

Annual Report

2015/2016



We contribute to a healthier
and safer society.

SECTRA
Knowledge and passion

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This is Sectra

Sectra's vision is to contribute to a healthier and safer society.

On the following pages we explain why we exist as a company, what we do and how we distinguish ourselves from other suppliers.

Sectra provides greater security for society's most critical communication and IT systems. This contributes to a more stable and secure society.

Sectra's work enables hospitals across the world to become more effective and thus take care of more patients and save more lives.

» 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 and an aging population requires greater healthcare resources. At the same time, the proportion of people working in healthcare or contributing to the financing of the healthcare sector as taxpayers is decreasing. This is the result of a decline in the number of gainfully employed individuals due to an increase in retirement and falling birth rates. Overall, this is creating enormous challenges for the healthcare systems in most countries. In order to maintain a high level of quality, 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 effective and thus take care of more patients and save more lives.

Read more about the [healthcare market](#) on page 13.

IT development and mobility are making critical societal functions more vulnerable and resulting in stricter information security requirements

Growing use of IT, global mobility and the connection of IT systems to the Internet are contributing to efficiency enhancements in society and simplifying everyday life. These developments also mean that disruptions to IT systems could result in serious consequences for society and the individual, and entail a greater risk for eavesdropping and unauthorized data access. This is imposing new requirements in terms of encryption and security solutions for systems used to handle sensitive information. Sectra's work provides greater security for society's most critical communication and IT systems, which creates a more stable and safer society.

Read more about the [security market](#) on page 26.

» 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 medical reports and facilitate cooperation within and between hospitals. Since medical images play a key role in diagnostics and the determination of an appropriate treatment, these systems are central to the operations of Sectra's customers. Sectra focuses on solutions that enhance the efficiency of the care chain with respect to illnesses that primarily affect older people. In addition to improving the efficiency of medical image management, Sectra's solutions facilitate the diagnosis and monitoring of cancer care, orthopaedic surgery, osteoporosis and osteoarthritis. These are some of the most costly areas of the healthcare sector

and they represent an increasing burden in terms of resources. Sectra also offers solutions that improve medical education. Sectra's medical operations are conducted under the **Imaging IT Solutions** business area, presented on page 14, and under the **Business Innovation** operating segment, presented on page 21.

Customer promise

Future-proof, effective medical imaging IT solutions delivered by the best people in the industry.



Secure Communications

Offering for a more secure society

Sectra develops products and services for secure voice and data communications and the protection of society's most sensitive infrastructure. A number of Sectra's products are certified at the highest security classes by the EU, NATO and national security authorities. Customers include government authorities, companies in critical societal sectors and defense organizations. Sectra expanded its market during the year through the launch of products and monitoring services for society's critical functions, such as electricity and water distribution. By monitoring data traffic in the critical functions' control systems, Sectra enables customers to act quickly and thus avoid being impacted by abnormal activity.

Sectra's security operations are conducted in the **Secure Communications** business area, presented on page 27.

Customer promise

Efficient IT security solutions for a high level of availability delivered by the best people in the industry.

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

» How

Sectra's products are at the forefront of their fields. The company offers high-quality solutions recognized for their stability and usability in both Sectra's own and external customer evaluations. But these evaluations clearly show that 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 their 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 manager, assuming responsibility and acting quickly when necessary in order to solve customers' problems.

Sectra's culture is based on:

- A strong drive to always meet or 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 custom-

ers and competent end-users to create solid solutions.

- Tolerance and respect for each other as individuals and friends.
- Job satisfaction and humor.

Combined with innovation and technological excellence, this culture forms the basis for Sectra's success. It is the key to the company's close, long-term cooperation with its customers. It also gives the company a unique competitive edge. Products can always be copied, but a customer-oriented culture that permeates every area of an organization is extremely difficult to replicate when such a culture does not exist.



What customers value most – more than the company's innovative and high-quality products – is Sectra's employees. Considerable energy is devoted to employing the right people and creating a culture where all employees are always there for the customer. In this photo, Sectra's CEO explains what it means to be part of the Sectra culture during this year's “rookie” training, a mandatory program for all new employees.

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 conducts research projects together with universities, hospitals and other players around the world. The Center for Medical Image Science and Visualization (CMIV) in Linköping, the Karolinska Institute in Stockholm, Lund University, Utrecht University in the Netherlands and University Hospitals in Cleveland in the US are a few examples of Sectra’s research partners. Solutions for **digital pathology** and **3D trauma surgery**, which are described on page 20 and 25, are examples of the results of successful university collaborations.



10–15%

of consolidated sales are invested in research and product development.

Customer-centric product development

In order to maintain a high pace of innovation, Sectra continuously invests in the new and ongoing development of its product offering in existing niches and related product areas. A new, exciting offering of services for monitoring data traffic in the control systems of society’s critical operations was launched during the year. This offering was developed in close cooperation with players in the energy sector in order to ensure that Sectra truly contributes added customer value. Read more about Sectra’s **offering for critical societal infrastructure** on page 31.

One way to continuously involve customers in the company’s product development in the area of medical IT is Sectra UserInfluence. This is an online forum where Sectra’s developers and product managers engage in a direct dialogue with customers regarding the company’s ongoing development work. The forum allows customers to discuss their development suggestions with Sectra’s employees as well as with other customers. This dialogue and Sectra’s agile development process ensure that the products that are developed actually work in the customer’s daily operations.

Highest customer satisfaction in the world – again

Sectra once again had the highest level of customer satisfaction worldwide for 2015/2016, according to the customer satisfaction survey of users of systems for managing and archiving radiology images (PACS), conducted by the analyst company KLAS. Sectra was named “Best in KLAS” in the US, Europe and globally. The annual survey has been conducted twice outside the US and Sectra has won the global category both times. Sectra has had the most satisfied customers in the US for three consecutive years. Read more:

www.sectra.com/klas

Sectra puts its customers first. Avoiding making promises that cannot be kept, striving to meet or exceed customer expectations and working closely with demanding customers are central aspects of Sectra’s culture. The company also regularly conducts its own customer satisfaction surveys in all markets based on a Net Promoter Score (NPS). These surveys provide important information for achieving high customer satisfaction and continuing to develop as a company.

Customers on Sectra

“Sectra truly listens to their customers, and that results in innovation and continued training to ensure the product is well maintained and high performing. Over the last few years, the other vendors in this category have failed to react to industry needs and be innovative”, says one senior decision-maker in the European healthcare sector.¹

“Stable system, excellent customer support, pleasant employees”, says a Swedish user of Sectra’s medical IT system.²



PACS



PACS



PACS



GLOBAL PACS



GLOBAL PACS

“High level of professionalism, support and a very reliable PACS product” says an Australian user of Sectra’s medical IT system.²

“Very responsive to customer needs and treats challenges as opportunities”, says a Swedish user of Sectra’s secure communications system.²

Sectra's customers select stable, easy-to-use systems for society's most important functions

Continued growth in the US

The large and growing Carilion Clinic healthcare chain, which operates seven hospitals in Virginia, was one of the latest US customers to choose Sectra to supply its IT systems for managing and storing radiology images during the year.



IT services enhance healthcare efficiency in London

In recent years, customers such as Kings College Hospital NHS Foundation Trust, Barts Health NHS Trust and London North West Healthcare NHS Trust in London have entered into long-term service agreements with Sectra for the supply of IT systems for managing radiology images. The major UK healthcare provider Guy's and St. Thomas' NHS Foundation Trust is the most recent addition to the company's list of London-based customers. Using Sectra's IT services, hospitals are able to share patient information and radiology images, which contributed to more efficient care. Even when customers work together with hospitals that use IT systems from other suppliers, they can use Sectra's service to efficiently and securely share images and patient information.



Shared image archive offers major advantages for healthcare providers and patients

All of the Stockholm County Council's healthcare providers use Sectra's IT service for managing and storing radiology information. A shared archive solution makes it easier to collaborate on patient care and for patients to change or use multiple healthcare providers.

IT system for pathologists contributes to faster, higher quality cancer care

During the year, Sectra's new pathology solution was installed at University Hospital Utrecht in the Netherlands and Linköping University Hospital in Sweden (read more on page 20). A digital workflow that allows images to be easily shared facilitates cooperation and communication between pathologists and radiologists, two key components of efficient cancer care.



