköping University

Jan-Olof Brüer
Board member



Peter Bodin
Chief Coordinating Auditor
Grant Thornton Sverige AB



Born/Elected	Born 1951/Elected 2013	Born/Elected	Born 1965/Elected 2009
Sectra holdings	765,441 Class A shares, 2,609,588 Class B shares and convertibles corresponding to 142,452 Class B shares	Sectra holdings	0
Board fees 2014/2015	SEK 185,000	Education	Authorized Public Accountant
The Board members independence	One of the company's largest shareholders with 16.9% of the votes and 9.1% of capital	Other posts	President of Grant Thornton Sweden AB, Board member of Grant Thornton International Ltd
Education	PhD (Technology), MBA, officer in the reserve armored troops		
Professional experience/previous assignments	Previously President and CEO of Sectra AB		
Other posts	Board member of Arcam AB, Sectra Communications AB, Shannon AB and Lilla Hallmare Gärd och Förvaltning		

Erika Söderberg Johnson

Board member
Audit Committee Chairman

**Christer Nilsson**

Board member, member of the
Remuneration Committee and
Audit Committee

**Jakob Svärdröm**

Board member



Born/Elected	Born 1970/Elected 2007	Born 1952/Elected 2008	Born 1964/Elected 2011
Sectra holdings	219 Class B shares and convertibles corresponding to 2,040 Class B shares	5,000 Class B shares and convertibles corresponding to 8,560 Class B shares	1,558 Class B shares and convertibles corresponding to 2,781 Class B shares
Board fees 2014/2015	SEK 225,000	SEK 205,000	SEK 185,000
The Board members independence	Independent in relation to the company, the management and the company's major shareholders	Independent in relation to the company, the management and the company's major shareholders	Independent in relation to the company, the management and the company's major shareholders
Education	Master of Science in Business and Economics	Master of Science in Engineering	Master of Business Administration
Professional experience/previous assignments	Chief Financial Officer Biotage AB. Previously Chief Financial Officer Karo Bio AB, Affibody AB and Global Genomics AB. Investment Banking advisor SEB Enskilda	President of Vestadil AB. Previously Director of, and advisor to, 3i plc, senior positions at Datex-Ohmeda and Gambro	Managing Partner of KTH Chalmers Capital. Previously Executive Vice President and Board member of Streamserve Inc and Business Area Manager at Intentia AB
Other posts	Board member Medcap AB	Board member of Industrifonden and Scandinova and others	Board member of several KTH Chalmers Capital portfolio companies

Per Elmhøster

Employee representative

**Fredrik Häll**

Employee representative

**Klas Mehmeti**

Deputy employee representative

**Deborah Capello**

Deputy employee representative



Born/Elected	Born 1972/Elected 2011	Born 1978/Elected 2013	Born 1984/Elected 2013	Born 1970/Elected 2014
Sectra holdings	2,647 Class B shares and convertibles corresponding to 1,947 Class B shares	Convertibles corresponding to 629 Class B shares	0	300 Class B shares
Education	PhD (Engineering), Master of Science in Mechanical Engineering	Master of Science in Media Technology and Engineering	Master of Computer Science and Engineering	Master of Science in Electrical Engineering and Applied Physics, Master of Science in Business and Economics
Position	Account Manager, Sectra Sverige AB	Chief software architect, Imaging IT Solutions business area	Development Engineer, Imaging IT Solutions business area	Roll-out Manager, Imaging IT Solutions business area

Group Management

The number of shares comprises direct shareholdings, holdings through related parties and legal entities on the balance-sheet date of April 30, 2015. For current holdings, refer to Sectra's website sectra.com/management

Torbjörn Kronander

President and CEO Sectra AB,
Board member



Simo Pykälistö

Chief Financial Officer and
Executive Vice President Sectra AB



Marie Ekström Trägårdh

President Imaging IT Solutions
business area and Executive Vice
President Sectra AB



Born/Employed	Born 1957/Employed 1985	Born 1972/Employed 2003	Born 1961/ Employed 1996
Sectra holdings	765,439 Class A shares, 2,613,968 Class B shares and convertibles corresponding to 141,945 Class B shares	15,000 Class B shares and convertibles corresponding to 37,251 Class B shares	32,112 Class B shares and convertibles corresponding to 11,701 Class B shares
Education	PhD (Technology), MBA, officer in the Naval Reserve	Master of Science in Business and Economics	Bachelor of Science in Systems Science and IT
Professional experience/ previous assignments	President of Sectra's medical operation and Executive Vice President Sectra AB, full-time at Sectra since 1991, ship captain	Chief Financial Officer Pronyx AB, Finance Director CDT Nordic, Group Controller M2 Engineering AB, Finance Manager Kesko Swedish AB, Economist OKO Bank	President Sectra Sverige AB, Executive Vice President Sectra's Imaging IT Solutions business area, and others, senior positions at Sectra, consultant Frontec AB, Developer/Project Manager Fujitsu ICL
Other posts	Board member of the Center for Medical Image Science and Visualization (CMIV), Cellavision AB and Shannon AB et.al., member of the Royal Swedish Academy of Engineering Sciences		Board member of Swedish MedTech

Michael Bertilsson

President of
Secure Communications



Lisa Everhill

Market Communication and Investor
Relations Manager



Born/Employed	Born 1962/Employed 1989	Born 1979/Employed 2006
Sectra holdings	13,000 Class B shares and convertibles corresponding to 17,980 Class B shares	Convertibles corresponding to 1,402 Class B shares
Education	PhD (Technology)	Master of Business Administration
Professional experience/ previous assignments	Other senior positions in Sectra's Secure Communications business area	Other senior positions in Sectra's medical operation

Claes Lundström

Research Director
Medical Systems

**Maria Bolin**

General Manager
Osteoporosis business unit

**Hanna Eriksson**

General Manager
Orthopaedics business unit



Born/Employed	Born 1973/Employed 1997	Born 1979/Employed 2012	Born 1967/Employed 2005
Sectra holdings	8,442 Class B shares and convertibles corresponding to 5,015 Class B shares	550 Class B shares	3,400 Class B shares and convertibles corresponding to 1,000 Class B shares
Education	PhD (Technology)	PhD (Applied physics)	MBA
Professional experience/ previous assignments	Product Development Project Manager, etc., senior positions in Sectra's medical operation	Account Manager Sectra's Osteoporosis business line and research in sports medicine	Various senior positions at Johnson & Johnson AB
Other posts	Assistant Professor, Center for Medical Image Science and Visualization (CMIV)	Member of the Swedish Research Council's Committee for National coordination of Clinical Research	Board member of the Swedish ICT Group

Jakob Algulin

General Manager
Medical Education business unit

**Per Andersnäs**

Vice President
Operational Excellence & IT



Born/Employed	Born 1975/Employed 2001	Born 1962/Employed 1997
Sectra holdings	Convertibles corresponding to 2,000 Class B shares	0
Education	Master of Science in Engineering, Industrial Economy	Master of Science in Computer Technology
Professional experience/ previous assignments	General Manager Osteoporosis business line, Sales and Marketing Manager Orthopaedics business line and others, positions in Sectra's medical operation	Product Development Director Imaging IT Solutions business area and others, senior positions in Sectra's medical operation

Administration Report

The Board of Directors and the President of Sectra AB (publ), Corporate Registration Number 556064-8304, hereby submit the annual report and the consolidated financial statements for the period from May 1, 2014 to April 30, 2015. The following income statements, balance sheets, statements of changes in shareholders' equity, cash-flow statements, accounting policies and notes comprise an integrated part of the Annual Report.

STATEMENT

The information in this Annual Report is such that Sectra must publish in accordance with the Securities Market Act. Sectra published the year-end report for the 2014/2015 fiscal year on June 3, 2015 at 08:00 a.m. through a press release and on Sectra's website. The complete Annual Report will be announced in a press release and published on the website on June 30, 2015 at 11:00 a.m. (CET).

THE GROUP'S OPERATIONS AND STRUCTURE

Sectra conducts research, development and sales of high-tech products and services in the expansive niche markets of medical IT and secure communications. Sectra AB is the Parent Company of the Group, which comprises the operating areas Imaging IT Solutions, Secure Communications, Business Innovation and Other Operations, the latter of which encompasses the head office's functions for Group finances, marketing communication, IT, regulatory affairs and investor relations activities. The Group has a number of subsidiaries with offices worldwide. Refer to Note 12 for more information.

ORGANIZATIONAL CHANGES IN 2014/2015

- As of May 1, 2014, Business Innovation also includes a business line for Medical Education which, until April 30, 2014, was reported in Imaging IT Solutions. At the same time, the digital pathology project in Business Innovation was transferred to Imaging IT Solutions in the same manner. The comparative figures for the year-earlier period resulting from these changes have not been restated, since the impact on profit was marginal.
- Sectra established new subsidiaries in Finland and France.
- As of April 30, 2015, the acquired company it-mark ApS is included in the consolidated financial statements as part of the Imaging IT Solutions business area. Refer to Note 13 for further information about the acquisition.

SIGNIFICANT EVENTS 2014/2015

- Customers awarded Sectra's IT system for managing medical images, Sectra PACS, a top ranking in both the international and US customer survey performed by the analyst company KLAS.
- All of the Group's financial goals were achieved for the first time since they were revised in 2013.

- Strong expansion in the UK, where Sectra signed extensive multi-year managed-services agreements for medical imaging management with the large care providers London North West NHS Trust and Kingston Hospital NHS Foundation Trust.
- Growth in the US, where Sectra is beginning to see the effects of its top ranking in KLAS's US customer surveys in 2013 and 2014. New agreements were signed with such customers as University Hospitals in Cleveland, one of Sectra's largest customers in the US and a key research partner, as well as the Hartford HealthCare (HHC) hospital chain.
- In Sweden, which is Sectra's single largest market, extensive agreements were signed with such major customers as the Karolinska University Hospital, the Stockholm County Council and Region Skåne. The first two agreements comprised managed-services agreements, meaning that Sectra's IT system for managing and storing images is delivered as a service.
- Sectra distributed SEK 4.50 per share, totaling SEK 167.7 million, to its shareholders through a share redemption program.
- Launch of IT solution for pathology departments. For Sectra, this represents a new customer segment where digitization of microscopic images could contribute to superior cancer care.
- Sectra strengthened its presence in Denmark through the acquisition of its partner it-mark ApS.
- In the area of secure communications, the Council of the European Union extended its framework agreement with Sectra for secure telephony until 2018 and the latest version of Sectra's secure mobile phone, Sectra Tiger/S 7401, was approved for use by NATO.
- Sectra signed an agreement concerning the sale and licensing of patents in the Business Innovation area, which had a positive impact of SEK 16.3 million on sales and operating profit. The patent transaction was deemed to be a nonrecurring event.

For more details about these individual events, refer to www.sectra.com/news

MARKET

The world needs more efficient healthcare and more secure communications. These niche areas offer major potential for expansion. Sectra focuses primarily on growth in countries where the company already holds an established position and through partners in carefully selected growth markets. In 2014/2015, the Group's order bookings rose 67.5% to SEK 1,550.4 million (925.7). This increase was mainly attributable to long-term managed-services and support agreements for region-wide medical IT systems. The strongest order bookings were reported by Sectra's medical operation in the UK. This was largely the result

of several UK hospitals being forced to acquire new systems or to renew their agreements before summer 2015. Accordingly, Sectra's order bookings from this market are not expected to be on the same level in the coming years.

Imaging IT Solutions

Sectra's largest business area, Imaging IT Solutions, offers care providers IT systems and services for medical diagnostic imaging that help to develop the healthcare sector so that more patients can receive care, while also maintaining or improving the quality of care. The market for medical IT systems is continuing to grow as a result of the population trend and the increased use of medical diagnostic imaging. The business area has delivered some of the world's largest IT solutions for medical imaging management and more than 75 million examinations are reviewed every year using Sectra's systems. Scandinavia, the US, the UK and the Netherlands are the business area's largest markets.

In 2014/2015, Imaging IT Solutions' sales rose 20.9% to SEK 970.6 million (802.8). The business area's operations in the US, the UK and the Norway account for the highest growth. Operating profit increased 7.5% to SEK 192.0 million (178.6), corresponding to an operating margin of 19.8% (22.2). Major customer projects are in the installation phase and an increased share of hardware sales in the product mix, caused by customer requirements for an integrated supplier of software and hardware in certain projects, had an adverse impact on the margin.

Secure Communications

The Secure Communications business area offers solutions and services that protect sensitive and confidential information. Customers include government authorities, critical social infrastructure and defense organizations. Growth in the market for secure communication systems is driven by the fact that it is easier than ever to eavesdrop on telephone calls and data communications and by the increased threat of cyber-attacks and the risk of sabotage. Sectra is trusted to deliver products that protect classified information at the very highest levels and the security solutions are used by customers in most European countries, as well as by the EU and NATO. Sweden and the Netherlands comprise the business area's largest markets.

In 2014/2015, Secure Communications' sales declined 7.4% to SEK 76.7 million (82.8). The business area is dependent on its relationships with Swedish customers and has been impacted by the weak market trend for encryption systems in Sweden in recent years. However, the business area is growing outside Sweden, where deliveries of crypto products contributed to a positive earnings trend. Operating profit increased 322.2% to SEK 3.8 million (0.9), corresponding to an operating margin of 5.0% (1.0).

Business Innovation

Business Innovation includes business lines in the areas of orthopaedics, osteoporosis diagnosis and medical education, as well as a research department. These business lines offer products and services that contribute to better care and treatment of some of society's most costly diseases through the early diagnosis of osteoporosis, as well as planning and monitoring of prosthetic procedures.

In 2014/2015, Business Innovations' sales rose 177.9% to SEK 57.8 million (20.8) and operating profit amounted to SEK 14.1 million (loss: 2.6). Excluding the patent transaction, sales rose 99.5% to SEK 41.5 million and an operating loss of SEK 2.2 million was reported.

Other Operations

In 2014/2015, sales from Other Operations rose 22.3% to SEK 114.1 million (93.3). This increase was attributable to Sectra's operations for financing customer projects. An operating loss of SEK 16.2 million (loss: 10.9) was reported. Earnings were impacted by the payout of SEK 6 million in bonuses to the company's employees for the results achieved, as well as by investments in the Group's IT infrastructure with the aim of enhancing Group efficiency.

SEASONAL VARIATIONS

Sectra experiences seasonal variations, which means that most invoicing and earnings traditionally occur at the end of the fiscal year. However, the seasonal variation has diminished somewhat over the past year since long-term agreements based on payment per month or per use account for a larger portion of sales. The equalization effect resulting from long-term managed-services agreements that are financed internally within the Group does not impact the business areas; instead it is essentially managed through the Parent Company's financing activities. The variation in order volumes during individual quarters can be substantial, since Sectra has many major customers that sign extensive, multi-year agreements with the company, for example, for medical IT projects.

FINANCIAL OVERVIEW

Consolidated sales and earnings

	2014/2015	2013/2014	CHANGE, %
Order bookings, SEK million	1 550.4	925.7	67.5
Net sales, SEK million	961.4	853.8	12.6
Operating profit, SEK million	150.3	128.1	17.3
Operating margin, %	15.6	15.0	-
Net financial items, SEK million	14.1	13.4	5.2
Profit before tax, SEK million	164.4	141.5	16.2
Profit margin, %	17.1	16.6	-
Profit after tax, SEK million	126.1	103.9	21.4
Earnings per share, SEK	3.38	2.80	20.7
Cash flow per share, SEK	2.28	3.33	-31.5

The figures recognized include the following nonrecurring items:

SEK million	2014/2015
Sale/licensing of patents (net sales)	16.3
Bonus	-6.0
Total nonrecurring items 2014/2015	10.3
	2013/2014
Reversal of contingent consideration (other operating income)	16.2
Impairment of goodwill and other intangible assets	-15.2
Impairment of capitalized development costs	-3.8
Total nonrecurring items 2013/2014	-2.8

Net sales rose 12.6% to SEK 961.4 million. Excluding nonrecurring items, sales increased 10.7% to SEK 945.1 million. While most of the increase was attributable to Imaging IT Solutions. The business area's operations in the UK and the US showed the fastest growth. Sales in Sweden declined due to lower sales in the Secure Communications business area. Refer to Note 1 for further information by segment and geographic market.

Operating profit rose 17.3% to SEK 150.3 million. Excluding nonrecurring items, operating profit increased 7.0% to SEK 140.0 million. After its strong order bookings during the fiscal year, Sectra now has several major customer projects in the installation phase. While these projects will initially be charged against operating profit and cash flow, they will contribute to a stable trend for the Group once they have moved into the maintenance and support phase.

Cash flow and financial position

The Group's cash flow from operations after changes in working capital amounted to SEK 85.0 million (123.6). The change was mainly due to assets attributable to long-term customer projects in the installation phase. Cash flow from investing activities amounted to a negative SEK 63.9 million (neg: 54.6). Among other factors, this change was attributable to investments in long-term Group-financed customer projects and increased investments in development projects and acquisitions of subsidiaries; refer to Note 13. Cash flow from financing activities for the fiscal year amounted to a negative SEK 154.3 million (neg: 158.1). During the fiscal year, Sectra distributed SEK 167.7 million (166.9) to shareholders through a share redemption program. The Group's total cash flow for the fiscal year amounted to a negative SEK 133.2 million (neg: 89.1).

Sectra has a strong cash balance and balance sheet. After adjustment for exchange-rate differences, the Group's cash and cash equivalents at the end of the fiscal year amounted to SEK 307.1 million (441.9). The Group's interest-bearing liabilities amounted to SEK 55.9 million (43.5) and pertained to convertible loans from employees and Board members; refer to Note 22 and 23. The equity/assets ratio was 56.1% (60.7).

Investments, depreciation and amortization

During the fiscal year, investments in the Group amounted to SEK 63.9 million (54.6) and primarily pertained to customer projects in the Group's financing activities and capitalized development costs. Depreciation and amortization totaled SEK 42.3 million (45.6), of which SEK 14.5 million (17.5) was attributable to capitalized development projects.

Investments in Group-financed customer projects amounted to SEK 37.1 million (41.4) during the period. This amount includes a positive exchange-rate difference of SEK 22.9 million (4.7). At the end of the fiscal year, the net carrying amount of Group-financed customer projects totaled SEK 62.1 million (54.6). The capitalization of development costs during the year amounted to SEK 32.2 million (16.3). At the close of the fiscal year, capitalized development costs totaled SEK 65.2 million (47.6) and primarily pertained to development projects in Imaging IT Solutions.

Parent Company's sales and profit

Sales amounted to SEK 99.9 million (65.2) and an operating loss of SEK 4.1 million (loss: 18.6) was reported. The result for the

fiscal year includes SEK 16.3 million for the patent transaction. Profit after net financial items totaled SEK 83.1 million (loss: 3.0) and included SEK 80.0 million in anticipated dividends from subsidiaries. Currency fluctuations had an impact of SEK 2.9 million (1.6) on financial items for the fiscal year. For more information, please refer to the following income statements, balance sheets, accounting policies and notes.

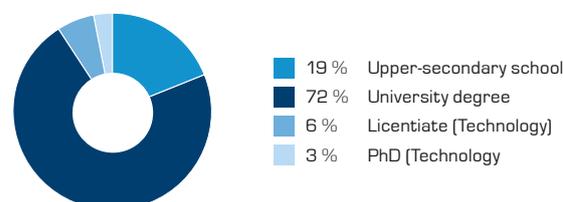
RESEARCH AND DEVELOPMENT

Sectra invests 10–14% of consolidated sales in research and development (R&D) projects. It is difficult to provide a more exact figure, since many of the projects inhabit a gray zone between R&D and customer orders. R&D is conducted both in-house and in collaboration with customers and partners. During 2014/2015, SEK 32.2 million (16.3) of Sectra's development costs for standard products was capitalized as intangible assets in the balance sheet. Customer-related R&D costs for the development of new products and features are included in project costs and recognized in profit or loss. Direct research expenditures are not material and, accordingly, are not recognized separately.

EMPLOYEES AND EXPERTISE

On the balance-sheet date, Sectra had 565 permanent employees (536) and some 30 project employees. Employee turnover during 2014/2015 was 10.6% (11.0). Sectra's personnel have extensive expertise and a solid educational background; 81% of the company's personnel have a university degree and many have undergone postgraduate studies.

Employee education level



CORPORATE RESPONSIBILITY

Working together with Sectra is to be viewed as a stamp of quality for customers, as well as employees and partners. Sustainable business practices and continuous improvements are an integral part of Sectra's quality-control process.

Quality and safety

Quality control and product safety are of major significance for Sectra, since products and services can mean the difference between life and death for a human being. Sectra's operations are certified in accordance with SS-EN ISO 9001:2008 and SS-EN ISO 13485:2003 quality standards, and products that are delivered to Canada are certified according to ISO 13485:2003 under CMDCAS. This means that external consultants review the company every year to assess compliance with the requirements of the standards and notify Sectra of any need for corrective actions. The company also works with its own certification programs and internal training courses for employees and distributors.

The company's products are subject to industry-specific regulations and requirements. Sectra's crypto products are evaluated and approved by security authorities since they are used to pro-

tect highly sensitive information. Sectra's medical IT systems comply with European regulations for CE marking, the Medical Device Directive 93/42/EEC, while products sold in North America have been approved by the US Food and Drug Administration (FDA). Usage of these systems and products requires rigorous documentation.

In accordance with medical technology regulations, Sectra follows quality control procedures designed to improve the safety and clinical effectiveness of its products after they are delivered to customers. Clinical incidents involving Sectra's products are investigated systematically in order to identify the underlying causes. Based on these investigations, corrective or preventive measures are taken for the products in question. In the event of more serious clinical incidents, Sectra reports to the relevant national authorities in accordance with the guidelines for such reporting.

Environment

Sectra primarily develops and sells software and services and, to a lesser extent, physical products. These are produced by European sub-contractors and destroyed after use in special facilities. The Group's activities are therefore largely comparable with working in a traditional office environment. Operations are conducted in 12 countries, and the European countries account for most sales. The company's operations are not subject to notification or permit requirements under the Swedish Environmental Code. The radiology IT solutions that Sectra develops are highly advantageous from an environmental perspective. The introduction of digital technology helps to reduce the use of film and chemicals with a high environmental impact, as well as travel and transportation.

Equality and diversity

Sectra works continuously to promote gender equality in order to achieve gender balance and diversity. The Group has employees from some 30 countries who contribute experience from different cultures and environments. Of these employees, 70% are men and 30% are women. The proportion of women in Group Management is 36%, which is significantly higher than the average of 19%⁵ for Swedish listed companies in 2015. For more information, refer to Note 2.

Work environment and absence due to illness

The Group works proactively with occupational safety and health issues by offering health screenings, wellness programs and training opportunities. This has resulted in very low absences due to illness, corresponding to 1.7% (1.6).

Business ethics

Sectra's Board has adopted a Code of Conduct that applies to employees, Board members, consultants and anyone else who represents the company. The Code describes Sectra's values and provides guidelines for how employees should behave in various business situations. Sectra considers the corporate culture (refer to page 6) the most vital factor in ensuring that the company's business is fair, honest and complies with applicable laws. In addition, there are various policies that clarify Sectra's values and expectations in relation to employees. The aim is that these policies will also encompass external representatives of the com-

pany, such as subcontractors and distributors. To ensure that this takes place, this is regulated, as far as possible, in the agreement terms with external representatives.

RISKS, RISK MANAGEMENT AND SENSITIVITY ANALYSIS

Through its operations, Sectra is exposed to such business risks as dependence on major customers and partners, the effect of currency fluctuations on pricing in the markets in which the Group is active, and property and liability risks. Sectra is also exposed to various types of financial risks such as currency, interest-rate, credit and liquidity risks. Refer to Note 30 for more information about how the company assesses risks for the coming year.

CORPORATE GOVERNANCE

The management and control of the Sectra Group is divided between the shareholders, the Board of Directors and the President. Sectra applies the Swedish Corporate Governance Code ("the Code"). Sectra has prepared a Corporate Governance Report in accordance with the rules and application instructions in Swedish legislation and in the Code. The Report has been prepared as a document separate from the Annual Report and the auditor's statement is enclosed therein. The Corporate Governance Report is available on the Group's website www.sectra.com together with other information about corporate governance at Sectra.

THE SECTRA SHARE

On the balance-sheet date, Sectra's share capital totaled SEK 37,271,017, distributed between 37,271,017 shares. Of these shares, 2,620,692 were Class A shares and 34,650,325 were Class B shares. All shares carry equal rights to the company's assets and profit. One Class A share confers ten votes, while one Class B share confers one vote. After the balance-sheet date, employees redeemed convertibles (2011/2015 program) totaling SEK 9.0 million, corresponding to 232,318 Class B shares. Accordingly, Sectra's share capital at the time the Annual Report was published amounted to 37,503,335, distributed among 37,503,335 shares.

The Articles of Association contain a right of first refusal clause for the transfer of Class A shares. No other agreements between shareholders entailing restrictions on the right to transfer shares are known to the company. Nor is the company party to any agreements that would take effect if the control of the company change through public purchase offers.

Dividend/share redemption program

The 2014 Annual General Meeting decided to distribute SEK 4.50 per share, totaling SEK 167.7 million, to its shareholders through a share redemption program. The redemption process was conducted during September-October 2014. No ordinary dividend was paid.

For 2014/2015, the Board and President propose that the Annual General Meeting resolves to transfer SEK 4.50 per share, a total of SEK 168.8 million, to shareholders through a share redemption program. No ordinary dividend is proposed.

Major shareholders

Sectra had 5,569 shareholders on the balance-sheet date. Of these, the following shareholders had direct and indirect holdings

comprising more than 10% of the number of votes for the total number of shares in the company on the balance-sheet date:

- Torbjörn Kronander, who directly and indirectly through companies represented 16.9% of the voting rights.
- Jan-Olof Brüer, who directly and indirectly through family members and companies represented 16.9% of the voting rights.

Share-based incentive programs

Since the share redemption program conducted during the fiscal year, outstanding convertibles and employee stock options were recalculated following a decision by the Board. Since this recalculation, Sectra has redeemed 95,000 employee stock options (2011/2014), totaling SEK 5.1 million, issued to employees in North America through a cash settlement. Sectra issued two new convertible programs during the fiscal year; refer to Note 2 for additional information. As stated above, Sectra employees have converted convertibles into shares since the balance-sheet date through the 2011/2015 convertible program.

Full conversion and exercise of the issued incentive programs would increase the number of shares by 931,921, corresponding to 2.5% of the share capital and 1.5% of the votes.

Authorization

The 2014 Annual General Meeting authorized the Board of Directors, during the period until the next Annual General Meeting, to decide on a new share issue of not more than 3,700,000 shares. The purpose of the authorization was to facilitate the use of new share issues for financing market investments and acquisitions of companies or operations, to cover the costs arising as a result of the company's incentive programs and to constantly adapt the company's capital structure. The Annual General Meeting also resolved to authorize the company to repurchase not more than 10% of the company's own shares up until the next Annual General Meeting. On the balance-sheet date, the Board had not utilized either of these authorizations.

GUIDELINES FOR REMUNERATION TO SENIOR EXECUTIVES

In accordance with the guidelines prepared by the Board, the 2014 Annual General Meeting adopted the following policies for remuneration and other terms of employment for company management (the President and other members of Group Management). All current agreements follow these principles. The Board proposes to the 2015 Annual General Meeting that the guidelines remain unchanged. The guidelines state that:

Remuneration to company management is based on normal market terms, while also ensuring the shareholders' best interests. Remuneration primarily comprises fixed salary, variable salary, pension benefits and other benefits, such as a company car. Pension benefits are defined-contribution.

Fixed salary is established by accounting for the executive's experience, responsibilities and performance and is based on normal market conditions. Variable remuneration is proportionate to the executive's responsibilities and authority. It has a maximum limit and is based on the fulfillment of targets that promote the company's long-term creation of value. Where applicable, variable salary is based on predetermined quantitative criteria.

The company's costs for the variable salary portion for the President and other members of company management amount to not more than 50% of the fixed salary costs.

The notice period for terminating employment by an employee is a maximum of 12 months. If employment is terminated by the company, the total notice period and the time during which severance pay is received is a maximum of 24 months. Ordinary retirement age is 65. Pension terms and conditions are market-based and based on defined-contribution pension solutions. The pension premium is not more than 30% of the fixed and variable salary.

Board members with special expertise that perform services for the company beyond the scope of the Board assignment may receive a fee for such services payable at market rates. Decisions on such fees are taken by the Board of Directors, without the participation of the Board member in question.

Issues concerning remuneration to company management are handled by the President. Remuneration to the President is resolved by the Board of Directors.

BOARD'S STATEMENT CONCERNING THE PROPOSED REPURCHASE AND TRANSFER OF THE COMPANY'S OWN SHARES

The Board of Directors' statement is reported under Note 32.

SIGNIFICANT EVENTS AFTER THE BALANCE-SHEET DATE

- Sectra renewed its agreement with the Norwegian healthcare provider Curato Røntgen AS, one of the largest private healthcare providers in the Nordic region. The order is valued at approximately NOK 80 million (corresponding to about SEK 88 million).
- The EU approved Sectra Tiger/S 7401 for use at the SECRET security level.

For more information, refer to www.sectra.com/news

OUTLOOK

The world needs more efficient healthcare and more secure communications. Both of these areas offer major scope for expansion. Sectra plays a key role in meeting these needs by offering products and services in medical IT and secure communications.