Long-term confidence from Dutch authorities

As of autumn 2007, all Dutch ministries and the entire Dutch government use Sectra's Tiger solutions for communicating classified information at both the national and international level. The Dutch authorities use Sectra's ecosystem of products at various security levels for voice communication, encrypted data and fax transmissions. Sectra supplies the products as a service that includes all managed services and secure administration, support and customized training for end users.

The year in brief

To follow our progress, subscribe for news:

www.sectra.com/subscribe

» Significant events

Further information about each event is available on the company's website: www.sectra.com/news

First quarter

- Growth in the US thanks to new customer. The major US healthcare chain Carilion Clinic in Virginia ordered Sectra's medical IT system for seven hospitals.
- University Hospital Utrecht in the Netherlands ordered Sectra's IT solution for pathology, making it one of the first hospitals in the world to fully digitize its histopathology operations. Digital pathology is a new area for Sectra and part of the company's focus on medical image management for cancer diagnosis.
- The Norwegian healthcare provider Curato Røntgen AS, one of the largest private healthcare providers in the Nordic region, renewed its agreement with Sectra.
- Green light for delivery of new product. The EU approved the Sectra Tiger/S 7401 secure mobile phone for use at the Secret security level. Sectra is the only company that can offer EU-approved products for secure mobile telephony at this level – the highest level for which a mobile phone has been approved.

Second quarter

- Through a share redemption program totaling SEK 168.8 million, SEK 4.50 per share was distributed to shareholders.
- Sales success continued in the US. University Hospitals Cleveland, a long-standing Sectra customer, expanded its use of Sectra's products through the addition of a storage solution for all types of medical images.
- Acquisition of the Finnish consulting company EXP Analytics Oy, which sells consulting services in the field of information security. The acquisition was part of Sectra's growth initiatives in secure communication.
- Samsung Electronics Co. Ltd. and Sectra announced that they had entered into a technical partnership concerning a secure smartphone for European authorities – a solution that protects communication via phone calls, text messages, data and apps.

Third quarter

- Sectra best in the world in customer satisfaction (read more on [page 6](#)).
- Multiyear agreements signed with Norrbotten County Council in Sweden and the Nordic private care provider Unilabs for Sectra's IT services for managing medical images and patient information. Delivering IT systems as a service generates cost and operating advantages for both customers and suppliers.
- The Swedish healthcare region Östergötland invested in a digital pathology system from Sectra, which could result in shorter waiting times for cancer care.
- Acquisition of RxEye AB, a Swedish company that sells cloud-based IT services for efficient and secure remote viewing of medical images. The company's products complement Sectra's offering of IT services and will strengthen the company's organic growth.

Fourth quarter

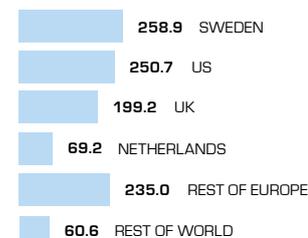
- Growth through the addition of a new customer. The major London care provider Guy's and St. Thomas' NHS Foundation Trust signed a ten-year agreement for Sectra's IT services for managing and storing a number of different types of medical images.
- Two large US healthcare chains – Hartford HealthCare (HHC) and ProMedica – ordered Sectra's archiving solution (VNA) for medical images, film sequences and audio files.
- A new President was appointed for the Secure Communications business area and the operations were expanded through the launch of new IT security services for society's critical functions.

For comments on Sectra's financial performance, refer to the [Administration Report](#) on page 42.

SALES BY SEGMENT SEK MILLION



SALES BY GEOGRAPHIC MARKET SEK MILLION



KEY FIGURES, SEK MILLION	15/16	14/15	13/14	12/13	11/12
Order bookings	1 322.0	1 550.4	925.7	916.0	701.1
Net sales	1 073.6	961.4	853.8	817.0	823.0
Operating profit	165.5	150.3	128.1	85.9	103.5
Profit before tax	154.8	164.4	141.5	86.6	127.9
Earnings per share, SEK	3.35	3.38	2.80	1.68	2.52
Cash flow ¹	185.9	85.0	123.6	191.2	148.6
Dividend/redemption	169.6	168.8	167.7	166.9	185.5
Cash and cash equivalents	239.8	307.1	441.9	536.3	605.8
Debt/equity ratio, %	0.14	0.09	0.07	0.04	0.04

¹ Cash flow pertains to operations after changes in working capital

² 15/16 pertains to the Board's proposal to the 2016 Annual General Meeting.

On course to realizing our vision – with satisfied customers, innovative offerings and achieved financial goals

Sectra has a clear vision when it comes to making the community we live in a better place. We want to help customers operating in some of the most critical societal functions in order to make people's lives safer, healthier and more secure. This is why our vision is to contribute to a healthier and safer society. In the niches where we operate, there is an acute and growing need for Sectra's solutions and services.



I would summarize 2015/2016 as follows: satisfied customers, achieved financial goals and the launch of new product ranges with the ability to contribute added customer value, thus creating considerable future potential. I am particularly proud of the results of our customer satisfaction surveys, all of which confirm one thing – we have satisfied customers thanks to our fantastic employees and the high quality of our products. The work of our employees is a major reason that we are able to generate value for our customers and thus deliver a favorable earnings trend ourselves. This is strategically important for Sectra's long-term success.

» Strategic choices

Potential billion-krona markets

The Group's sales have surpassed SEK 1 billion for the first time and several of our major markets are displaying strong growth. Our largest operation by far is the Imaging IT Solutions business area, where we have both grown organically and acquired a number of small companies and products that have contributed to our growth in recent years. Sectra Customer Financing, our unit for financing major

managed-services agreements, has surpassed our Secure Communications business area to become our second-largest segment in terms of revenue. In addition to our main business units, we also have Business Innovation, our incubator for attractive future projects and home to our research department.

When we start a new business, it must have the potential to achieve SEK 100 million in sales within the foreseeable future, and ultimately to surpass SEK 1 billion in sales. Our most recent initiative focuses on services in the area of IT security for critical infrastructure, which has the potential to generate significant synergy gains with our Secure Communications operations.

New services to reverse negative trend in Secure Communications

Sectra has a strong brand in both medical IT and the highly advanced IT security segment. When it comes to Secure Communications, the company has not performed as well as expected. In April 2016, Simo Pykälistö, CFO and Executive Vice President of Sectra AB, took over as President of Secure Communications. Under his leadership, we are now aiming

to restore our growth and profitability in this area through the launch of analysis and monitoring services for customers in the energy sector, the largest subsegment within critical infrastructure. The players in this area have significant value that must be protected from unauthorized data access. Strengthening IT security in the energy sector is fully in line with our vision of contributing to a healthier and safer society.

Growing in countries where Sectra commands strong market position

As planned, we are primarily growing in markets where Sectra commands a strong market position as well as in the US. In Sweden, the UK and the US, our sales increased more than 10% during the fiscal year. A key factor in our global success is our top ranking in the recent customer satisfaction surveys conducted by the analyst company KLAS.

The market for medical IT systems is driven by a customer need to coordinate their care resources in order to improve their cost efficiency. The global healthcare sector is facing significant savings requirements, resulting in a major wave of con-

solidation, not least in the US. The market trend in the US is currently uncertain, as the upcoming election and potential shift in power could temporarily hamper growth if they result in major changes. Knowing that their circumstances could change, many businesses are waiting to make investment decisions until the situation becomes clearer. The healthcare market in southern Europe has been essentially stagnant for several years and the market has also slowed recently in countries that are dependent on revenues from oil exports, such as Saudi Arabia and Russia.

However, we will not allow this to impact our strategy going forward. Society has a fundamental need for more efficient healthcare and increased IT security – precisely the areas where Sectra can offer its expertise. Our focus is on controlled growth and on being a leader in the areas and regions where our company operates. This strategy is supported by investments in a few carefully selected markets and product areas. Digital pathology and IT security for critical infrastructure are new segments in our business areas. IT support for orthopaedics and systems for medical education are examples within Business Innovation.

Initiating direct sales in France and Finland

Imaging IT Solutions has been active in France through partners since 2006. We are now scaling up our operations through the launch of an office for direct sales of medical IT systems. The French government's recent directive to offer more efficient care through regional cooperation in the healthcare sector is imposing requirements with respect to the consolidation of hospitals' IT systems. We have extensive experience from similar changes in areas such as Scandinavia and the UK, and thus have the right prerequisites to help French healthcare providers in the challenges they are now facing.

In Finland, we have acquired the IT security consultancy company EXP Analytics Oy. The company is part of Secure Communications' newly formed Finnish subsidiary, which conducts direct sales of secure communication systems in the Finnish and Baltic markets.