Due to the demographic trend of a population that is living longer while birth rates are declining, there is a growing need for greater healthcare efficiency in order to provide care for more patients. Sectra develops and sells systems and services for medical diagnostic imaging, which helps to develop the healthcare sector while making it more efficient. Society also needs to improve its treatment of age-related diseases. Sectra has several products and services that can contribute to more efficient healthcare and treatment of some of the most costly age-related diseases.

In terms of security, government agencies, defense organizations and the private sector are increasingly exposed to security risks and eavesdropping attempts. Heightened awareness of eavesdropping may contribute to greater interest in the type of security products offered by Sectra. Sectra is trusted to deliver products that protect classified information at the very highest levels and its crypto products are approved by the EU, NATO and several national security authorities.

APPROVAL OF REPORTS

Pursuant to the Board decision on June 25, 2015, the consolidated financial statements have been approved for publication and will be presented to the Annual General Meeting for adoption on September 7, 2015.

PROPOSED APPROPRIATION OF PROFITS

The following is at the disposal of the Annual General Meeting (SEK):	
Fund for fair value	11 501 640
Share premium reserve	24 158 718
Retained earnings	3 714 606
Net profit for the year	184 240 996
	223 615 960

The Board and President propose that the profits be appropriated so that SEK 223,615,960 is carried forward. The Board and President also propose that the Annual General Meeting resolves that

SEK 4.50 per share is transferred to shareholders through a 2:1 share split combined with a mandatory redemption process and a stock dividend to restore the share capital. This entails a transfer of SEK 168,765,008 to the company's shareholders. No ordinary dividend is proposed.

BOARD OF DIRECTORS' AFFIRMATION

We believe that the consolidated financial statements and Annual Report were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and generally accepted accounting principles and present a true and fair view of the Group's and the Parent Company's financial position and earnings.

The Administration Report for the Group and the Parent Company presents a fair review of the Group's and the Parent Company's operations, financial position and earnings and describes the material risks and uncertainties facing the Parent Company and the companies included in the Group.

Linköping, June 25, 2015

Torbjörn Kronander
President and CEO
Board member

Carl-Erik Ridderstråle
Chairman of the Board

Anders Persson
Board member

Christer Nilsson
Board member

Erika Söderberg Johnson
Board member

Jakob Svärström
Board member

Jan-Olof Brüer
Board member

Fredrik Häll
Board member
Employee representative

Per Elmhester
Board member
Employee representative

Our auditor's report was submitted on
June 25, 2015
Grant Thornton Sweden AB

Peter Bodin
Authorized Public Accountant

» Consolidated income statements

SEK thousand	Note	2014/2015	2013/2014
Operating income			
Net sales	1	961 392	853 796
Capitalized work for own use		32 180	16 310
Reversal of contingent consideration	21	0	16 180
Total income		993 572	886 286
Operating expenses			
Goods for resale		-152 457	-119 452
Personnel costs	2	-475 781	-419 989
Other external costs	3, 4	-172 716	-154 211
Impairment of intangible assets	10	0	-18 972
Depreciation of tangible assets	11	-25 162	-24 188
Depreciation of intangible assets	10	-17 162	-21 402
Total operating expenses		-843 278	-758 214
Operating profit		150 294	128 072
Financial items			
Interest income and similar profit/loss items	6	15 508	14 778
Interest expenses and similar expense items	7	-1 386	-1 386
Total financial items		14 122	13 392
Profit after financial items		164 416	141 464
Taxes	9	-38 339	-37 606
Net profit for the year		126 077	103 858
Attributable to:			
Parent Company owners		126 077	103 858
Non-controlling interest		0	0
Earnings per share, SEK			
Before dilution		3.38	2.80
After dilution		3.31	2.73
No. of shares on balance-sheet date			
Before dilution		37 271 017	37 094 978
After dilution	2	38 202 938	38 124 018
Average number of shares, before dilution		37 256 347	37 094 978
Average number of shares, after dilution	2	38 125 317	38 057 033

» Consolidated statement of comprehensive income

SEK thousand	Note	2014/2015	2013/2014
Net profit for the year		126 077	103 858
Items that may be reclassified to profit and loss			
Change in translation differences from translating foreign subsidiaries		40 368	9 869
Other comprehensive income for the year		40 368	9 869
Total comprehensive income for the year		166 445	113 727
Attributable to:			
Parent Company owners		166 445	113 727
Non-controlling interest		0	0

» Consolidated balance sheets

SEK thousand	Note	April 30, 2015	April 30, 2014
ASSETS			
Fixed assets			
Intangible assets	10	149 703	104 859
Tangible assets	11	75 945	68 494
Financial assets	15, 29	1 766	1 766
Deferred tax assets	9	26 635	19 920
Total fixed assets		254 049	195 039
Current assets			
Inventories	16	14 610	11 683
Accounts receivable	17, 30	197 769	187 819
Current tax assets		15 342	6 702
Other receivables		14 059	6 724
Prepaid expenses and accrued income	18	286 902	158 129
Cash and cash equivalents	19	307 076	441 945
Total current assets		835 758	813 002
Total assets		1 089 807	1 008 041
EQUITY AND LIABILITIES			
Equity			
Share capital		37 271	37 095
Other contributed capital		250 776	244 861
Reserves		149 387	109 975
Retained earnings, including net profit for the year		174 341	219 771
Total equity		611 775	611 702
Long-term liabilities			
Provisions	21	8 595	6 000
Deferred tax liabilities	9, 21	40 120	37 639
Other long-term liabilities	22	46 941	37 397
Total long-term liabilities		95 656	81 036
Current liabilities			
Accounts payable		42 606	24 014
Current tax liabilities		28 630	17 446
Other current liabilities	23	39 581	28 641
Accrued expenses and deferred income	24	271 560	245 202
Total current liabilities		382 376	315 303
Total equity and liabilities		1 089 807	1 008 041

Pledged assets and contingent liabilities, see Note 25.

» Consolidated cash-flow statements

SEK thousand	Note	2014/2015	2013/2014
CURRENT OPERATIONS			
Operating profit		150 294	128 072
Adjustment for non-cash items	26	56 155	64 200
Interest and dividend received		3 431	8 246
Interest paid		-1 386	-1 386
Income tax paid		-42 855	-39 057
Cash flow from operations before changes in working capital		165 639	160 075
Changes in working capital			
Change in inventories		-1 872	-360
Change in receivables		-93 008	293
Change in current liabilities		14 280	-36 137
Cash flow from current operations		85 039	123 871
INVESTING ACTIVITIES			
Acquisitions of intangible assets	10	-32 322	-16 839
Acquisitions of tangible assets	11	-22 956	-40 623
Sale of financial assets		0	2 829
Acquisition of subsidiaries	13	-8 653	0
Cash flow from investing activities		-63 931	-54 633
FINANCING ACTIVITIES			
Raising of convertibles	22	18 512	16 985
Payment of options		-5 080	-2 217
Payment of contingent consideration		0	-6 139
Redemption of shares		-167 720	-166 927
Cash flow from financing activities		-154 288	-158 298
Cash flow for the year		-133 180	-89 060
Cash and cash equivalents, opening balance		441 945	536 291
Exchange-rate difference in cash and cash equivalents		-1 689	-5 286
Cash and cash equivalents, closing balance	19	307 076	441 945
Unutilized credit facilities	19	15 000	15 000

» Consolidated statement of changes in equity

SEK thousand	Reserves				Retained earnings, including net profit for the year	Total equity
	Share capital	Other contributed capital	Translation reserve	Other reserves		
Equity as of May 1, 2013	37 095	307 122	-22 334	2 441	340 976	665 300
Correction of classification		-62 261	-3 284	117 663	-52 118	0
Adjusted equity as of May 1, 2013	37 095	244 861	-25 618	120 104	288 858	665 300
Net profit for the year					103 858	103 858
Other comprehensive income			14 366		-4 497	9 869
Share-related payments				1 819		1 819
Overdue incentive programs				-696	696	0
Payment of options					-2 217	-2 217
Redemption of shares					-166 927	-166 927
Equity as of April 30, 2014	37 095	244 861	-11 252	121 227	219 771	611 702
Net profit for the year					126 077	126 077
Other comprehensive income			42 403		-2 035	40 368
Share-related payments				335		335
Overdue incentive programs				-3 327	3 327	0
Payment of options					-5 080	-5 080
Conversion of shares	176	5 915				6 091
Redemption of shares					-167 720	-167 720
Equity as of April 30, 2015	37 271	250 776	31 152	118 235	174 341	611 775

Other contributed capital comprises premiums paid in conjunction with share issues. The translation reserve includes exchange-rate differences arising in the translation of foreign subsidiaries' financial statements. Other reserves include the statutory reserve, the equity portion of untaxed reserves and the reserve for the stock options program.

Payments of stock options and other comprehensive income were adjusted for the preceding year so that these amounts are recognized in the correct item in equity.

There are no non-controlling interests in the Sectra Group.

» Parent Company income statements

SEK thousand	Note	2014/2015	2013/2014
Operating income			
Net sales	1	99 916	65 170
Capitalized work for own use		3 577	1 208
Total income		103 493	66 378
Operating expenses			
Personnel costs	2	-45 313	-41 696
Other external costs	3, 4	-61 886	-42 908
Depreciation of tangible assets	11	-426	-392
Total operating expenses		-107 625	-84 996
Operating profit		-4 132	-18 618
Profit from financial items			
Income from participations in Group companies	5	80 000	3 981
Interest income and similar profit/loss items	6	8 747	13 119
Interest expenses and similar expense items	7	-1 554	-1 508
Profit after financial items		83 061	-3 026
Appropriations	8	130 107	129 854
Profit before tax		213 168	126 828
Tax on net profit for the year	9	-28 927	-28 944
Net profit for the year		184 241	97 884

» Parent Company statement of comprehensive income

SEK thousand	Note	2014/2015	2013/2014
Net profit for the year		184 241	97 884
Other comprehensive income			
Fund for fair value		19 519	1 727
Other comprehensive income for the year		19 519	1 727
Total comprehensive income for the year		203 760	99 611

» Parent Company balance sheets

SEK thousand	Note	April 30, 2015	April 30, 2014
ASSETS			
Fixed assets			
Intangible assets	10	4 785	1 208
Tangible assets	11	6 662	925
Participations in Group companies	12	35 531	5 978
Receivables from Group companies	14	144 016	145 985
Deferred tax assets	9	237	0
Total fixed assets		191 232	154 096
Current assets			
Receivables from Group companies		539 889	179 067
Other receivables		12 101	1 092
Prepaid expenses and accrued income	18	4 987	7 368
Cash and bank balances	19	267 016	336 016
Total current assets		823 993	523 543
Total assets		1 015 225	677 639
EQUITY AND LIABILITIES			
Equity			
<i>Restricted equity</i>			
Share capital		37 271	37 095
Statutory reserve		226 456	226 456
Total restricted equity		263 727	263 551
<i>Unrestricted equity</i>			
Fund for fair value		11 502	-10 052
Share premium reserve		24 159	18 243
Retained earnings		3 714	80 665
Net profit for the year		184 241	97 884
Total unrestricted equity		223 616	186 740
Total equity		487 343	450 290
Untaxed reserves	20	149 505	131 112
Long-term liabilities			
Other long-term liabilities	22	46 941	37 397
Total long-term liabilities		46 941	37 397
Current liabilities			
Accounts payable		9 721	1 958
Liabilities to Group companies		276 049	29 558
Current tax liabilities		10 885	6 069
Other current liabilities	23	10 988	7 160
Accrued expenses and deferred income	24	23 793	14 094
Total current liabilities		331 436	58 839
Total equity and liabilities		1 015 225	677 639
Pledged assets and contingent liabilities			
		April 30, 2015	April 30, 2014
Chattel mortgages		11 000	11 000
Total pledged assets		11 000	11 000
Guarantees on behalf of subsidiaries		357 729	248 525
Total contingent liabilities		357 729	248 525

» Parent Company cash-flow statements

SEK thousand	Note	2014/2015	2013/2014
CURRENT OPERATIONS			
Operating profit		-4 132	-18 618
Adjustment for non-cash items	26	917	3 016
Interest received	6	8 582	11 112
Interest paid	6	-1 554	-1 508
Income tax paid		-24 349	-32 204
Cash flow from operations before changes in working capital		-20 536	-38 202
Changes in working capital			
Change in receivables		-289 549	-20 587
Change in current liabilities		235 452	21 883
Cash flow from current operations		-74 633	-36 906
INVESTING ACTIVITIES			
Acquisitions of intangible assets	10	-3 577	-1 208
Acquisitions of tangible assets	11	-6 163	-1 079
Sale of financial assets		0	9 810
Acquisition of subsidiaries	12	-57	0
Payment of loans to subsidiaries	14	-12 946	-81 662
Repayment of loans from subsidiaries	14	34 434	25 741
Cash flow from investing activities		11 691	-48 398
FINANCING ACTIVITIES			
Payment of options		-5 080	-2 217
Dividends received		0	37
Raising of convertibles	22	18 512	16 985
Group contributions received/paid	8	148 500	148 800
Redemption of shares		-167 720	-166 927
Cash flow from financing activities		-5 788	-3 322
Cash flow for the year		-68 730	-88 626
Cash and cash equivalents, opening balance		336 016	424 712
Exchange-rate difference in cash and cash equivalents		-270	-70
Cash and cash equivalents, closing balance	19	267 016	336 016
Unutilized credit facilities	19	15 000	15 000

» Statement of changes in Parent Company's equity

SEK thousand	Share capital ¹	Statutory reserve	Fund for fair value	Share premium reserve	Retained earnings, including net profit for the year	Total equity
Equity as of May 1, 2013	37 095	226 456	-16 275	18 243	254 306	519 825
Net profit for the year					97 884	97 884
Other comprehensive income			6 223		-4 496	1 727
Total change in capital excluding transactions with the company's owners	0	0	6 223	0	93 388	99 611
Payment of options					-2 217	-2 217
Redemption of shares			0		-166 927	-166 927
Equity as of April 30, 2014	37 095	226 456	-10 052	18 243	178 550	450 290
Net profit for the year					184 241	184 241
Other comprehensive income			21 554		-2 035	19 519
Total change in capital excluding transactions with the company's owners	0	0	21 554	0	182 206	203 760
Payment of options					-5 080	-5 080
Conversion of shares	176			5 915		6 091
Redemption of shares					-167 720	-167 720
Equity as of April 30, 2015	37 271	226 456	11 502	24 159	187 956	487 343

¹ On the balance-sheet date, Sectra's share capital totaled SEK 37,271,017 distributed among 37,271,017 shares. Of these shares, 2,620,692 are Class A shares and 34,650,325 are Class B shares.

Accounting policies

GENERAL ACCOUNTING POLICIES

The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB), as adopted by the EU. Changes made to existing and new standards during the year have not been applied retrospectively within the Group. In addition, the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 1 Supplemental Accounting Rules for Groups were applied. All amounts in the text and tables in the Notes are in SEK thousands, unless otherwise stated.

AMENDED ACCOUNTING POLICIES

The accounting policies and calculation methods remain unchanged compared with those applied in the 2013/2014 Annual Report, except that the amendments in IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities and IAS 36 Impairment of Assets are now applied. The amendments had no significant effect on Sectra's financial statements.

NEW AND AMENDED ACCOUNTING POLICIES THAT BECOME APPLICABLE FROM MAY 1, 2015

No new or amended standard or interpretations will become applicable from May 1, 2015 that will have a significant impact on the consolidated financial statements.

PARENT COMPANY

The Parent Company applies the Swedish Annual Accounts Act and RFR 2 Accounting for Legal Entities. This means that the EU-approved IFRS rules and statements are applied as far as possible within the framework of the Annual Accounts Act and Swedish taxation practices. The rules for measurement and clarification follow IFRS and are the same as those applied within the Group, except that the arrangement follows the Annual Accounts Act and may thus deviate from IFRS in certain cases. Untaxed reserves and appropriations are also recognized in the Parent Company in accordance with Swedish law. The principle for Group contributions was changed from the 2014/2015 fiscal year to both Group contributions paid and received being recognized as an appropriation in profit and loss. Figures for the preceding year have been restated.

BASIS FOR PREPARATION OF THE REPORTS

Assets, provisions and liabilities are measured at cost or nominal value unless otherwise stated in the notes that follow. The preparation of financial statements in accordance with IFRS requires that the Group uses accounting assumptions and estimates for the future. The most important estimates and judgments are presented in Note 30.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared using the acquisition method, and cover those companies in which the Parent Company, directly or through subsidiaries, exerts a controlling influence. A controlling influence means that the Parent Company directly or through subsidiaries has influence over the company, right to variable returns and is also able to exercise its influence over the company to affect returns.

The Group's internal receivables and liabilities, revenues and expenses, and unrealized gains or losses arising from transactions between Group companies have been eliminated in their entirety during preparation of the consolidated financial statements.

Non-controlling interests are the portion of net assets and earnings that belong to other joint shareholders in a subsidiary. Non-controlling interests are recognized in Group earnings after tax and the share of net assets is recognized in consolidated shareholders' equity.

Shareholdings in associated companies, in which the Group holds a significant but non-controlling influence, are recognized according to the equity method.

The value of the associated company's shares is adjusted based on Sectra's share of net earnings after tax. In the consolidated income statement, the change in value is recognized as "participations in the earnings of associated companies." As of the balance-sheet date, Sectra had no non-controlling interests or participations in associated companies.

ACQUISITIONS

When acquisitions are made, the acquired companies are absorbed into the Group as of their acquisition date. The cost of the subsidiary's shares is determined by means of an acquisition analysis conducted at the time of the acquisition.

The compensation transferred by the Group to obtain controlling influence over subsidiaries is calculated as the total fair value of the net assets on the date of acquisition, which comprises the fair value of an asset or liability that has arisen from an agreement on contingent consideration. The acquired net assets also comprise intangible assets in the acquired company that have not previously been recognized.

The difference between the acquisition cost for the subsidiary's shares and the estimated fair value of the acquired net assets at the time of the acquisition is recognized as Group goodwill. Acquisition costs are recognized as they arise.

TRANSLATION OF FOREIGN SUBSIDIARIES

Functional currency

The consolidated financial statements are presented in SEK, which is the Parent Company's functional and reporting currency. Items in the financial statements for companies in the Group are valued in the currency that is used where the company has its main operations, that is, in its functional currency.

Transactions and balance-sheet items

Transactions in functional currencies are recognized initially in the functional currency at the currency rate on the transaction date. Monetary assets and liabilities in foreign currencies are translated to the functional currency at the exchange rate prevailing on the balance-sheet date (year-end rate). Exchange-rate differences arising in payment of transactions in foreign currencies and in translation of monetary assets and liabilities at the year-end rate are recognized in profit and loss.

Financial statements of foreign operations

The assets and liabilities of foreign Group companies are translated at the year-end rate. The income statements are translated at the average rate during the reporting period. Any exchange-rate differences that arise are applied directly to Group equity.

Translation differences that arise in the translation of current receivables and liabilities in foreign currency for which payment is planned within the foreseeable future are recognized in profit and loss. Translation differences that arise in the translation of long-term receivables in foreign currency and that constitute net investments in subsidiaries are recognized against equity.

DISCONTINUED OPERATIONS

Profit/loss after tax for discontinued operations is recognized as a single amount in profit and loss for 2011/2012. Net cash flow pertaining to discontinued operations is recognized as a single amount in the Group's cash-flow statements.

In Note 13 on discontinued operations, net cash flow is specified for operating activities, investment activities and financing activities, respectively.

SEGMENT REPORTING

The division by operating segment is based on the areas of operation monitored by the Board of Directors and Executive Management in the internal reporting. The Group introduced a new organizational structure on May 1, 2013, in which the operations are divided into the following segments: Imaging IT Solutions, Secure Communications, Business Innovation and Other Operations. The division of operating segment is consistent with the operational structure of the Group. Other Operations mainly pertains to activities for financing customer projects and the Parent Company's invoicing for Group-wide services and asset management.

REVENUE RECOGNITION

The Group's revenues mainly derive from fixed-price projects, sales of products and licenses, and consulting work. Project-based income is recognized based on the project's degree of completion at the balance-sheet date. The degree of completion is calculated as the ratio between the expenses paid at the balance-sheet date and the estimated total expenses. In cases where a loss is expected to occur on an uncompleted project, the entire anticipated loss is applied against net profit for the year. Revenues from sales of products and licenses are recognized as income at the time of delivery unless significant risks or obligations remain after delivery. Product sales that are delivered in project form are recognized as income in accordance with the degree of completion based on the accrued hours. Ongoing consulting services are recognized as income as the work is executed.

PENSIONS AND POST-RETIREMENT BENEFITS TO EMPLOYEES

The Sectra Group has defined-contribution pensions only, which means that the Group makes payments to various pension institutions on an ongoing basis.

These payments are expensed continuously and constitute the Group's pension costs for the year, which are recognized under "personnel costs." Sectra has no other pension obligations and is not responsible for any value changes in the paid-in premiums. This means that Sectra does not bear the risk when pensions are paid, and no pension obligations are recognized as liabilities in the balance sheet.

INTANGIBLE ASSETS

Intangible assets are recognized at cost less amortization and impairment losses for all intangible assets excluding goodwill. Goodwill is recognized at cost less impairment losses. Individual assets are measured regularly to identify potential impairment loss. If the carrying amount exceeds the recoverable amount, the differences are charged against profit for the period on an ongoing basis as they arise. For an asset that does not generate cash flows, the recoverable amount is calculated for the cash-generating unit to which the asset belongs. The recoverable amount is the higher of the asset's net selling price and value in use. Value in use is calculated as the present value of future cash flows for specific assets. The amortization period for intangible assets exceed five years if the asset is expected to generate financial benefits, based on individual assessment, over a period exceeding five years. Impairment is reversed if the asset's recoverable amount exceeds its carrying amount. Impairment losses on goodwill are never reversed.

Capitalized development costs

Sectra develops proprietary software and equipment in the fields of medical imaging and secure communications. All research costs are expensed directly, and customer-related development costs are included in project costs, which are expensed at the time of revenue recognition. Internal development costs for standard products are capitalized and recognized as intangible assets to the extent that they are expected to generate financial benefits in the future. Additional requirements for capitalization are that project costs can be reliably estimated, that it is technically possible to complete the project, and that the Group has the necessary resources to complete development. Capitalized project costs include all expenses directly attributable to materials, services and remuneration of employees. Capitalized development costs are subject to straight-line amortization over the period of use per individual asset, although the maximum amortization period is five years. Amortization of capitalized development costs starts when the asset is completed and sold to customer.

Goodwill

Goodwill represents future economic benefits arising from a business acquisition that are not specifically identified and recognized separately. Refer to "Acquisitions" for information about how goodwill is determined the first time it is recognized. Goodwill is recognized at cost less accumulated impairment losses. Refer to Note 10 for a description of impairment testing.

Other intangible assets

Patents and licenses

Acquired patent - and license rights are recognized at cost and subject to straight-line amortization over the assets' ten-year estimated period of use.

Trademarks and customer relationships

Trademarks and customer relationships pertain to acquisition-related assets. These rights are recognized at cost and subject to straight-line amortization over the assets' ten-year estimated period of use.

TANGIBLE ASSETS

Depreciation according to plan is based on the original cost and estimated financial lifetime. The following depreciation periods are applied:

Buildings	40 years
Office furniture	10 years
Equipment and office machines	5 years
Equipment at customer premises	3-10 years

LEASING

Through operational and financial leasing agreements, the company utilizes equipment, premises, computers, cars and items for onward leasing. Since the company only has leasing agreements comprising insignificant amounts, all leasing agreements are classified as operational leasing agreements.

Costs of operational leases are charged against net profit for the year. These costs are recognized as ongoing operating expenses in profit and loss, and are spread over the entire term of the lease.

BORROWING COSTS

Borrowing costs are expensed when they are not directly attributable to the acquisition, construction or production of a qualifying asset and are part of the cost of that asset. A qualifying asset is an asset that takes a substantial period of time to get ready for its intended use or sale. The Sectra Group had no qualifying assets on the balance-sheet date.

INVENTORIES

Inventories are recognized at the lower of cost according to the first-in, first-out (FIFO) method or net selling price. Estimated obsolescence has thus been taken into account. Costs for internally manufactured semi-finished and finished goods consist of direct production costs plus a reasonable surcharge for indirect production costs.

RECEIVABLES

Receivables are recognized at the amount expected to be collected, based upon individual assessment.

TAXES

The Group's total tax comprises current tax and deferred tax. Deferred tax pertains to tax on temporary differences and loss carryforwards. Within the Group, deferred tax is calculated on untaxed reserves, loss carryforwards and internal profits. Current tax is calculated as the taxable surplus, including any adjustments for tax paid in previous years. Deferred tax assets pertaining to loss carryforwards are recognized only if it is likely that future profits will arise that will entail lower tax in the future.

FINANCIAL INSTRUMENTS

Financial instruments include both assets and liabilities. Securities holdings and other receivables, accounts receivable and cash and cash equivalents are recognized as assets. Financial liabilities include convertibles, accounts payable and other financial liabilities.

FINANCIAL ASSETS

Financial assets are recognized in the balance sheet when the company becomes party to the agreement, and are derecognized when the agreement expires or the company loses control over the assets. Market-listed shares are measured at market value, and value changes are recognized in profit and loss. Cash and cash equivalents and short-term investments of surplus liquidity are measured on a continuous basis at amortized cost and value changes are recognized in profit and loss. Loan receivables and accounts receivable are recognized at amortized cost. A provision for doubtful receivables is posted when there is proof that the Group will not receive payment in accordance with the original terms of the receivable.

FINANCIAL LIABILITIES

Financial liabilities are recognized in the balance sheet when the invoice is received or when the company in another manner becomes party to the contractual obligations. A financial liability is derecognized from the balance sheet when the obligation specified is discharged and all liability expires. Financial liabilities are initially recognized at nominal value after deducting transaction costs. Liabilities are continuously measured at amortized cost after adjustments for any surplus/deficit, with interest accrued over the term of the loan. Interest expenses are recognized directly in profit and loss. Convertible loans are recognized as combined financial instruments divided into a liability and an equity portion in so far as the interest paid on the convertible is not adjusted to market terms. If so, the liability portion is recognized at fair value, discounting future cash flows at the market interest rate. The equity portion is calculated as the difference between the nominal value and the fair value of the loan. The interest paid on convertible loans on the balance-sheet date is considered market-based, which is why the convertible loan is recognized in its entirety as a liability.

PROVISIONS

A provision is recognized on the balance sheet when the Group has an existing legal or informal obligation due to a past event and an outflow of economic resources may be required to regulate the obligation and a reliable estimation of the amount can be made.

DERIVATIVE INSTRUMENTS

Derivative instruments in the form of futures contracts are used within the Group to reduce risks associated with currency fluctuations. There were no currency forwards or derivative instruments within the Sectra Group on the balance-sheet date.

FAIR VALUE

The method for calculating the fair value of financial assets and liabilities is based on three measurement levels.

At measurement level one, fair value is calculated based on quoted market prices and instruments traded in an active market. At measurement level two, quoted market prices are not available, but variables for the calculation of fair value are obtained from market quotations. At measurement level three, fair value is calculated based on data that is not available in the market. The Group's financial assets and liabilities mainly belong to measurement levels two and three.

Content Notes

Note 1 Operating segments and function classification	53
Note 2 Employees and personnel costs	54
Note 3 Fees to auditors	56
Note 4 Cost for operational leases	56
Note 5 Income from participations in Group companies	56
Note 6 Interest income and similar profit items	56
Note 7 Interest expenses and similar expense items	56
Note 8 Appropriations	56
Note 9 Tax on net profit for the year	56
Note 10 Intangible assets	57
Note 11 Tangible assets	58
Note 12 Participations in Group companies	58
Note 13 Acquisitions and discontinued operations	59
Note 14 Long-term receivables in Group Companies	59
Note 15 Long-term investments	59
Note 16 Inventories	59
Note 17 Accounts receivable	59
Note 18 Prepaid expenses and accrued income	59
Note 19 Cash and cash equivalents	59
Note 20 Untaxed reserves	60
Note 21 Provisions	60
Note 22 Other long-term liabilities	60
Note 23 Other current liabilities	60
Note 24 Accrued expenses and deferred income	60
Note 25 Pledged assets and contingent liabilities	60
Note 26 Cash flow	60
Note 27 Related parties	61
Note 28 Important estimates and judgments	61
Note 29 Financial assets and liabilities	61
Note 30 Risk, risk management and sensitivity analysis	62
Note 31 Asset management	63
Note 32 Board's statement concerning repurchase and transfer the company's own share	63
Note 33 Definitions of key ratios	63

Notes

» Note 1 Operating segments and function classification

The division by operating segment is based on the areas of operation monitored by the Board of Directors and Executive Management in the internal reporting. Information regarding the company's operational segments and geographic areas was used to evaluate sales and earnings in the Group and to allocate the Group's resources among various segments. The identified operational divisions are Imaging IT Solutions, Secure Communications, Business Innovation and Other Operations. Regarding the geographic distribution, the basis for distribution is the customer's billing address.

Imaging IT Solutions develops and sells IT systems, services and medical equipment. The largest product area in the segment is IT solutions for processing and archiving radiology images and patient information. Development is primarily carried out in Sweden, and sales are conducted through Sectra's own sales companies and through external distributors.

Secure Communications develops and sells products for secure commu-

nications. The segment is divided into two product divisions: Tiger, which offers products for secure voice and data communications, and Crypto, which develops customized systems and products. Development and production take place in Sweden, and sales are conducted through Sectra's sales organization in Sweden and the Netherlands.