» Financial performance

All financial goals achieved

I am pleased to announce that we have fulfilled all of the Group's financial goals, despite the fact that not all areas performed as well as expected. A more precise definition has been established for Sectra's growth goal for 2016/2017 (refer to [page 12](#)), since the previous target was open to interpretation.

Multiyear managed-services agreements contribute to stable development

It is becoming increasingly common to deliver medical IT systems as a service since this approach generates cost and operating advantages for both customers and suppliers. Within Secure Communications, we offer equivalent comprehensive infrastructure for secure communication as a service. Resource requirements and

costs during the installation phase are offset by the higher rate of recurring revenue since the contracts are usually long-term, which contributes to a more stable development for Sectra over a number of years.

Several of the acquisitions we have carried out in recent years to strengthen Sectra's organic growth were companies that deliver services. One such example is the Swedish company RxEye (integrated into Imaging IT Solutions), which sells IT services for efficient and secure remote viewing of medical images.

» The future

Focus on cancer diagnostics

Age-related diseases, such as cancer, place significant strain on the healthcare sector. Although the number of cancer cases continues to increase, advances in cancer care are allowing more patients to survive the disease. In many cases, these patients require regular examinations for the rest of their lives, which is contributing to an increased need for diagnostic imaging. Advances in cancer care are also creating more opportunities for customized treatment and quick follow-up of results, so that alternative methods can be used



Crown Princess Victoria presents the prestigious Export Hermes Award on behalf of the Swedish Fund for Export Development. The award is given to companies with stable, growing exports to a large number of countries based on well thought-out marketing activities and resulting in strong profitability. Sectra's award is presented to Torbjörn Kronander along with Marie Ekström Trägårdh, President of the Imaging IT Solutions business area and Executive Vice President of Sectra AB.



Satisfied customers are the key to Sectra's success. Together with some of Sectra's employees, Torbjörn Kronander accepts the award for "Best in KLAS" for the third consecutive year (refer to [page 6](#)). This distinction shows that customers have a high level of confidence in Sectra and the company's ability to help them deliver efficient healthcare of the highest quality.

when needed. An important success factor is integrated diagnostics, whereby a team of medical specialists in various fields make a diagnosis based on several types of examinations. Sectra currently commands a strong position in general diagnostic imaging and through the launch of a system for digital pathology, we can now offer a unique solution for integrated diagnostic imaging. We will gradually add additional features for advanced cancer diagnostics and treatment monitoring.

Higher degree of customization in future healthcare

By monitoring technological advances in our operating environment and new medical methods, we can meet the future needs of our customers, future-proof our offering and identify new business opportunities. One area that could have a major impact on the future of healthcare is big data. Big data refers to the process of retrieving information from the large data sets generated in all digital processes, as well as methods for utilizing this data through machine learning. At Sectra, we are investigating how we can leverage the opportunities created by machine learning in order to help our customers achieve their vision of better, more customized care with shorter

lead times. I am convinced that new, more efficient decision support systems for care personnel will play an important role in the future of healthcare.

Cyber security

The market for cyber security is growing. One factor driving this trend is the rapid increase in the number of systems and units connected to the Internet. Critical infrastructure is a sector where computerized supervisory control and data (SCADA) systems are used to monitor and control industrial processes. Connecting these systems to the Internet offers major advantages, but also entails increased vulnerability and greater risk. The current demand for services and products that offer increased security matches our expertise and capacity within Secure Communications and we can benefit from Sectra's strong brands in security and encryption. Moreover, our new IT security services for customers in critical infrastructure are not limited by the export restrictions that apply to the business area's security-approved crypto products.

Outlook

Our efforts to develop our operations and relationships are long-term in nature.

By managing Sectra's assets responsibly, we can continue to generate value and success for our customers for a long time to come. This is also a prerequisite for generating a favorable long-term performance and return for our owners.

Our order bookings are significantly higher than our net sales and a higher number of customers with managed-services agreements will generate stable revenues over a number of years, which bodes well for the future. The Group's financial position is enabling investments in new markets, product development and future-oriented projects. Thanks to our long-term customer relationships, our focus on high customer satisfaction, our outstanding employees, our high-quality and innovative products as well as our strong financial position, we have the necessary prerequisites to continue delivering solutions that contribute to a healthier and safer society.

Linköping, Sweden, June 2016
Torbjörn Kronander
President and CEO Sectra AB

Goals for stability, profitability and profit growth fulfilled

The Sectra Group's goals and strategies are aimed at building financially sound operations. This provides Sectra with opportunities to create customer value and thereby contribute to long-term growth in shareholder value.

All three financial goals had been met as of the balance-sheet date. Refer to the table below.

In order to clarify the Group's goal for growth, a more precise definition has been established: operating profit per share will grow by at least 50% over a five-year period. The new definition will be applied

from 2016/2017. The previous goal was that operating profit per share would grow by 10% per year, on average, over a five-year period. The term "on average" could be interpreted in different ways. The goal for growth was achieved for 2015/2016 according to both definitions.

Group-wide strategies

- Customers and customer satisfaction in key segments are always assigned top priority in order to enable long-term growth.
- International expansion mainly in areas and regions where Sectra holds an established position. This will primarily be achieved through organic growth, supplemented by acquisitions that also

strengthen the Group's organic growth.

- Expansion into new geographic markets following thorough analysis and at a controlled pace as Sectra achieves strong positions in existing markets.
- Close relationships with demanding customers to ensure that Sectra's solutions meet market demands for quality, functionality and usability.
- A strong, innovative corporate culture to attract and retain talented employees with the ability to solve our customers' problems and meet – and in many cases, to exceed – their expectations.
- Close collaboration with universities and research institutions to capture ideas and new product areas that Sectra's customers may find useful.

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> <tr><th>Year</th><td>11/12</td><td>12/13</td><td>13/14</td><td>14/15</td><td>15/16</td></tr> <tr><th>Value</th><td>69.4</td><td>61.4</td><td>60.7</td><td>56.1</td><td>49.5</td></tr> </table>	Year	11/12	12/13	13/14	14/15	15/16	Value	69.4	61.4	60.7	56.1	49.5	<p>The equity/assets ratio was 49.5%, 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	11/12	12/13	13/14	14/15	15/16									
Value	69.4	61.4	60.7	56.1	49.5									
<p>2. Profitability</p> <p>The operating margin (EBIT margin) is to be at least 15%.</p> <table border="1"> <caption>Operating Margin (%)</caption> <tr><th>Year</th><td>11/12</td><td>12/13</td><td>13/14</td><td>14/15</td><td>15/16</td></tr> <tr><th>Value</th><td>9.9</td><td>10.5</td><td>15.0</td><td>15.6</td><td>15.4</td></tr> </table>	Year	11/12	12/13	13/14	14/15	15/16	Value	9.9	10.5	15.0	15.6	15.4	<p>The operating margin was 15.4%. 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 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 implement growth initiatives that generate a strong long-term return for its shareholders.</p>
Year	11/12	12/13	13/14	14/15	15/16									
Value	9.9	10.5	15.0	15.6	15.4									
<p>3. Growth</p> <p>Operating profit (EBIT) per share is to grow by at least 10% per year, on average, over a five-year period.</p> <table border="1"> <caption>Operating Profit per Share (SEK)</caption> <tr><th>Year</th><td>11/12</td><td>12/13</td><td>13/14</td><td>14/15</td><td>15/16</td></tr> <tr><th>Value</th><td>-1.8</td><td>-7.2</td><td>7.0</td><td>10.7</td><td>20.1</td></tr> </table>	Year	11/12	12/13	13/14	14/15	15/16	Value	-1.8	-7.2	7.0	10.7	20.1	<p>Profit growth amounted to 20.1%. 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 for profit growth puts development for individual shareholders first. A goal of achieving higher sales is not as relevant for the company since the proportion of software, services and deliveries via the Internet increases at the expense of hardware deliveries, for example. The goal is calculated per share in order to include the effects of potential acquisitions paid for with treasury shares. This also places the focus on ensuring that each acquisition results in higher operating profit per share, which is in the fundamental interests of the shareholders.</p>
Year	11/12	12/13	13/14	14/15	15/16									
Value	-1.8	-7.2	7.0	10.7	20.1									

Growing prosperity and aging population place greater demands on healthcare

More than one in five people in Europe and North America are currently over the age of 60 – a number that continues to rise. More than half of all hospital beds are occupied by people over the age of 65. At the same time, the standard of living is improving, which means that more money is being devoted to healthcare. In order to take care of more patients, particularly more elderly patients, healthcare must become more efficient.

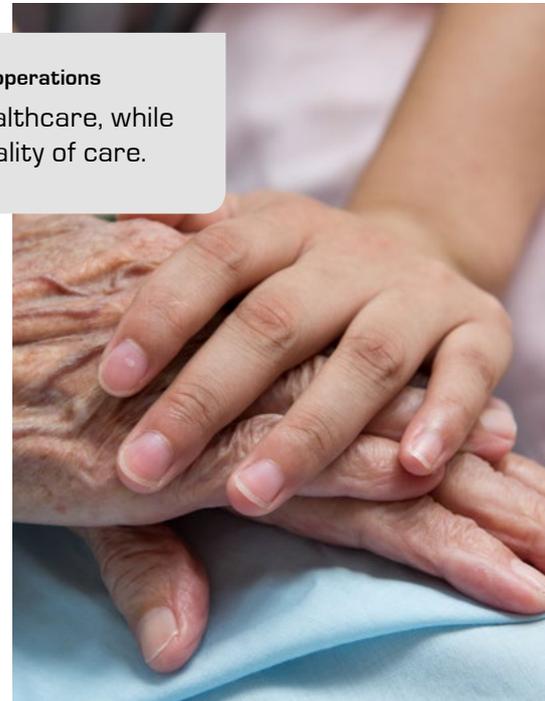
Drivers and trends

- An aging population and greater prosperity require higher capacity and efficiency in healthcare.
- Older people primarily suffer from diseases such as cancer, cardiovascular diseases, neurological diseases and diseases of the musculoskeletal system. The costs for treating these are placing a growing burden on the healthcare sector, making IT solutions that support these areas crucial to reducing costs throughout the healthcare chain.
- An increasing number of national initiatives to shorten lead times in cancer care and to improve the quality of care through the implementation of standardized care pathways. This places higher demands on IT solutions that support increased cross-discipline cooperation and the sharing of information and images.

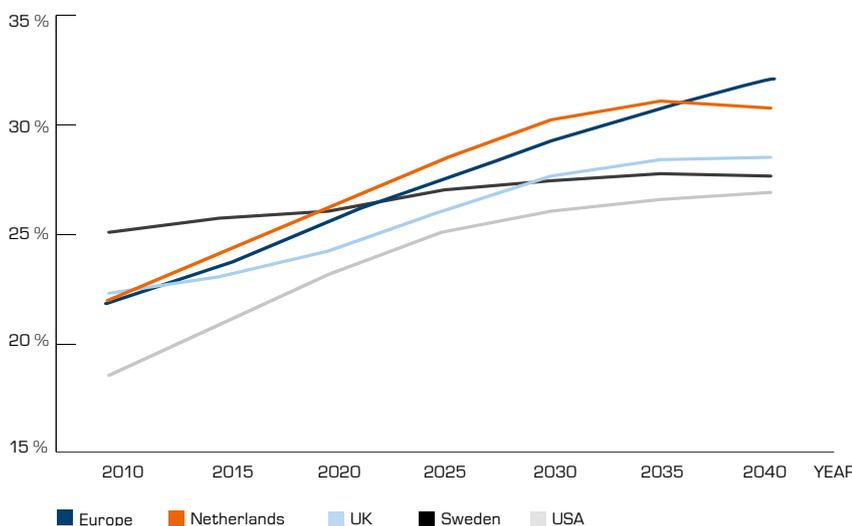
Mission statement for Sectra's medical operations

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

- Higher degree of consolidation and coordination of healthcare resources for increased cost efficiency. This is contributing to a growing need to communicate, archive and present medical imaging data.
- Customers' buying behavior is moving toward purchasing IT systems and software in the form of managed-services 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.



Growing population over the age of 60



This graph shows the growth of the older portion of the population³, which is imposing increased demands on more efficient healthcare.

Growing number of cancer diagnoses

Some 3.2 million⁴ new cancer cases are diagnosed in Europe every year. The corresponding figure in the US is 1.6 million⁵. Demographic changes are contributing to an increase in the number of cancer diagnoses. In the US, for example, the number of cancer cases is expected to grow by more than 20% between 2010 and 2020⁶. Continuous efforts are needed to improve cancer care.

Imaging IT Solutions

» Facts

Number of employees: 470

Product offering

Medical IT systems and services that help customers care for more patients, while retaining or improving the level of quality. The business area's offering includes:

- IT systems for managing, archiving and presenting of all types of medical images and patient information.
- IT systems for operational follow-up 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.
- Flexible delivery models that allow customers to choose, for example, between purchasing systems as traditional system installations, cloud services, or services where Sectra is responsible for the operation of the system.

Customers

Public and private healthcare providers that offer medical imaging services. Customers are normally major production-oriented hospitals, hospital chains and private clinic chains that are growing and being consolidated. These customers require the functionality that Sectra offers in the area of communication, cooperation between hospitals and scalability without disruptions to their existing operations.

Sales channels and geographic presence

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

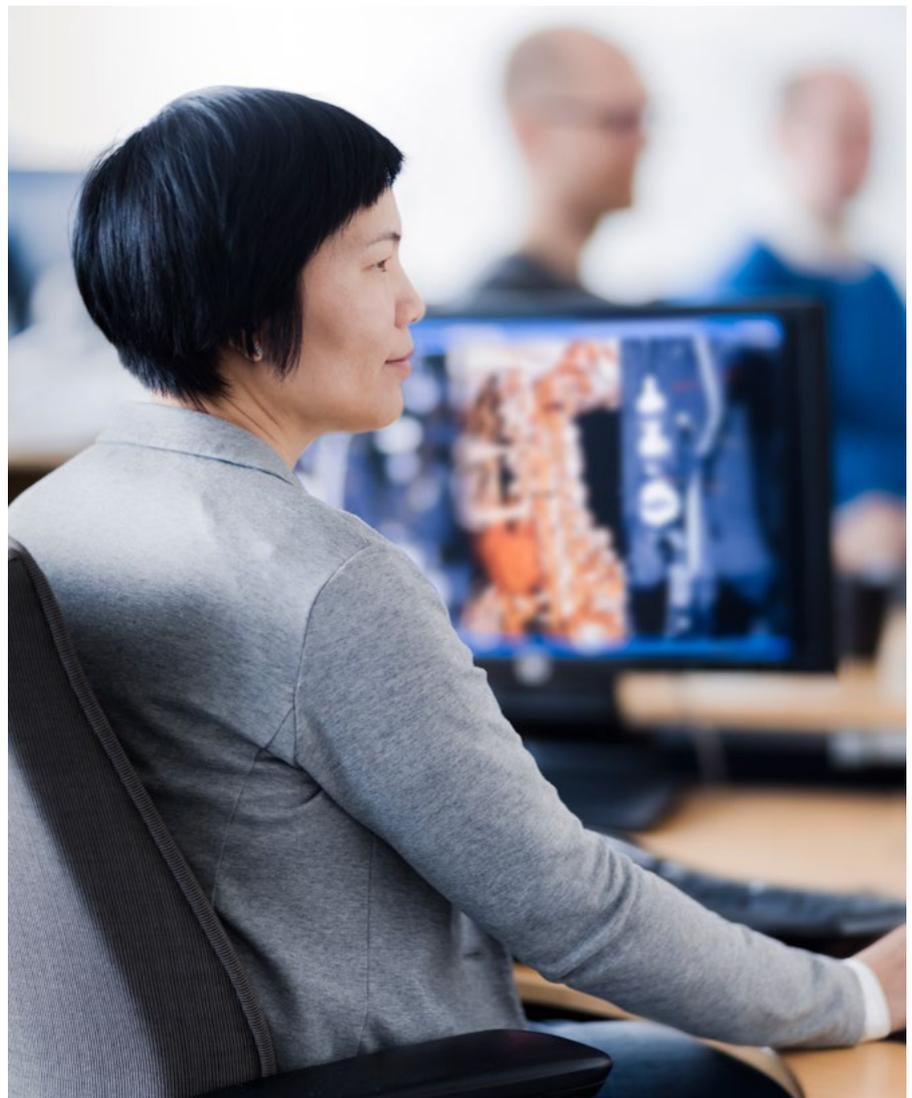
Major competitors

Agfa, Carestream, Fujifilm, General Electrics, Philips and local players in various countries, as well as major IT companies specializing in archiving, such as Lexmark and IBM.