Sectra's business lines in Business Innovation develop and sell products and services that contribute to more efficient and better osteoporosis care, IT systems for planning and monitoring orthopaedic surgery, products for medical education and research projects. Sectra's patent portfolio is also managed and developed in this segment.

Other Operations pertain to Sectra's operations for the financing of customer projects and asset management, and shared functions for administration, Group finances, marketing communication, IT, regulatory affairs and investor relations activities.

Operating segments

	Imaging IT Solutions ⁴		Secure Communications		Business Innovation ⁴		Other operations ¹		Eliminations ²		Total Group ³	
	14/15	13/14	14/15	13/14	14/15	13/14	14/15	13/14	14/15	13/14	14/15	13/14
Net sales	970 622	802 815	76 673	82 842	57 755	20 807	114 147	93 256	-257 805	-145 924	961 392	853 796
Depreciation/ amortization	22 407	28 401	1 938	1 634	0	0	17 979	15 555	0	0	42 324	45 590
Impairment losses	0	3 824	0	0	0	0	0	0	0	15 148	0	18 972
Operating profit	191 969	178 580	3 834	940	14 061	-2 575	-16 249	-10 869	-43 321	-38 004	150 294	128 072
Assets	1 122 763	581 322	100 022	68 714	20 398	2 712	1 096 289	797 243	-1 249 666	-441 950	1 089 807	1 008 041
Liabilities	934 510	487 685	90 252	60 824	13 643	4 794	572 935	237 146	-1 133 308	-394 110	478 032	396 339
Investments	36 011	19 955	10 657	1 403	3 577	1 208	13 686	34 896	0	0	63 931	57 462

Geographic areas

	Sweden		UK		Rest of Europe		Netherlands	
	14/15	13/14	14/15	13/14	14/15	13/14	14/15	13/14
Net sales	226 510	261 217	173 087	139 800	198 975	153 166	86 046	87 159
Assets	506 961	652 801	270 559	164 092	101 072	55 845	71 730	43 089
Investments	40 549	17 490	9 877	38 280	9 215	1 025	644	499

	US		Rest of world		Total Group ³	
	14/15	13/14	14/15	13/14	14/15	13/14
Net sales	209 870	156 851	66 904	55 603	961 392	853 796
Assets	128 716	76 995	10 768	15 219	1 089 807	1 008 041
Investments	3 554	144	92	24	63 931	57 462

Income statement classified by function⁵

SEK thousand	2014/2015	2013/2014
Net sales	961 392	853 796
Cost of goods sold	-362 824	-313 338
Gross profit	598 568	540 458
Selling expenses	-209 281	-187 162
Administration expenses	-108 618	-103 389
Research and development expenses	-119 856	-119 118
Other operating income	0	16 180
Other operating expenses	-10 519	-18 897
Operating profit	150 294	128 072
Financial items	14 122	13 392
Profit after financial items	164 416	141 464
Taxes	-38 339	-37 606
Net profit for the year	126 077	103 858

¹ For Other Operations, 62.4% (42.8) of sales pertain to operations for financing customer projects and 37.6% (57.2) to the Parent Company's billing of Group-wide services and asset management.

² 59.7% (89.0) of the Parent Company's total sales are attributable to other companies within the Group to which the company belongs. Purchases from Group companies amounted to 27.7% (24.6).

³ Sectra has no customers that individually contribute more than 10% of total net sales. Most of the Group's fixed assets are in Sweden.

⁴ The medical education operations previously conducted by Imaging IT Solutions were transferred to Business Innovation as of May 1, 2014. Business Innovation's digital pathology project was transferred to Imaging IT Solutions as of the same date. The comparative figures for the year-earlier period resulting from these changes have not been restated, since the impact on profit was marginal.

⁵ Classification by function entails that the Group's departments have been categorized into groups based on their purpose and no types of costs are recognized separately. "Cost of goods sold" includes externally purchased products and costs for support and maintenance that are directly attributable to net sales for the period. The "Research and development costs" functions includes direct cost for new development, capitalized work for own use and amortization of capitalized development projects. Net sales for the year includes sales/licensing of patents as a nonrecurring item. Reversal of purchase consideration in the preceding year is included in "Other operating income." "Other operating expenses" includes other nonrecurring items and items that cannot be classified in any other function.

» Note 2 Employees and personnel costs

Average number of employees and percentage of women

	14/15		13/14	
	Total	of whom, women	Total	of whom, women
Parent Company				
Sweden	52	26	47	25
Group				
Australia	7	1	10	2
Denmark	3	1	4	1
Canada	4	0	3	0
Netherlands	33	9	29	8
Norway	16	8	15	7
New Zealand	2	0	2	0
Portugal	8	2	9	3
Spain	2	0	2	0
UK	78	24	75	23
Sweden	298	85	278	78
Germany	15	4	15	4
US	80	26	81	26
Group total	546	160	523	152

The proportion of female Board members, including employee representatives on the Boards of Directors of all Group companies, amounted to 14% (14), and on the Parent Company's Board of Directors to 11% (11). The proportion of women in the Group's management groups, including company presidents, amounted to 28% (26), and in Group management to 36% (40).

Remuneration of the Board, President and other senior executives 2014/2015

	Board fee	Basic salary	Variable remuneration	Other remuneration	Pension premiums	Total
Carl-Erik Ridderstråle, Chairman of the Board	370	0	0	0	0	370
Erika Söderberg Johnson	225	0	0	0	0	225
Jan-Olof Brüer	185	0	0	0	0	185
Anders Persson	205	0	0	0	0	205
Christer Nilsson	205	0	0	0	0	205
Jakob Svändström	185	0	0	36	0	221
Total remuneration of the Board	1 375	0	0	36	0	1 411
President/CEO Torbjörn Kronander	0	1 835	384	0	463	2 682
Other senior executives (10 individuals)	0	9 698	2 037	0	1 298	13 033
Total remuneration of the President and other senior executives	0	11 533	2 421	0	1 761	15 715
Total	1 375	11 533	2 421	36	1 761	17 126

Preparation and decision-making process

The Board fee was decided at the Annual General Meeting in accordance with the proposal of the Nomination Committee. Guidelines for remuneration of the President and other senior executives are determined at the Annual General Meeting. Remuneration to the President/CEO was considered by the Remuneration Committee and decided by the Board of Directors. The President/CEO considered and decided on the remuneration of other senior executives.

Remuneration of the Board

Fees are paid to the Board Chairman and other external members in accordance with the decision of the Annual General Meeting. Internal Board members are not paid a fee. SEK 185,000 was paid in fees to external Board members in 2014/2015 and SEK 370,000 to the Board Chairman. For Audit Committee work, SEK 20,000 was paid to external Board members and SEK 40,000 to the Chairman of the Audit Committee. No separate fee is paid for Remuneration Committee work. Other remuneration pertains to consultant services for assignments in which a Board member has specialist expertise. In cases where Board members invoice their fees, security contributions are included in the invoice.

Salaries and other remuneration

	Group		Parent Company	
	14/15	13/14	14/15	13/14
Board and President	20 877	19 306	3 594	3 111
Other employees	336 773	306 915	28 426	24 553
Total	357 650	326 221	32 020	27 664

Social costs

	Group		Parent Company	
	14/15	13/14	14/15	13/14
Board and President				
Social costs	3 352	3 408	1 163	994
Pension costs	1 503	1 742	463	393
Total Board and President	4 855	5 150	1 626	1 387
Other employees				
Social costs	76 549	69 784	8 935	7 313
Pension costs	19 322	17 665	1 821	1 585
Total other employees	95 871	87 449	10 756	8 898

Remuneration of the President and other senior executives

Remuneration of the President/CEO and other senior executives is based on market terms and comprises basic salary, variable salary, other benefits and pension. The fixed salary is determined taking into account competence, areas of responsibility and performance. The variable salary is performance-based and maximized to a percentage of the fixed annual salary, which is a maximum of 50%. "Other senior executives" refers to the 10 individuals who, together with the President/CEO, comprised Group Management during the fiscal year.

Terms of notice and severance pay

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

Pension

The retirement age for the President and other senior executives is 65 years. Pension benefits for the President 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 pension.

Convertibles and stock options programs

Convertibles and stock option programs enable employees and external board members to acquire shares in the company. The fair value of the allocated options is recognized as a personnel cost with a corresponding increase in equity. The fair value is calculated on the allocation date and is allocated over

the vesting period. The fair value of the allocated options is calculated according to the Black & Scholes model and consideration is given to the terms and conditions that applied on the allocation date. The amount recognized as an expense is adjusted to reflect the actual number of vested options. The convertible programs entitle the employees and external Board members to acquire convertibles. During the fiscal year, share-based remuneration was expensed in an amount of SEK 335 thousand (1,819), of which SEK 0 thousand (479) pertained to senior executives, including the President/CEO.

Issued incentive programs

Convertible programs	2011/2015	2011/2016	2012/2016	2012/2017	2013/2016
Number of underlying Class B shares	232 329	53 406	121 818	41 661	189 659
Conversion rate, SEK	38.60	41.20	55.60	59.30	71.10
Exercise period	May 25-29, 2015	May 23-27, 2016	May 23-27, 2016	May 22-26, 2017	Nov 7-10, 2016
Time to expiration	Oct 28, 2011 – Jun 15, 2015	Oct 28, 2011 – Jun 15, 2016	Nov 1, 2012 – Jun 15, 2016	Nov 1, 2012 – Jun 15, 2017	Nov 1, 2013 – Nov 30, 2016
Interest rate during time to expiration	Stibor +2.25%	Stibor +2.25%	Stibor +2.25%	Stibor +2.25%	Stibor +2.25%
Dilution upon full conversion, capital	0.6%	0.1%	0.3%	0.1%	0.5%

	2013/2017	2014/2017	2014/2018
Number of underlying Class B shares	46 112	120 581	26 355
Conversion rate, SEK	75.90	124.50	132.80
Exercise period	Nov 6-9, 2017	Dec 11-15, 2017	Dec 10-14, 2018
Time to expiration	Nov 1, 2013 – Nov 30, 2017	Dec 1, 2014 – Dec 31, 2017	Dec 1, 2014 – Dec 31, 2018
Interest rate during time to expiration	Stibor +2.25%	Stibor +2.25%	Stibor +2.25%
Dilution upon full conversion, capital	0.1%	0.3%	0.1%

Employee stock option programs:	2012/2015
Number of underlying Class B shares	100 000
Exercise price, SEK	44.50
Exercise period	Nov 16-22, 2015
Number of options exercised at April 30, 2015	0
Dilution at full exercise, capital	0.3%

No. of convertibles/options	May 1, 2014	Concluded programs	New programs	Increase due to restated price	April 30, 2015
Convertibles	829 040	-176 052	146 936	31 997	831 921
Options	200 000	-100 000	0	0	100 000
Total	1 029 040	-276 052	146 936	31 997	931 921

Recalculation occurred as a result of the share redemption program.

» Note 3 Fees to auditors

	Group		Parent Company	
	14/15	13/14	14/15	13/14
Grant Thornton				
Audit fees	1 213	1 112	411	384
Audit activities in addition to audit assignment	593	878	200	196
Tax advisory services	305	236	18	59
Other services	87	167	17	60
Audit fees to other auditors				
Audit fees	29	13	0	0
Other services	0	27	0	0
Total	2 227	2 433	646	699

Audit assignments involve examination of the annual report and consolidated financial statements, accounting records and the administration of the Board of Directors and the President and other tasks performed by the company's auditor including audit consultancy. The fee for audit assignments includes the statutory revision performed in each country. Audit activities in addition to the audit assignment pertains to quality-assurance services.

» Note 4 Costs for operational leases

Annual leasing fees paid for operational leases totaled SEK 24,458 thousand (22,306). Agreed future leasing fees for operational leases are payable as shown below:

Group	15/16	16/17	17/18	18/19
	Rent	18 753	18 112	15 998
Cars	4 508	3 381	2 131	1 253
Other	231	114	114	93
Total	23 492	21 607	18 243	16 855

» Note 5 Income from participations in Group companies

	Parent Company	
	14/15	13/14
Sales of shares in subsidiaries	0	3 981
Anticipated dividends from Group companies	80 000	0
Total	80 000	3 981

» Note 6 Interest income and similar profit items

	Group		Parent Company	
	14/15	13/14	14/15	13/14
Other interest income	3 007	9 038	2 706	7 622
Interest income from Group companies	0	0	5 876	3 490
Dividends	424	239	0	37
Capital gain, shares	0	391	0	391
Exchange difference, net	12 077	5 110	165	1 579
Total	15 508	14 778	8 747	13 119

Monetary assets and liabilities are recognized at year-end rate in profit and loss.

» Note 7 Interest expenses and similar expense items

	Group		Parent Company	
	14/15	13/14	14/15	13/14
Interest expenses	1 386	1 386	1 307	1 346
Interest expenses from Group companies	0	0	247	162
Total	1 386	1 386	1 554	1 508

Monetary assets and liabilities are recognized at year-end rate in profit and loss.

» Note 8 Appropriations

	Parent Company	
	14/15	13/14
Group contributions	148 500	148 800
Change in tax allocation reserve	-18 275	-19 000
Change in excess depreciation	-118	54
Total	130 107	129 854

Group contributions paid and received in the Parent Company are recognized as appropriations in profit and loss in accordance with the alternative rule for Group contributions in RFR 2/IAS 27. This represents a change to the company's accounting policies and the figures for the preceding year have been adjusted.

» Note 9 Tax on net profit for the year

	Group		Parent Company	
	14/15	13/14	14/15	13/14
Tax expenses				
Current tax	-43 787	-42 777	-29 164	-28 944
Deferred tax	5 448	5 171	237	0
Total tax expenses	-38 339	-37 606	-28 927	-28 944

Relationship between Group tax and recognized tax per applicable tax rate

	14/15	13/14	14/15	13/14
Profit before tax	164 416	141 464	213 168	126 828
Tax per applicable tax rate for the Parent Company (22%)	-36 171	-31 122	-46 897	-27 902
Adjustment of tax for previous years	560	-1 317	659	-555
Tax effect of non-deductible expenses	-1 754	-3 287	-527	-487
Tax effect of non-taxable income	6	2 331	17 601	0
Change in temporary differences	770	-743	237	0
Effect of changed tax rates in foreign subsidiaries	-2 142	-4 365	0	0
Effect of utilized loss carryforwards	392	897	0	0
Tax on net profit for the year	-38 339	-37 606	-28 927	-28 944

Deferred tax liabilities

	14/15	13/14	14/15	13/14
Deferred tax liabilities on untaxed reserves	33 006	29 246	0	0
Deferred tax liabilities on current assets	35	4 860	0	0
Deferred tax liabilities on surplus values	7 078	3 533	0	0
Total deferred tax liabilities	40 120	37 639	0	0

Deferred tax assets

	14/15	13/14	14/15	13/14
Deferred tax assets on current assets	26 107	18 194	237	0
Deferred tax assets on current liabilities	0	406	0	0
Deferred tax assets on provisions	528	1 320	0	0
Total deferred tax assets	26 635	19 920	237	0

Unutilized loss carryforwards pertain to foreign companies in the Group on April 30, 2015, amounted to SEK 1,116 thousand (2,898), which corresponds to a tax value of SEK 335 thousand (869). There is no time limit for utilization of the foreign loss carryforwards. Deferred tax assets attributable to unutilized loss carryforwards are not recognized for foreign companies in the Group due to the current market situation in Europe.