» Where we are headed

The business area's long-term goal is to be a leading provider of complete solutions for the management and communication of all types of medical images, primarily for diagnostic purposes. The operations mainly focus on large diagnostic imaging units,

such as radiology, mammography and pathology, as well as other departments where medical images are used. Improving the efficiency of diagnostics and monitoring in cancer care is a common thread that runs through Sectra's offering.



Lili Ren, a tester in Sectra's development department, working on Sectra's application for vessel analysis. Among other functions, the application, which was launched in 2015, allows radiologists to quickly and easily provide neurologists and surgeons with optimal information for deciding whether a patient requires surgery. www.sectra.com/ar_vessel

» Where we are now

To enable healthcare providers to provide better, faster and more patient-centered care, Sectra offers systems and services for the management and archiving of all types of medical images. 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 customers are able to manage all of their medical images in a consolidated system. Sectra's technology also enables integrated diagnostics, which facilitates collaboration between radiologists and pathologists by allowing images from both diagnostic specialties to be archived and viewed in a single system.

Medical imaging management in cancer diagnosis is a key part of the business area's strategy for the future. Most users are currently active in the fields of radiology and mammography. The use of medical images in other areas, such as pathology, is on the rise, partly as a result of more customers implementing systems for consolidated imaging management for integrated diagnostics.

Sectra is one of the world's leading providers of IT systems for managing medical images and patient information. More than 1,700 healthcare providers worldwide currently use Sectra's systems and services. The company commands a marketleading position in Sweden, Norway, the Netherlands and Portugal, a prominent position in the UK and is growing in the US. Sectra is also the market leader in a number of other countries in the niche of breast imaging management.



What were you most proud of during 2015/2016?

Along with all of Stockholm County Council's healthcare providers, we introduced a shared archive for all radiology images. This makes it significantly easier and more efficient for healthcare providers to access patient images and information regardless of where in Stockholm the patients were treated in the past. This project is directly improving efficiency, thereby enabling more patient-centered care, and is on the cutting edge of technology. Quick and easy access to information and images is an important component of efficient care. Accordingly, this solution will be extremely valuable in the move toward standardized care pathways in Sweden, including cancer diagnostics.

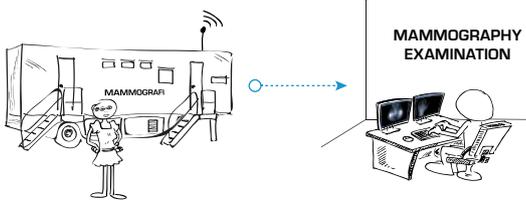
As a result of the investments we have made in connection with the project, we now hold a strong position in the market and are well equipped to meet the growing international demand for this type of solution. We have shown that our broad expertise in medical imaging management and our extensive understanding of care processes and the daily operations of our customers result in solutions that allow customers to deliver more efficient, high-quality care. I believe this makes us hard to beat as a company.

Marie Ekström Trägårdh,
President of Imaging IT Solutions and
Executive Vice President of Sectra AB

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.

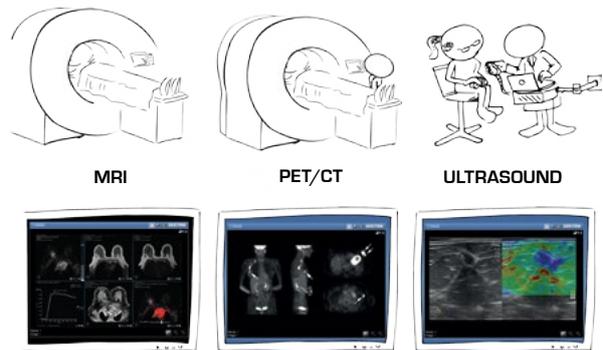


Quick response key in reducing anxiety

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.



MRI

PET/CT

ULTRASOUND

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

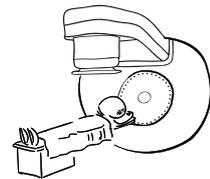
It was decided that Anna would receive a mastectomy, followed by chemotherapy and radiation therapy, and finally, reconstructive surgery. Collecting and structuring data from the different treatments provides clinicians with an instant overview of Anna's status.



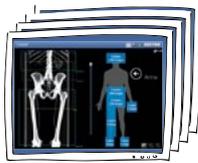
SURGERY



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

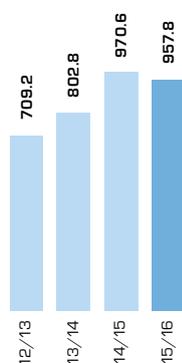
images in a cohesive system. This is key when it comes to providing Anna with the best possible care and making her images and information available to everyone involved in her care team. Cohesive patient data is also erasing the boundaries between various systems, such as RIS, PACS and journal systems. 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.

Following Sectra's top ranking in customer satisfaction surveys, more healthcare providers across the world have become aware of the company's stable products and satisfied customers.

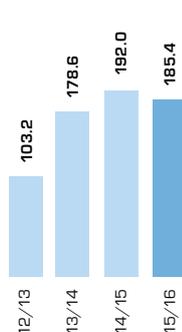
» Financial performance

For comments on the company's financial performance, refer to the **Administration Report** on page 42.

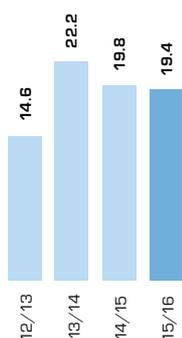
SALES
SEK MILLION



OPERATING PROFIT
SEK MILLION



OPERATING MARGIN
%



» The year in brief

The focus was on further developing existing customer relationships and broadening the product portfolio through the addition of solutions that further optimize customer operations. The business area also intensified its focus on the US market. The company is currently assessing potential new markets for direct sales and has opened an office in France.

Growth bolstered by top ranking in customer satisfaction

Sectra's medical IT system, Sectra PACS, once again topped the most important customer satisfaction survey in the medical technology industry "**Best in KLAS**" (refer to page 6). As a result of the survey, healthcare providers across the world have become increasingly aware of the company's stable products and high level of customer satisfaction. This is particularly true in the US market, where the business area experienced continued success. Agreements were signed with several major customers in the US, including the Carilion Clinic healthcare chain in Virginia, which replaced its existing PACS with Sectra's, and University Hospitals Cleveland, which expanded its collaboration with Sectra by investing in a consolidated archiving solution for all types of medical images.

Customers select IT systems as a service

It is becoming increasingly common to deliver IT systems as a service, since this approach generates cost and operating advantages for both customers and suppliers. Among other customers, Sectra signed multiyear service agreements with the UK healthcare provider Guy's and St. Thomas' NHS Foundation Trust, Stockholm County Council, Norrbotten County Council and private healthcare providers Curato and Unilabs.

First customers in digital pathology – an area with substantial growth potential

Sectra began delivering its IT solution for digital pathology, which was launched in April 2015. The solution is an expansion of the system for radiology imaging management and shares the same IT infrastructure and many of the same functions. Linköping University Hospital and Gävle Hospital in Sweden, as well as University Hospital Utrecht in the Netherlands, are examples of customers that have digitized their pathology departments using Sectra's solution. Digitization creates the conditions for better cancer care. Read more about the benefits of **digital pathology** on page 20.

Growing demand for enterprise-wide archiving (VNA)

Hartford Hospital and Promedica are examples of customers in the US that purchased Sectra VNA – Sectra's archiving solution for all types of medical images. The solution enables healthcare personnel to gain a complete patient overview, which contributes to more efficient and patient-centered care. The orders strengthen the company's position as a supplier of complete solutions for medical images.

Acquisition strengthens customer offering

Sectra acquired the Swedish company RxEye AB, which sells cloud-based IT services for efficient and secure remote viewing of medical images. The company's services are used, for example, by radiology, nuclear medicine and pathology departments. Thanks to the RxEye Cloud service, a network has been established for remote viewing of radiology and pathology images. The company's customers are located in Europe, and more than 2,000 users in Sweden, Norway and France are connected to the network.

» 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.
- Many healthcare providers want to consolidate their IT systems managing images and patient information, which is creating a demand for archiving solutions that can manage all types of medical images (VNA). Thanks to its understanding of care processes and data storage, Sectra has an opportunity to capture a strong position in this product segment.
- 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. To a large extent, 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.
- New types of competitors with major IT companies specializing in archiving attempting to expand into the area of imaging management and previously consolidated deliveries of IT solutions for imaging management being broken down into components ("deconstructed PACS").
- 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** on page 66.