» Note 10 Intangible assets

	Group						Parent Company
	Capitalized development ¹	Goodwill ²	Patents and licenses ³	Customer relations ⁴	Trademarks ⁵	Total	Capitalized development ¹
Opening cost	101 150	46 138	4 106	38 686	7 808	197 888	0
Translation differences	-177	4 018	239	1 604	-47	5 637	0
Investments for the year	16 839	0	0	0	0	16 839	1 208
Impairment for the year ⁶	-4 108	-9 917	-3 345	-10 035	0	-27 405	0
Accumulated cost at April 30, 2014	113 704	40 239	1 000	30 255	7 761	192 959	1 208
Opening amortization and impairment	48 638	0	3 721	17 330	5 042	74 731	0
Translation differences	-163	0	-1 027	1 565	25	400	0
Amortization for the year	17 961	0	337	2 782	322	21 402	0
Reversal of amortization on impaired assets ⁶	-308	0	-2 031	-6 094	0	-8 433	0
Accumulated amortization and impairment at April 30, 2014	66 128	0	1 000	15 583	5 389	88 100	0
Closing residual value according to plan at April 30, 2014	47 576	40 239	0	14 672	2 372	104 859	1 208
Opening cost	113 704	40 239	1 000	30 255	7 761	192 959	1 208
Translation differences	1 358	6 557	0	2 762	550	11 227	0
Investments for the year	30 822	0	1 500	0	0	32 322	3 577
Investments from acquisitions	0	0	0	19 281	0	19 281	0
Accumulated cost at April 30, 2015⁷	145 884	46 796	2 500	52 298	8 311	255 789	4 785
Opening amortization and impairment	66 128	0	1 000	15 583	5 389	88 100	0
Translation differences	0	0	0	693	131	824	0
Amortization for the year	14 518	0	75	2 200	369	17 162	0
Accumulated amortization and impairment at April 30, 2015	80 646	0	1 075	18 476	5 889	106 086	0
Closing residual value according to plan at April 30, 2015	65 238	46 796	1 425	33 822	2 422	149 703	4 785

¹ Capitalized development pertains to internally generated intangible assets comprising proprietary software and equipment for medical imaging and secure communications. The remaining amortization period on larger projects is one to three years. The largest remaining project concerns the development of IT systems in Imaging IT Solutions.

² Goodwill is attributable to acquisition of Burnbank.

³ Remaining values in patents and licenses pertain to licenses in the Secure Communications segment.

⁴ Customer relations are attributable to the Medical Systems segment and pertain to acquired assets from Sectra Sverige AB (formerly Radisoft AB), Sectra imaXperts BV, Burnbank Systems Ltd and it-mark ApS.

⁵ Brands pertain to acquired assets from Sectra Sverige AB and Burnbank Systems Ltd.

⁶ Goodwill attributable to the acquisition of Burnbank Systems Ltd in the UK was impaired by SEK 9.9 million in the preceding year. Costs for capitalized development projects in the Imaging IT Solutions segment were impaired SEK 4.1 million (net 3.8) in the preceding year. For other intangible assets, cost was impaired SEK 13.4 million (net 5.3) in the preceding year.

⁷ Of accumulated cost on April 30, 2015, 26.0% (20.5) pertains to ongoing development projects and 74.0% (79.5) to completed projects.

Impairment of intangible assets

An impairment test is performed on intangible assets if there is an indication that an asset may be impaired, and on ongoing development projects and goodwill at least once annually. Impairment testing is based on future value-in-use calculations. The value of the Group's intangible assets is based on the value-in-use of the cash-generating development projects and acquired companies. The value-in-use is based on the cash flows that the assets are expected to generate.

The future cash flows used when calculating each unit's value-in-use is based on a detailed review of each development project. Future cash flows for goodwill are based on expected synergy effects in terms of the growth potential for sales in the UK market for Imaging IT Solutions. The present value of the forecast future cash flows for all development projects was estimated using a pre-tax rate of 10% (15-20). A pre-tax rate of 10% (12) was used when calculating cash flows associated with goodwill. The discount rate is based on a market determination of average cost of capital, taking into account the assessed risk level of the units' cash flows. Changes to the discount rate compared with previous years are due to lower market rates and less risk per project. The forecast period when calculating value-in-use is determined by the asset's useful life of between five to seven years and assumed growth of 10-20% (12-15) over the forecast period, which is based on market growth in Sectra's product areas. The forecast period in connection with the calculation of goodwill has been set at five years. The growth rate assessment is based on market trends and growth goals in the business areas.

Other assumptions regarding required returns

Risk-free interest:	Ten-year treasury bill or an equivalent financial investment with the lowest possible risk
Market risk premium:	5%
Beta value:	The beta value is calculated at one
Interest expenses:	Sectra's assessed cost for borrowing
Tax rate:	Tax rate in Sweden

Circumstances that led to impairment and sensitivity analysis

Impairment of intangible assets

Changed local product strategies in Imaging IT Solutions led to an impairment of SEK 3.8 million in capitalized development costs, and of SEK 5.3 million in other intangible assets.

Impairment tests for the year per development project and other intangible assets were performed with such a margin that Executive Management deems any reasonable and possible changes in individual variables will not cause the value-in-use to fall below the carrying amount. According to the analysis, a decline in the forecast sales proceeds of at least 30% per development project would not provide any indication of impairment.

Impairment of goodwill

Due to organizational changes, which led to lower than expected synergy effects in the Sectra Group, goodwill associated with acquisition of the Burnbank companies was impaired by SEK 9.9 million in the preceding year. Impairment tests for the year show that additional impairment is not currently required. Should there be any future changes in individual variables, the value-in-use may fall below the carrying amount which could lead to additional impairment. A decline in sales proceeds of up to 15% would not entail any additional impairment.

Calculation of recoverable amount

The recoverable amount comprises value-in-use, meaning the present value of the future cash flows that the intangible assets are expected to generate. All assumptions described above have been approved by the Board.

Parent Company

At April 30, 2015, the Parent Company held intangible assets related to capitalized development projects in Business Innovation amounting to SEK 4.8 million (1.2).

» Note 11 Tangible assets

	Group		Parent Company	
	April 30, 2015	April 30, 2014	April 30, 2015	April 30, 2014
Opening cost	217 050	175 445	12 152	11 073
Translation differences	27 440	7 967	0	0
Investments for the year	22 956	40 623	6 163	1 079
Sales/disposals for the year	-1 864	-6 985	0	0
Investments from acquisitions	4 116	0	0	0
Closing accumulated cost	269 698	217 050	18 315	12 152
Opening depreciation	148 556	126 775	11 227	10 835
Translation differences	18 529	3 656	0	0
Depreciation for the year	25 162	24 188	426	392
Sales/disposals for the year	-1 591	-6 063	0	0
Opening depreciation at time of acquisition	3 097	0	0	0
Closing accumulated depreciation	193 753	148 556	11 653	11 227
Residual value according to plan	75 945	68 494	6 662	925
Total carrying amount	75 945	68 494	6 662	925

» Note 12 Participations in Group companies

	Corp. Reg. No.	Reg. office	No. of participations	Share of capital, %	Nominal value	April 30, 2015	April 30, 2014
						Carrying amount	Carrying amount
Parent Company:							
Sectra Imaging IT Solutions AB	556250-8241	Linköping, SE	300 000	100%	3 000	2 883	2 883
Sectra Communications AB	556291-3300	Linköping, SE	3 000 000	100%	3 000	3 000	3 000
Sectra Secure Transmission AB	556247-1283	Linköping, SE	100 000	100%	100	95	95
Ebberöd Capital, Inc.	20-8912327	Shelton, US	1 000	100%	0	0	0
Ebberöd Capital Ltd	6707408	London Stansted, UK	1 000	100%	GBP 0.001	0	0
Sectra Sverige AB ²	556483-9479	Linköping, SE	40 350	100%	100	21 016	21 016
Sectra Norge AS ²	975 353 265	Oslo, NO	5 000	100%	NOK 500	283	283
Sectra North America, Inc. ²	06-1473851	Shelton, US	500	100%	USD 50	384	384
Sectra Medical Systems GmbH ²	HR B 8546	Cologne, DE	500	100%	EUR 26	219	219
Sectra A/S ²	26121361	Herlev, DK	5 000	100%	DKK 100	639	639
Sectra Ltd ²	4571654	London Stansted, UK	1	100%	GBP 0.001	0	0
Sectra Pty Ltd ²	105 376 190	Sydney, AU	1	100%	AUD 0.1	1	1
Sectra New Zealand Ltd ²	1539744	Auckland, NZ	1	100%	NZD 0.1	0	0
Sectra Medical Systems SL ²	B84352749	Madrid, ES	500	100%	EUR 253	2 290	2 290
Art Ces Lda	PT513270396	Porto, PT	5000	100%	EUR 5	48	n/a
Sectra imaXperts BV ²	39069257	Almere, NL	500	100%	EUR 22.5	4 664	4 664
Sectra France SAS	811070317	Paris, FR	1 000	100%	EUR 1	9	n/a
Total						35 531	35 474
Sectra Imaging IT Solutions AB:							
Paxlink AB	556572-3292	Linköping, SE	1 000	100%	100	811	811
Burnbank Systems Ltd ¹	05968184	Ipswich, UK	1 000	100%	GBP 6,930	61 836	61 836
Burnbank Dataconnect Ltd	02860002	Ipswich, UK	1 450	100%	GBP 0.0	0	0
Burnbank Healthsystems Ltd	06502661	Ipswich, UK	2	100%	GBP 0.0	0	0
Total						62 647	62 647
Sectra Communications AB:							
Sectra Secure Solutions AB	556570-9325	Linköping, SE	3 000 000	100%	6 981	6 981	6 981
Sectra Communications Ltd	4884887	London, UK	1	100%	GBP 0.001	0	0
Sectra Communications BV	27264295	The Hague, NL	1 800	100%	EUR 18	164	164
Sectra Communications Oy	2679724-9	Helsinki, FI	2 500	100%	EUR 2.5	23	n/a
Total						7 168	7 145

¹ Burnbank Systems Limited and Burnbank Dataconnect Limited are exempt from the requirement to have a statutory audit completed on their financial statements under section 479A of the Companies Act 2006 under UK law.

² Sectra Sverige AB, Sectra Norge AS, Sectra North America, Inc, Sectra Medical Systems GmbH, Sectra A/S, Sectra Ltd, Sectra Pty Ltd, Sectra New Zealand Ltd, Sectra Medical Systems SL and Sectra imaXperts BV changed their ownership structures during the year and are now wholly owned subsidiaries of Sectra AB. These subsidiaries were previously 100% owned by Sectra Imaging IT Solutions AB. The former carrying amount of SEK 29,496 thousand was transferred.

» Note 13 Acquisitions and discontinued operations

On April 30, 2015, the Group acquired 100% of the shares in it-mark ApS, which sells IT services to the healthcare sector in Denmark. The acquisition was part of Sectra's efforts to expand the Medical Systems business area into the Danish market. The operations were consolidated into the Sectra Group from the date of acquisition, at which time Sectra obtained a controlling influence. The company has 11 employees and reported sales of DKK 13.4 million (approximately SEK 16.0 million) for the 2014 fiscal year, with an operating margin of 10.2%.

The total consideration transferred on the date of acquisition amounted to SEK 19.4 million, of which SEK 12.4 million comprised a cash consideration and SEK 6.2 million comprised a contingent consideration, which was recognized as a provision in the Group. The fair value of the contingent consideration was calculated based on the likelihood that the earnings objective set for April 30, 2020 would be achieved. The acquisition was fully financed with existing funds.

The operations were consolidated into the Sectra Group from April 30, 2015, at which time Sectra obtained a controlling influence over the acquired unit. Since the date of acquisition was the final date of the fiscal year, the acquired operations were consolidated into the Sectra Group with sales and earnings of SEK 0.0 million for 2014/2015.

Acquired net assets and goodwill, April 30, 2015

SEK million	Carrying amount of the acquired company	Value according to acquisition analysis
Customer relations	0.0	19.3
Tangible assets	1.0	1.0
Current receivables	3.0	3.0
Cash and cash equivalents	3.7	3.7
Deferred tax	0.0	-3.5
Current liabilities	-4.1	-4.1
Total acquired net assets	3.6	19.4
Fair value of consideration transferred		19.4
Goodwill¹		0.0

Net outflow of cash and cash equivalents attributable to the acquisition¹

Cash consideration transferred	12.4
Cash and cash equivalents in the acquired company on the date of acquisition	-3.7
Total	8.7

¹ Excluding acquisition-related expenses of SEK 0.5 million, which were recognized as external costs in the consolidated income statement for the 2014/2015 fiscal year.

Discontinued operations, April 30, 2012

In the 2011/2012 fiscal year, Sectra divested the company's mammography operation to Royal Philips Electronics. On a debt-free basis, the cash consideration amounted to EUR 57.5 million, including the sale of assets attributable to discontinuation of the MicroDose operation. The agreement includes an additional consideration of EUR 12.5 million, which will fall due in five years should specially agreed terms be met. During the 2011/2012 fiscal year, excluding a possible additional consideration, the transaction generated a capital gain of SEK 322.6 million after tax for Sectra, based on carrying amounts.

» Note 14 Long-term receivables from Group companies

	Parent Company	
	April 30, 2015	April 30, 2014
Opening cost	145 985	88 337
New receivables	12 946	81 662
Amortized receivables	-34 434	-25 741
Exchange-rate difference	19 519	1 727
Total	144 016	145 985

» Note 15 Investments held as fixed assets

	Group		Parent Company	
	April 30, 2015	April 30, 2014	April 30, 2015	April 30, 2014
Other shares and participations	1 766	1 766	0	0
Total	1 766	1 766	0	0

Securities holdings with maturities of less than one year are classified as short-term. See Note 29 for valuation of securities holdings.

The investments held as fixed assets item includes participations in Commit OY, Finland, in which the Group's holding represents 13% of the capital and votes.

» Note 16 Inventories

	Group		Parent Company	
	April 30, 2015	April 30, 2014	April 30, 2015	April 30, 2014
Component stocks	10 675	10 472	0	0
Finished products	3 935	1 211	0	0
Total	14 610	11 683	0	0

An impairment loss amounting to SEK 116 thousand (703) was recognized in profit and loss for 2014/2015.

Equipment and components mainly used for development were reclassified as inventories or expensed in profit and loss, depending on the estimated lifetime of the stock items in question. Of the total inventory value, 0 is measured at fair value after selling expenses. Accordingly, the entire inventory is valued at historical cost since this value is lower than fair value less selling expenses.