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

Activities:	Can yield a significant positive effect on earnings:
Develop partnerships 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 to long term
Sales of the solution for digital pathology launched in 2015.	Medium term
Greater internal efficiency. Partly by establishing a service-oriented organization that can support the sale of cloud solutions and increased centralization to ensure optimal utilization of the company's specialist expertise.	Medium term
Increased customer satisfaction by continuously measuring and monitoring customer opinions about Sectra's support and products.	Medium to long term
Continued product development and broadening of the product portfolio. Special focus on medical imaging management in cancer diagnosis, an area that is a key part of the business area's strategy for the future.	Long term

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

Digitization of pathology at Linköping University Hospital contributing to more efficient cancer care

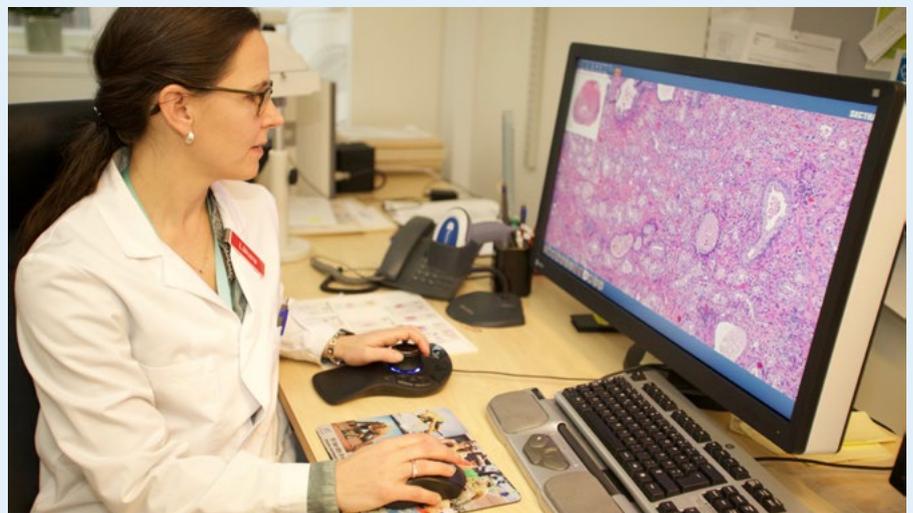
While Europe – and particularly Scandinavia – is at the forefront of the transition to digital management of microscopic images, so far only a few hospitals have introduced digital technology. Linköping University Hospital in Sweden is home to one of the first digital pathology departments in the world.

Aging populations and the need for more specialized cancer diagnostics are creating major challenges for pathology departments in many countries. There is a shortage of pathologists and significant need for cross-hospital cooperation in order to gain access to expertise. Digitizing the management of microscopic images would be an important change that could improve the efficiency and quality of cancer care. This could lead to shorter waiting times for test results and increased patient security thanks to higher-precision diagnoses.

Tools for increased efficiency and review quality

Linköping University Hospital began its digital journey in 2010 and has been a driving force behind a Swedish research project in the field of digital pathology since 2012. The hospital's pathology department began implementing Sectra's IT solution in autumn 2015, and all 20 pathologists working in Linköping will have the opportunity to review examinations digitally. Using computer technology, the pathologists have access to new tools to support their diagnostic work, ensuring higher quality reviews. All tissue sample slides are scanned and stored digitally in Sectra's system. The number of scanned slides is rapidly approaching one million, making it the largest clinical collection of digital pathology slides in the world. The images are always available through a central archiving solution, making it easier to review examinations remotely and discuss them with other experts – something that can be crucial in complex cancer cases.

Anna Bodén, senior physician and pathologist at Linköping University Hospital, has played a key role in the



Anna Bodén, senior physician and pathologist at Linköping University Hospital. Photographer: Andreas Hiis, EIZO Nordic.

project. She shares her experiences of working digitally:

“I read all my cases digitally and feel very comfortable doing so. Sectra's solution is fast, easy to use and very stable, which is vital when reviewing large volumes, and quick answers are crucial to good cancer care. It is clear that the solution was developed in close cooperation with pathologists. Since we now have access to all patient data digitally, we have completely eliminated the need to manually search for physical glass slides. At the same time, being able to quickly review and compare with older images improves the quality of the diagnostics.”

“Sectra's solution not only simplifies the pathologist's reviews but also facilitates better cooperation between the various physicians and departments involved in the care of cancer patients. Digitization has enabled Linköping University Hospital to dramatically improve its efficiency and flexibility with respect to preparing for

and carrying out multidisciplinary cancer rounds, during which various medical specialists meet to discuss patient cases.”

www.sectra.com/ar_pathology

The market for digital pathology

- In the short term, Sectra expects the growth rate to increase gradually as the individual markets mature.
- Europe, particularly the Netherlands and Scandinavia, is at the forefront of the transition to digital technology.
- In the US, digital technology for primary pathology diagnostics has not yet been approved by the Food and Drug Administration (FDA), but considerable progress has been made in the process.
- Competitors include Philips, General Electrics and a number of minor suppliers.

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 Sectra's 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.

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 extent. In the long term, the business units in Business Innovation are to be managed in one of the following ways:

- Form a new business area once the unit has become profitable and accounts for approximately 10 % of the Group's sales.
- Be integrated into an existing business area. This occurred, for example, when digital pathology was transferred to Imaging IT Solutions due to the major synergies identified.
- Be sold to an external party if this proves to be the best solution from a financial standpoint. This occurred, for example, with the business area for low-dose mammography products, which was divested in 2011. Sectra also sold a number of patents in summer 2015.
- Be discontinued if the unit does not offer sufficient potential.

» Where we are now

Business Innovation is the Group's incubator for future product areas that do not naturally fit in with the product development of the existing business areas. 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 can lead to a better quality of life for the individual, increased customer value and cost savings for healthcare and society.

Business Innovation currently comprises only medical projects, but may be expanded to include projects in other areas in the future. In certain cases, the projects are profitable business units with existing customers that need to grow a bit before becoming a business area of their own. The projects must be able to generate a profit within seven years. The solutions offered by Sectra through Business Innovation are increasingly being delivered online as cloud services.



» Facts

Number of employees: 29

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, universities and other institutions engaged in medical education.

Sales channels

Own sales organization and partners, such as Zimmer Biomet 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 Osteo-
porosis business unit

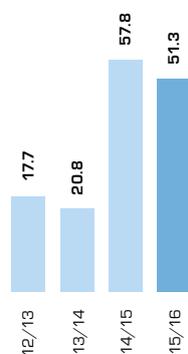
Hanna Eriksson,
head of the Orthopa-
edics business unit

Claes Lundström,
Research Director
Medical Systems

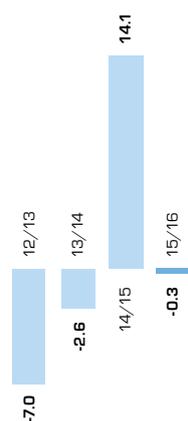
» Financial performance

For comments on the company's financial performance, refer to the **Administration Report** on page 42.

SALES
SEK MILLION



OPERATING EARNINGS
SEK MILLION



» The year in brief

3D trauma surgery for orthopaedic surgeons – a growth area

In May 2015, Sectra launched a new planning tool that allows orthopaedists to use 3D images to quickly diagnose and plan treatment, for example, in cases of acute trauma. Customers in the UK and Germany purchased and began using the tool during the year. Read more on [page 25](#).

Increased sales in medical education

Sales of Sectra's visualization table and accompanying cloud-based education portal increased in several markets. Sectra also carried out its first installations in such countries as Brazil, Chile and Finland.

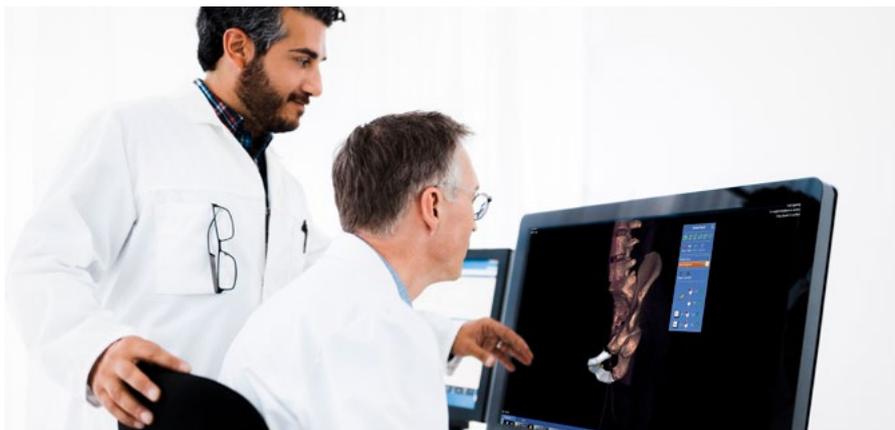
Expansion through partner sales remains an important strategy and new agreements were signed with additional resellers. Sectra launched a new table model with the latest touch technology, making it even better suited to interactive medical education and training.