» Note 17 Accounts receivable

Accounts receivable per currency	Group		Parent Company	
	April 30, 2015	April 30, 2014	April 30, 2015	April 30, 2014
SEK	24 979	22 928	296	730
USD	42 620	31 217	2 146	0
EUR	56 439	68 382	7 868	0
GBP	49 358	41 207	-27	0
Other currencies	24 373	24 085	-15	0
Total	197 769	187 819	10 268	730

Change for the year in the reserve for doubtful accounts receivable

	Group		Parent Company	
	April 30, 2015	April 30, 2014	April 30, 2015	April 30, 2014
Opening balance	15 728	9 027	100	0
Reversal of unutilized amounts	-3 269	-2 932	0	0
Reserve for doubtful accounts receivable	6 301	9 496	1 078	100
Exchange-rate effect	1 342	137	0	0
Total	20 102	15 728	1 178	100

See Note 30 for an age analysis.

» Note 18 Prepaid expenses and accrued income

	Group		Parent Company	
	April 30, 2015	April 30, 2014	April 30, 2015	April 30, 2014
Prepaid rent	3 207	3 161	1 343	1 314
Accrued interest income	482	4 093	466	4 077
Prepaid support agreements	8 219	2 689	1 002	795
Other items	78 142	37 606	2 176	1 182
Recognized non-invoiced income	196 852	110 580	0	0
Total	286 902	158 129	4 987	7 368

» Note 19 Cash and cash equivalents

	Group		Parent Company ¹	
	April 30, 2015	April 30, 2014	April 30, 2015	April 30, 2014
Bank balances	307 076	360 092	267 016	254 163
Short-term investments	0	81 853	0	81 853
Total	307 076	441 945	267 016	336 016

Short-term investments recognized under cash and cash equivalents refer to bank deposits and commercial paper that can be considered as equivalent to cash and cash equivalents and have maturities within 90 days.

¹ Balances on the Group's cash-pool accounts are recognized from this year in their entirety as cash and cash equivalents in the Parent Company and are included in the Parent Company's cash-flow statement. The subsidiaries' portion of the cash-pool accounts are recognized as short-term receivables from or liabilities to the Parent Company. This changed assessment is supported by RedU 5 "Accounting of joint bank accounts in a Group" issued in December 2014.

Bank overdraft facilities	Group		Parent Company	
	April 30, 2015	April 30, 2014	April 30, 2015	April 30, 2014
Credit limit granted	15 000	15 000	15 000	15 000
Unutilized portion	-15 000	-15 000	-15 000	-15 000
Utilized credit amount	0	0	0	0

» Note 20 Untaxed reserves

	Parent Company	
	April 30, 2015	April 30, 2014
Tax allocation reserves:		
Allocated to taxes 10	-	26 900
Allocated to taxes 11	10 700	10 700
Allocated to taxes 13	29 950	29 950
Allocated to taxes 14	20 425	20 425
Allocated to tax year 2014	43 000	43 000
Allocated to tax year 2015	45 175	-
Excess depreciation	255	137
Total	149 505	131 112

Of the total untaxed reserves, SEK 32,891 thousand (28,844) is recognized as deferred tax liabilities in the Group.

» Note 21 Provisions

	Group			
	Taxes	Guarantee commitments and other provisions	Contingent consideration	Total
Carrying amount, May 1, 2013	27 067	316	17 259	44 642
Provisions made in the period	27 677	6 000	0	33 677
Reversal of provisions	0	0	-16 180	-16 180
Amount appropriated	-17 105	-316	-1 079	-18 500
Carrying amount, April 30, 2014	37 639	6 000	0	43 639
Of which, total long-term portion of provisions	31 366	6 000	0	37 366
Of which, total short-term portion of provisions	6 273	0	0	6 273

	Group			
	Taxes	Guarantee commitments and other provisions	Contingent consideration ¹	Total
Carrying amount, May 1, 2014	37 639	6 000	0	43 639
Provisions made in the period	7 625	0	6 195	13 820
Reversal of provisions	0	-3 600	0	-3 600
Amount appropriated	-5 144	0	0	-5 144
Carrying amount, April 30, 2015	40 120	2 400	6 195	48 715
Of which, total long-term portion of provisions	32 096	2 400	6 195	40 691
Of which, total short-term portion of provisions	8 024	0	0	8 024

The carrying amount at the end of the period is expected to be settled within six years for taxes, within one year for guarantee commitments and within three years for other provisions.

¹ Refer to Note 13.

» Note 22 Other long-term liabilities

	Group		Parent Company	
	April 30, 2015	April 30, 2014	April 30, 2015	April 30, 2014
Convertible debentures 11/15	0	8 968	0	8 968
Convertible debentures 11/16	2 201	2 201	2 201	2 201
Convertible debentures 12/16	6 773	6 773	6 773	6 773
Convertible debentures 12/17	2 471	2 471	2 471	2 471
Convertible debentures 13/16	13 484	13 484	13 484	13 484
Convertible debentures 13/17	3 500	3 500	3 500	3 500
Convertible debentures 14/17	15 012	0	15 012	0
Convertible debentures 14/18	3 500	0	3 500	0
Total	46 941	37 397	46 941	37 397

During the year, two new convertible programs were issued, comprising a total of 146,936 convertibles. The assessment of whether the interest rate for convertibles is market-based, is based on Sectra's current costs for borrowing. Refer to Note 29 for information concerning maturities and terms of interest, and Note 2 for more information about the convertible programs.

» Note 23 Other current liabilities

	Group		Parent Company	
	April 30, 2015	April 30, 2014	April 30, 2015	April 30, 2014
Convertible debentures 10/14 reclassification from long-term liabilities	0	6 091	0	6 091
Convertible debentures 11/15 reclassification from long-term liabilities	8 968	0	8 968	0
Value-added tax	15 556	8 171	0	0
Employee withholding taxes	7 133	6 226	640	687
Other liabilities	7 924	8 153	1 380	382
Total	39 581	28 641	10 988	7 160

Conditions

For information about the terms for the convertible debentures, see Note 2 Salaries and other remuneration.

» Note 24 Accrued expenses and deferred income

	Group		Parent Company	
	April 30, 2015	April 30, 2014	April 30, 2015	April 30, 2014
Accrued social costs	24 413	21 088	3 881	2 903
Accrued vacation pay	37 532	34 603	6 278	5 123
Prepaid support agreements	62 888	64 370	0	0
Accrued accounts payable	16 369	10 582	2 578	4 158
Invoiced non-recognized income	83 918	71 864	198	0
Other items	46 440	42 695	10 858	1 910
Total	271 560	245 202	23 793	14 094

» Note 25 Pledged assets and contingent liabilities

	Group		Parent Company	
	April 30, 2015	April 30, 2014	April 30, 2015	April 30, 2014
Chattel mortgages	36 250	36 250	11 000	11 000
Total pledged assets	36 250	36 250	11 000	11 000
Guarantees on behalf of subsidiaries			357 729	248 525
Total contingent liabilities			357 729	248 525

» Note 26 Cash flow

Adjustment for non-cash items

	Group		Parent Company	
	14/15	13/14	14/15	13/14
Depreciation/amortization and impairment	42 324	64 562	426	392
Exchange-rate differences	12 442	3 019	491	2 624
Reversal of contingent consideration	0	-16 180	0	0
Reversal of provision/provision	-3 600	6 000	0	0
Share-related payments	335	1 819	0	0
Other	4 654	4 980	0	0
Total	56 155	64 200	917	3 016

» Note 27 Related parties

The Group's related parties comprise Group Management and the Board of Directors, as well as other key persons in senior positions. The Group has no transactions with related parties, apart from what is stated in Note 2.

» Note 28 Important estimates and judgments

At year-end, certain judgments are made in regard to the application of accounting policies that affect the carrying amounts recognized on the balance-sheet date. These estimates for reporting purposes may deviate from the actual outcome. The following estimates may involve a risk of changes in the carrying amounts.

Impairment requirements relating to intangible assets including goodwill are assessed on an ongoing basis, based on the calculated recoverable amount per cash-generating unit. The recoverable amount is based on the unit's value in use, which consists of calculated future cash flows during its useful life. The calculations are based on budgeted long-term targets and anticipated growth. Group synergy effects were taken into consideration when calculating cash flow associated with goodwill. The present value of the forecast future cash flows for all development projects has been calculated using a discount rate of 10%. A discount rate of 10% has been used when calculating cash flows associated with goodwill. The growth rate assessment has been set in line with market trends and growth goals in the business areas.

The useful life of intangible assets excluding goodwill is based on the average life of the asset. Amortization of intangible assets is based on the assumed useful life per asset, which can have major significance for the Group's earnings and financial position.

Obligations for guarantees arise upon the delivery of a system that normally involves a guarantee period of 12 months. Assessment of future guarantee costs is based on individual projects and prior experience. Deviations between the actual guarantee cost and the provisions occur for individual projects, but at Group level these deviations are limited.

» Note 29 Measurement of financial assets and liabilities

	Accounts receivable and loan receivables	Financial assets available for sale	Other financial assets and liabilities	Total carrying amount	Fair value	Non-financial assets and liabilities	Total balance sheet
Group, April 30, 2015							
Investments held as fixed assets	0	1 766	0	1 766	1 766	0	1 766
Accounts receivable	197 769	0	0	197 769	197 769	0	197 769
Other short-term receivables	0	0	0	0	0	14 058	14 058
Cash and bank balances	0	0	307 076	307 076	307 076	0	307 076
Total financial assets	197 769	1 766	307 076	506 611	506 611	14 058	520 669
Long-term liabilities	0	0	46 941	46 941	46 941	0	46 941
Other current liabilities	0	0	8 968	8 968	8 968	30 613	39 581
Accounts payable	0	0	42 606	42 606	42 606	0	42 606
Total financial liabilities	0	0	98 515	98 515	98 515	30 613	129 128
Group, April 30, 2014							
Investments held as fixed assets	0	1 766	0	1 766	1 766	0	1 766
Accounts receivable	187 819	0	0	187 819	187 819	0	187 819
Other short-term receivables	0	0	0	0	0	6 724	6 724
Cash and bank balances	0	0	441 945	441 945	441 945	0	441 945
Total financial assets	187 819	1 766	441 945	631 530	631 530	6 724	638 254
Long-term liabilities	0	0	37 397	37 397	37 397	0	37 397
Other current liabilities	0	0	6 091	6 091	6 091	22 549	28 640
Accounts payable	0	0	24 014	24 014	24 014	0	24 014
Total financial liabilities	0	0	67 502	67 502	67 502	22 549	90 051

Possible customer losses were impaired via profit and loss in the amount of SEK 4,150 thousand (8,961). No gains or losses were recognized in any of the other categories.

For cash and cash equivalents and other receivables and liabilities with shorter lifetimes, the carrying amount is considered to correspond to the fair value. In the case of receivables or liabilities with a lifetime exceeding one year, the carrying amount has been discounted and corresponds to fair value.

Long-term financial liabilities pertain to convertible debentures and the time to expiration is one to four years. Other financial liabilities have a time to expiration of less than one year.

Calculation of fair value

The following methods were used to determine fair value:

- Securities holdings that are available for sale belong to Level 2, meaning that the calculation of fair value is based on market quotations or the calculation of future cash flows for which variables are obtained from market quotations whenever possible. The holding that can be sold amounts to SEK 1,766 thousand (1,766).
- The short-term portion of the contingent consideration recognized in other financial liabilities at April 30, 2015 belongs to Level 3, which means that the calculation of fair value is based on unobservable inputs. The calculation was based on the likelihood that set goals would be achieved.

» Note 30 Risks, risk management and sensitivity analysis

Risks related to operations

Sectra's risks related to operations are limited. As a general rule, customers' operations are financed directly or indirectly with public funds and solvency is excellent, although payment practices vary between different countries. Due to the fact that Sectra is active in a large number of markets, the political and market risks, for example, for the Group as a whole are limited. The largest individual risks related to operations are described below.

Customers and partners

Sectra's five largest partners and customers jointly account for 18.9% (20.2) of Group sales. No individual partner or customer accounts for more than 10% of the Group sales. Although sales to each customer are often divided among a number of agreements, the proportion of long operating agreements has increased and, therefore, the loss of a major customer could have a significant effect on the Group's long-term earnings and financial position. Due to the continuous expansion of operations, the proportion of the Group's business volume represented by each individual partner and customer is gradually declining.

Product liability and property risks

Through its operations, Sectra assumes product liability, which means that personal injury or damage to property caused by the company's systems at the premises of a customer or third party could lead to a claim being made against Sectra. Insurance policies have been taken out for the property and liability risks to which the Group is exposed.

Intellectual property rights

Sectra is among the leaders in the areas in which the Group operates and invests substantial resources in product development. To ensure a return on these investments, Sectra works continuously to analyze the requirements for different products in terms of intellectual property rights, and to identify and protect inventions through patents.

Other business risks

The prices for medical systems in the world market are largely governed by major international companies. Accordingly, the USD and EUR exchange rates have an effect on the price structure and competitiveness. Other business risks, such as market risks, suppliers, technical development, dependence on individual persons and ethical risks are analyzed continuously. Measures are taken as needed to reduce the Group's risk exposure.

Financial risks

The Sectra Group is exposed to financial risks pertaining to currency, interest, financing and liquidity risks. Rules and authority for management of financial transactions and risks are described in the Group's finance policy, which is determined by the Board. Responsibility for management of financial transactions and risks is centralized to the Parent Company's finance department. The aim is to support the Group's business activities by identifying and limiting the Group's financial risks, providing cost-efficient financing of Group companies and managing cash and cash equivalents on market terms.

Currency exchange risks

Exchange rate exposure within the Sectra Group occurs primarily via transactions in foreign currencies, in the form of customer and supplier payments and to a lesser extent, in translating foreign subsidiaries' income statements and balance sheets. In accordance with the Group's finance policy, subsidiary financing shall be in the local currency and currency exposure pertains mainly to USD, GBP and EUR. Operating profit for the year includes an exchange loss of SEK 504 thousand (2,769) and net financial items include exchange gains of SEK 14,945 thousand (5,110).

The Group's policy at present is not to hedge transaction exposure, since the potential gains to be derived from building up procedures to efficiently manage hedge contracts are not considered significant. Sectra monitors payment flows in foreign currencies on an ongoing basis, and hedging of transaction exposure may be implemented if the gains expected to be derived from exchange rate hedge contracts are deemed to be significant.

Group's revenues and expenses in various currencies

SEK million			
Currency	Revenues	Expenses	Net exposure
SEK	256.2	-336.7	-80.5
USD	237.9	-188.9	49.0
EUR	160.6	-144.2	16.4
GBP	186.5	-106.6	79.9
Other currencies	120.2	-66.9	53.3
Total	961.4	-843.3	118.1

Interest-rate risks

Interest-rate risks pertain to the impact of changes in market interest rates on the Group's earnings. The Group's interest-bearing assets are mainly short-term in nature, and pertain to securities that can be liquidated at short notice in the event of major changes in the general interest rate situation. On the balance-sheet date, the Group's interest-bearing assets exceed interest-bearing liabilities, as a result of which a decline in interest rates has an adverse impact on the Group and an increase has a positive effect.