New patents granted

Patent applications are submitted continuously for innovations developed by Sectra in research and development projects. Three new patents were granted during the year.



Sectra's visualization table is used to teach 3D planning to future orthopaedists. Sectra's technology makes it easier for students to discuss an injury, the treatment options that exist and the best way of planning a surgery. Watch a video about Sectra's offering for medical education at www.sectra.com/ar_mededu



» Orthopaedics

The market for orthopaedics

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 surgeries⁷ are carried out annually worldwide, and this number is expected to rise sharply due to the aging population. In addition, more than 50 million fractures occur worldwide every year, mostly due to trauma caused by accidents, falls and activity-related injuries. As a result, more than eight million surgeries are performed annually⁸. 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 unit offers IT systems for image-based planning and monitoring of orthopaedic surgery – for example, knee, hip and trauma surgery. Using 2D and 3D medical images (refer to the customer case on page 25), measurement tools and a library of more than 75,000 implant templates, orthopaedic surgeons can diagnose and 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 prepared for each surgical procedure decreases. This reduces inventory costs and increases capital efficiency.

Sectra's solutions for orthopaedic surgeons are sold as a cloud-based service and as a traditional software installation. The business unit is currently a market leader in Scandinavia in this niche, commands a strong market position in several other countries, including the UK and the Netherlands. The business unit is also making excellent progress in the US.

The way forward

- Grow in the countries where the business unit 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, preferably through collaboration with implant suppliers.
- Grow in the trauma segment through sales of the planning tool using 3D images. Primarily through extended collaboration with existing customers.

» Osteoporosis

As of May 1, 2016, this area was incorporated into the Orthopaedics business unit, forming a single business unit for products and services related to skeletal diseases and injuries, which is expected to generate certain synergy effects.

Preventive and profitable care to reduce suffering

Osteoporosis is one of the world's most costly and painful diseases. For Sweden and the five largest European countries combined, the estimated costs of osteoporotic fractures are EUR 30 billion per year (approximately SEK 277 billion)⁹. This is partly due to the fact that 80%¹⁰ 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 methods that facilitate early diagnosis of the disease. By integrating early osteoporosis diagnosis into existing healthcare flows, the costs incurred by society for care and aftercare for osteoporotic fractures could be reduced significantly.

Using Sectra's analysis method – Sectra OneScreen – bone density can be measured with a simple X-ray image of the



Mammography clinics in 12 countries have now introduced Sectra's method and more than 18,000 women with a higher risk for osteoporotic fractures have been identified to date.

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. Together with a private care provider in Sweden, Sectra launched the network and website checkmybones.se. Private people can use the website to easily book a bone density examination, which is then performed by an affiliated private clinic.

The way forward

The goal is to 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, which is why, in parallel with this long-term work, the business unit 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 and bodily functions, as well as variations between individuals, and better knowledge of more unusual cases in the early stages of their medical education. Sectra offers software for a range of image viewing platforms, such as visualization tables¹¹, tablets, projectors and 3D printers. The offering includes a cloud-based education portal that gives the user access to images from actual patient cases from other universities and institutions using Sectra's solution. Customers include universities and other institutions engaged in medical education. To date, Sectra's solution has been used by healthcare personnel and veterinarians in

more than 30 countries in Europe, North America, South America, China, the Middle East and South-East Asia. Sales are primarily conducted through partners.

The way forward

- Expand Sectra's education portal through the addition of new case studies and increase the number of active users.
- Grow in key markets, such as the US and China.
- Expand into new markets by continuing to establish a qualified network of distributors.

» Research

Sectra's research department conducts and participates in projects to produce clinical evidence for existing technology as well as to create new products – all in an effort to boost the company's long-term business value.

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. As a result of this project, pathologist reviews can now be streamlined and become more efficient. The project is now focused on implementing previously developed innovations in clinical operations – for example, computer support for workflow and diagnostic processes, such as the time-consuming task of cell counting. Technology for educational and quality control purposes is also being evaluated.

Following its acquisition of RxEye, Sectra is now participating in the ExDIN project (Exchange of Diagnostic Images in Networks). ExDIN is a large-scale Swedish project aimed at establishing a national pathology network based on digital images. The current shortage of pathologists is creating bottlenecks in many cancer pro-



cesses, resulting in prolonged lead times. Accordingly, it is crucial that the expertise and capacity of existing pathologists can be utilized more effectively, not only when it comes to diagnostics but also for training pathologists. This research project aims to establish the technology and processes needed to communicate with relevant experts, regardless of where in Sweden they are located.

The research department is also working on solutions that combine the company's advances in visualization and image analysis (how the computer identifies and quantifies various aspects in images) with groundbreaking human-computer interaction (how the physician controls and adjusts the computer results). These solutions have been incorporated in new product versions in both pathology and orthopaedics.



6 researchers, four of whom divide their time between Sectra and various universities.



Approximately 10 research projects.



Some 30 patents.

Orthopaedic surgeons provide better patient care using unique 3D planning

As the population ages, the number of orthopaedic surgeries increases. This is particularly true of fractures caused, for example, by accidents, falls and osteoporosis. At the same time, patient expectations have changed and people increasingly expect to make a full recovery after surgery. Sectra's new IT system makes it possible to plan surgeries using 3D images, an innovation that is revolutionizing the work of orthopaedic surgeons and could result in better surgery results.

For patients, 3D planning of orthopaedic surgery offers several advantages:

- Improved diagnostics and treatment plans.
- Better understanding of the actual injury, which can improve rehabilitation.
- Shorter surgery time.

Planning crucial to the end result

Solutions for digital surgical planning play a crucial role when it comes to meeting the demand for increased efficiency and improved precision during orthopaedic surgery. When diagnosing complicated fractures, computer tomography is often used in order to create a 3D visualization of the images. In the past, however, there was no planning system available to utilize

these 3D images, making it impossible for orthopaedic surgeons to plan surgery of complex fractures.

To help its customers tackle this challenge, Sectra performed a customer survey in 2014 to investigate orthopaedic surgeons' needs regarding 3D visualization. The investigation provided valuable feedback and Sectra began developing a new service in close cooperation with orthopaedic surgeons from a number of countries. The result was a system containing functions that provide orthopaedic surgeons with new possibilities for efficient surgery planning.

"Our 3D system is going to revolutionize the way in which orthopaedic surgeons visualize and manipulate bone fragments prior to surgery, says Hanna Eriksson, head of Sectra's Orthopaedics business unit. The system has the potential to improve both efficiency and quality of care, since a well-prepared surgeon usually encounters fewer surprises during surgery. When a surgery is well planned, orthopaedic surgeons spend less time in the operating room, which also reduces costs."

3D planning offers major advantages

2D planning is limited in many ways. For example, there may be bone fragments that aren't visible in the 2D image but could affect the surgery. The orthopaedic surgeons must be able to mentally transfer information from the 2D image to the 3D reality since it is not possible to examine the damaged joint area. Sectra's 3D planning solution simplifies this process. Mr Nima

Heidari, Consultant trauma and orthopaedic surgeon at The Royal London Hospital in the UK, has started using the product and can testify to the major advantages offered by 3D planning.

"These solutions improve operative planning of fractures of irregularly shaped bones, such as those of the foot and pelvis, as well as periarticular fractures. They are also an excellent tool for trainee orthopaedic surgeons and medical students, and in the dialog with patients."

The market for planning orthopaedic surgery using 3D images

- More than eight million surgeries due to fractures – caused by trauma such as accidents, falls and activity-related injuries – are performed globally every year. This represents significant market potential for IT systems and services that can streamline logistics and facilitate the planning and monitoring of orthopaedic procedures. The market is growing as a result of population growth.
- In the area of orthopaedics, Sectra competes with such companies as Orthoview, Brainlab and Hectec, which offer 2D planning systems.