Credit risks

The Group's credit risks can be divided into risks related to the customer's ability to pay as agreed and counterparty risks in conjunction with financial transactions.

Customer credit risk means that the customer fails to fulfill its undertaking for payment of customer invoices. The Group has set guidelines to ensure that customers have high creditworthiness. Sectra's customers consist largely of government agencies and other highly reputable customers with high creditworthiness, and whose credit risk is considered to be extremely low. To minimize customer credit risks in fixed-price projects, Sectra works to a large extent with part payments in advance.

Age analysis accounts receivable

SEK million	April 30, 2015	April 30, 2014
Accounts receivable not due for payment	113.4	107.8
Accounts receivable overdue 0 - 60 days	53.0	42.7
Accounts receivable overdue 60 days	14.3	8.5
Accounts receivable overdue 120 days	37.2	44.5
Reserve for customer losses	-20.1	-15.7
Total	197.8	187.8

Counterparty risks arise in financial transactions and cash management in conjunction with the Group having claims on banks and other securities issuers. The maximum credit exposure and credit rating for approved counterparties is described in the Group's finance policy. To minimize credit risks, Sectra only uses counterparties with high creditworthiness and invests in instruments with high quality.

Liquidity risks

To minimize liquidity risks, excess liquidity is placed only in bank deposits, or in securities that can be liquidated at short notice, and which have a smoothly functioning secondary market. Unutilized bank overdraft facilities are used in the event of temporarily elevated liquidity needs. The Parent Company monitors the Group's liquidity continually by compiling liquidity forecasts as a basis for investments or short and long-term borrowing.

On the balance-sheet date, the Group's unutilized credit facilities amounted to SEK 15,000 thousand.

Convertible loans 2011/2015, SEK 8,968 thousand, and 2011/2016, SEK 2,201 thousand, are payable in June 2015 and 2016 respectively, and carry a variable interest rate, Stibor +2.25%. Convertible loans 2012/2016, SEK 6,773 thousand, and 2012/2017, SEK 2,471 thousand, are payable in June 2016 and 2017 respectively, and carry a variable interest rate, Stibor +2.25%. Convertible loans 2013/2016, SEK 13,484 thousand, and 2013/2017, SEK 3,500 thousand, are payable in November 2016 and 2017 respectively, and carry a variable interest rate, Stibor +2.25%. Convertible loans 2014/2017, SEK 15,012 thousand, and 2014/2018, SEK 3,500 thousand, are payable in December 2017 and 2018 respectively, and carry a variable interest rate, Stibor +2.25%. Other loans carry floating rates, which varied between 2 and 4% during the fiscal year. Financial leasing contracts and convertibles have terms of zero to four years. Refer to Notes 2 and 22 for further information about convertibles issued.

Sensitivity analysis

The Group's earnings depend mainly on product sales and the cost of personnel and materials. The analysis below is based on the figures from the 2014/2015 fiscal year and how the variables named would have affected profit after net financial items if no measures such as hedging or adaptation of resources had been taken. Each variable is treated individually, provided the others remain unchanged. The analysis is not claimed to be precise, but is merely indicative.

Variable	Change	Effect on profit after financial items
Net sales/gross profit	+/- 1%	+/- SEK 8.1 million
Cost of materials	+/- 1%	+/- SEK 1.5 million
Personnell Costs	+/- 1%	+/- SEK 4.8 million
Interest rate levels	+/- 1%	+/- SEK 3.7 million
Exchange-rate changes:		
USD exchange rate	+/- 1%	+/- SEK 0.7 million
EUR exchange rate	+/- 1%	+/- SEK 1.3 million
GBP exchange rate	+/- 1%	+/- SEK 1.6 million

In the event that the SEK weakens by 1% against the USD, GBP or EUR, profit after net financial items would improve by SEK 3.6 million.

» Note 31 Asset management

The Group's financial goals have been determined by the Board. The goal is to have a favorable and flexible capital structure so that it can be changed if the conditions for operations or for different borrowing alternatives change and maintain financial stability. The Group's equity/assets ratio goal is 30%. In the 2014/2015 fiscal year, the Group's equity/assets ratio was 56.1%.

The Group's capital is defined as total shareholders' equity less any positive unrealized value changes and amounted to SEK 611,775 thousand (611,702) at April 30, 2015. The Group's equity/assets ratio on the balance-sheet date was 56.1% (60.7). Sectra's operations have large seasonal variations during the fiscal year and, accordingly, it is the Board's ambition to retain a sound capital structure with a low debt/equity ratio.

» Note 32 Board's statement concerning repurchase and transfer the company's treasury shares

The Board of Directors' reasons for the authorization to repurchase and transfer the company's Class B treasury shares are in accordance with the provisions of Chapter 17, Section 3, paragraph 2 and 3 of the Swedish Companies Act.

Nature, scope, and risks of the operations

The nature and scope of the operations are specified in the Articles of Association and the published Annual Reports. The operations conducted by the company do not entail any additional risks to those that exist or may be deemed to exist in the industry or those risks that are generally associated with conducting business operations.

The financial position of the company and the Group

The financial position of the company and the Group as of April 30, 2015 are described in this Annual Report. The Annual Report also states the policies applies to the valuation of assets, provisions and liabilities. Unrestricted equity in the Parent Company and the Group's retained earnings amounted to SEK 223.6 million and SEK 174.3 million, respectively, at the end of the 2014/2015 fiscal year.

The Annual Report states that the Group's equity/assets ratio is 56.1%. The proposed authorization to purchase and transfer the company's Class B treasury shares does not endanger the completion of any necessary investments.

The company's financial position does not give rise to any other conclusion than that the company can continue its business and that the company can be expected to fulfill its obligations on both a short and long-term basis.

In the opinion of the Board of Directors, the amount of equity as recognized in the most recent Annual Report is in reasonable proportion to the scope of the company's operations and the risks associated with conducting operations in consideration of the authorization now proposed to repurchase the company's Class B treasury shares.

Justification for dividend and repurchase

With reference to the above and to what has otherwise come to the knowledge of the Board of Directors, the Board is of the opinion that, after a comprehensive review of the financial position of the company and of the Group, the proposed authorization to repurchase and transfer the company's Class B treasury shares is justified according to the provisions of Chapter 17, Section 3, paragraph 2 and 3 of the Swedish Companies Act, that is, with reference to the requirements that the nature of the business, its scope and the risks placed on the size of the company's and Group's equity and the company's and the Group's consolidation requirements, liquidity and financing needs in general.

» Note 33 Definitions of key figures

Gross margin:

Operating profit after depreciation as a percentage of net sales.

Direct return:

Dividend as a percentage of share price on the balance-sheet date.

Equity:

Equity includes 78.0% of untaxed reserves.

Equity per share:

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

Value added:

Operating profit plus labor costs.

Value added per employee:

Operating profit plus labor costs divided by average number of employees.

Adjusted equity:

Recognized equity plus 78.0% of untaxed reserves.

Cash flow per share:

Cash flow from operations after changes in working capital in relation to the number of shares at the end of the period.

Liquidity:

Current assets divided by current liabilities.

P/E ratio:

Share price at the end of the period in relation to the 12-month period's earnings per share.

Return on equity:

Profit after tax as a percentage of average adjusted equity.

Return on capital employed (ROCE):

Profit before tax plus financial expenses as a percentage of average capital employed.

Return on total capital:

Earnings after net financial items plus financial expenses as a percentage of average total assets.

Operating margin:

Operating profit after depreciation as a percentage of net sales.

Debt/equity ratio:

Interest-bearing liabilities divided by equity.

Equity/assets ratio:

Equity as a percentage of total assets.

Capital employed:

Total assets reduced by non-interest-bearing liabilities.

Earnings per share:

Profit/loss after tax divided by the average number of shares.

Profit margin:

Earnings after net financial items as a percentage of net sales.

Auditor's report

TO THE ANNUAL MEETING OF THE SHAREHOLDERS OF SECTRA AB (PUBL),
CORPORATE IDENTITY NUMBER 556064-8304

» Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Sectra AB (publ) for the financial year 2014-05-01 – 2015-04-30. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 40-63.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR FOR THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and

consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINIONS

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 30 April 2015 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 30 April 2015 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

» Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Sectra AB (publ) for the financial year 2014-05-01 – 2015-04-30.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINIONS

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory 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 25 2015
Grant Thornton Sweden AB

Peter Bodin
Authorized Public Accountant

Glossary

Cloud solution/the cloud

Cloud computing, meaning that computer power is distributed over the Internet or company-specific intranets and not on individual computers.

Critical infrastructure

Basic infrastructure that is essential for the functioning of modern-day society, such as bridges and electricity and water supply.

Crypto

Equipment that uses mathematical manipulations (algorithms and keys) to encrypt information, so that it can be interpreted or read only by the intended recipient. In order to read encrypted information, the recipient must have the correct key and algorithm.

Integrated diagnostics

Diagnostic collaboration between different medical specialties, for example between pathologists and radiologists for diagnosing, treating and monitoring cancer patients. Integrated diagnostics is facilitated by digital technology, computer algorithms, clinical work flows and extended reporting to the patient's physician.

Mammography

Mammography is an examination procedure used to detect breast cancer at an early stage in asymptomatic women.

Multi-disciplinary team

A group of representatives from several different medical specialties. These collaborations usually arise when providing care for and treating cancer patients.

Oncology

A specialized medical area for diagnosing and the non-surgical treatment of malignant tumors (cancer).

Orthopaedics

A surgical specialty for disorders affecting the musculoskeletal system.

Osteoporosis

Commonly referred to as "brittle bone disease", a skeletal disease that causes increased brittleness of the bones and a risk for fractures.

PACS (Picture Archiving and Communication System)

A system for managing and archiving digital radiology images.

Pathology

A specialized medical area that uses tissues and body fluids for diagnostic purposes.

Primary diagnostics

An initial diagnosis that states the possible cause of a patient's symptoms and a treatment approach.

Radiology

A health science discipline and medical specialty that uses technologies for imaging the human body, such as X-ray, magnetic resonance imaging (MRI) and ultrasound.

Rheumatology

A medical specialty that focuses on treating diseases of the joints and muscles.

RIS (Radiology Information System)

A system for managing radiology patient data, such as appointment bookings, patient information and dictation at radiology clinics.

Visualization table

Large interactive touch screen with an image viewing program that enables interaction with 3D images of human and animal bodies.

List of references

¹ page 22: The Orthopaedic Industry Annual Report for year ending December 31, 2012.

² page 22: Osteoporosis: Burden, Health Care Provision and Opportunities in the European Union. Report launched in June 2011 by the International Osteoporosis Foundation (IOF) in collaboration with the European Federation of Pharmaceutical Industry Associations (EFPIA).

³ page 22: Calculation based on open comparisons by the Swedish Association of Local Authorities and Regions.

⁴ page 23: Sectra's Visualization Table has been developed in cooperation with researchers at the Center for Medical Image Science and Visualization, the Interactive Institute and Visualization Center C.

⁵ page 43: Allbightrappporten 2015, <http://allbright.se/wp-content/uploads/2015/03/AllBightrappporten-mars2015.pdf>

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Annual General Meeting and dividend 2015

Date	September 7, 2015
Time	3:30 p.m.
Place	Collegium, Teknikringen 7, Linköping, Sweden

Notice

Official notice will be distributed not earlier than six weeks and not later than four weeks prior to the Annual General Meeting in the form of a press release and publication on the company's website. The notice will also be announced in PoIT and information that notice has been given will be published in Svenska Dagbladet.

Dividend/share redemption program

The Board and the President propose that the 2015 Annual General Meeting resolve that SEK 4.50 per share be transferred to the shareholders through a share redemption program. No ordinary dividend is proposed.

Attendance and notification

Shareholders wishing to attend the meeting must be recorded in the shareholder register maintained by Euroclear Sweden AB by not later than September 1 and notify the company by e-mail info.investor@sectra.com, telephone +46 (0)13-23 52 00 or mail to the following address: Sectra AB, AGM 2015, Teknikringen 20, SE-58 330 Linköping, Sweden. The notification should include the shareholder's name, personal or corporate registration number and daytime telephone number. Where applicable, the number of advisors should be specified. If shareholders intend to be represented by proxy, a power of attorney and other authorization documents must be included with the notification.

Trustee-registered shares

Shareholders whose shares are registered with a trustee must temporarily re-register their shares in their own name with Euroclear Sweden AB. Such registration is to be carried out via the administrator and completed not later than September 1, 2015.

Documents

Complete proposals for decisions and forms for notification and authorization will be available not later than August 17, 2015 on www.sectra.se/agm2015 and from Sectra's office in Linköping. Shareholders who wish to receive these documents by mail should contact the company by phone +46 (0)13-23 52 00 or by e-mail info.investor@sectra.com.

Interim Reports 2015/2016

September 7, 2015	Three-month Report
December 8, 2015	Six-month Report
March 8, 2016	Nine-month Report
May 31, 2016	Year-end report

Subscription

Financial reports and corporate governance information is available on the Group's website www.sectra.se under the Investor heading. To subscribe and receive information by e-mail, go to Subscribe under the Investor heading on Sectra's website www.sectra.com and fill in your contact information. Financial reports and other information can also be ordered by phone or via the email address below.

Distribution of the Annual Report

This Annual Report will be announced in a press release on June 30, 2015 and be published on the company's website. It will be distributed by mail to new shareholders and to those shareholders who have notified their wish to receive it by mail.

Contact for shareholders and investors

Shareholder contact

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For further contact information on Sectra's global offices, visit www.sectra.com/contact

Ten good reasons to invest in Sectra

- » Growth potential in healthcare sector and in secure communications and infrastructure.
- » Established brand in niche areas, where customer confidence is a critical success factor.
- » Stable, profitable company, with more than 50% of sales comprising recurring revenues from long-term customer contracts.
- » Multinational reach and thousands of customers worldwide.
- » High level of customer satisfaction and the aim to make customers even more satisfied.
- » Products and services that contribute to improved quality of life and a more secure society.
- » Self-financed portfolio of exciting innovation projects with reported and controlled costs. While some of these projects are unlikely to succeed, a single success story would be sufficient to add significant value.
- » Members of management are shareholders.
- » Principal owner dedicated to the long-term development of the company.
- » A very strong corporate culture based on the employees' expertise and attitudes and their drive to solve customer problems.

Are you already a shareholder in Sectra?

We are interested in why you chose to buy shares in Sectra and what your views are on your investment and the company. We would be grateful if you could answer the seven questions in Sectra's shareholder survey, available at www.sectra.com/shareholder2015
Your feedback is important to Sectra!

SECTRA

Knowledge and passion