Video on the advantages of 3D planning filmed in cooperation with The Royal London Hospital. www.sectra.com/ar_3dortho

The security market

Increased vulnerability among critical social functions resulting in stricter information security requirements

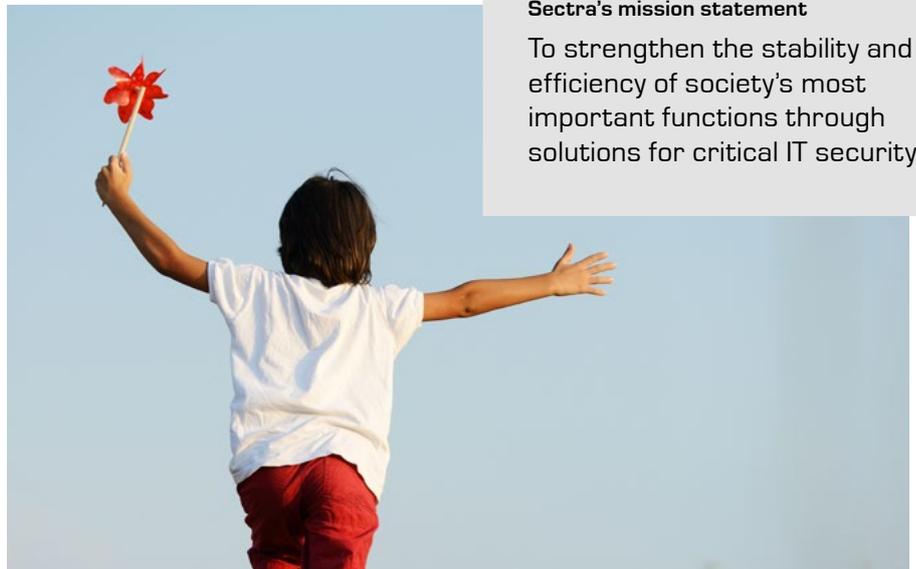
The ability to safely and efficiently transmit sensitive information is central to the stability and security of society, particularly when it comes to critical social functions and infrastructure or government contacts. Sectra has extensive experience of protecting society's most critical communication and is a strong brand in the area of encryption and secure mobile communication. IT developments in society, political instability in the world and the growth of cybercrime are contributing to a greater need for Sectra's expertise and product offerings, including in new market segments.

Drivers and trends

- Information that was previously stored on desktop computers only and therefore relatively protected has now been moved to mobile devices. While this offers the user the advantage of increased flexibility, it also represents major security-related challenges for companies and organizations.
- Eavesdropping on telephone calls and messages is relatively easy and inexpensive, which poses a threat, for example, to government authorities.
- The growing use of IT and connection of products and IT systems to the Internet are contributing to efficiency enhancements in society and simplifying people's everyday life. At the same time, these advances mean that society and individuals are more vulnerable to human error, technical faults, unauthorized data access and virus attacks. This is resulting in stricter information security requirements.
- Increased threat of cyber-attacks and sabotage against critical social infrastructure. This is contributing to a demand for security services that enable rapid action to be taken in the event of security incidents, thereby avoiding the major expenses that could arise due to a disruption.

Communication solutions approved by independent security authorities

For government agencies and defense departments, the ability to transfer information can be a matter of national security or life and death. The demands



Sectra's mission statement

To strengthen the stability and efficiency of society's most important functions through solutions for critical IT security.

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 how sensitive information is to be handled and the potential damage that its disclosure could cause. Sectra's offering includes approved communication solutions for all security levels.

The market for secure mobile communication

Most of Sectra's revenue from the security market currently comes from security-approved communication solutions and customer-specific development projects.

Due to export restrictions in the crypto industry, these types of sales are directed exclusively at customers in the European market. Customers are restrictive with information about crypto equipment and planned investments. As a result, no relevant external market research is available. 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.

The market for IT security solutions for critical infrastructure

For a description, refer to [page 31](#).

Secure Communications

» Where we are headed

The business area's long-term goal is to be a leading provider of solutions for critical IT security. Sectra mainly focuses on government agencies, defense departments and society's critical operations. Ensuring that these players can execute their tasks in a secure manner creates an open, safe and stable society.

» 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 has the experience and knows what is required to meet the most high-level security standards while also satisfying organization and end-user demands on high flexibility and mobility.

New market segment

The business area has extensive experience of performing the threat and security analyses required for crypto products. This knowledge can be transferred and applied to customers using supervisory control and data acquisition (SCADA) systems within so-called critical infrastructure. One such example is the energy sector, where Sectra is in the unique position of being able to offer solutions that allow customers to better leverage the opportunities presented by new technology without increasing their



exposure to risks. The company's critical infrastructure operations are still in the establishment phase but show considerable potential. Read more on [page 31](#).

» The year in brief

While the focus during the year was on activities to help restore the business area's profit level, activities to broaden the business area's offering to include new customer segments had a negative impact on operating profit. Nor were the ongoing efforts to boost the company's international sales sufficient to entirely compensate for the declining sales to its principal customer in Sweden. A key step toward continued expansion in Sweden, the Netherlands and other countries where Sectra has an established customer base was to obtain security approvals for newly developed products. These will ultimately help to reduce the business area's dependency on the company's principal customer in Sweden, where the market situation for encryption systems has been weak for several years.

EU approves Sectra Tiger/S 7401

The EU approved the new generation of the Sectra Tiger/S 7401 secure mobile phone for use at the Secret security level.

» Facts

Number of employees: 64

Product offering

Solutions and services that ensure the secure and effective transfer of sensitive information. Sectra's offering includes:

- 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.
- Security and threat analyses in society's critical operations.
- Monitoring services for control systems in society's critical operations.
- Customer-specific development projects and services.
- Training and support.

Customers

- Authorities and defense departments that handle classified or sensitive information. Many customers are subject to regulations stipulating that their products must be approved by an independent security authority for handling classified information.
- Operations in society's critical infrastructure, such as energy supply.

Sales channels and geographic presence

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 in Finland, where a subsidiary was formed during the year. Due to export restrictions in the crypto industry, sales of security-approved communication systems are directed exclusively at customers in the European market.

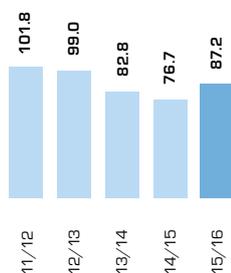
Major competitors

Advenica, Cryptify, Tutus, Thales, Rohde & Schwarz, Secunet, Fox IT and Selex Communications.

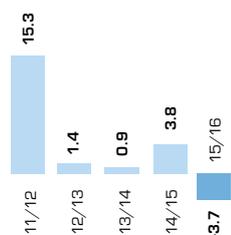
» Financial performance

For comments on the company's financial performance, refer to the **Administration Report** on page 42.

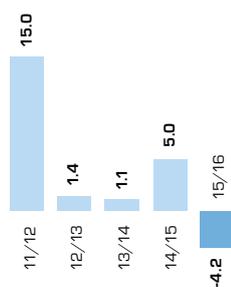
SALES
SEK MILLION



OPERATING PROFIT
SEK MILLION



OPERATING MARGIN
%



» The year in brief, cont.

Partnership with Swedish energy company to increase security

The business area broadened its product offering through the addition of services for monitoring and security analyses for customers in the critical infrastructure sector. This offering has been developed in partnership with a company in the Swedish energy sector.

Expansion in Finland through acquisition

The business area acquired the Finnish consulting company EXP Analytics Oy, which sells consulting services in the field of information and cyber security. The company specializes in preparing strategies and solutions for public authorities in Finland. The acquisition strengthened Sectra's presence in a market with favorable growth potential in the area of security solutions and services.

Partnership with Samsung concerning secure smartphone for European authorities

Samsung KNOX, a solution for information and data leak protection, has been integrated into Sectra's solution for secure smartphone calls, resulting in a more complete solution for handling, storing and communication sensitive information on Samsung's smartphone androids. This new generation of Sectra Tiger/R has been deployed by several European authorities and defense organizations.

New president takes over in April 2016

Simo Pykälistö, CFO and Executive Vice President of Sectra AB, was appointed as the new President of the business area. In recent years, Simo has amassed knowledge in the security field by participating in the business area's international expansion and acquisitions.



What were you most proud of during the year?

As the new President, I am incredibly proud to see the trust in Sectra's expertise and solutions that our employees have built up. Being entrusted to help protect another nation's most sensitive information, which is often a matter of national security, is an enormous task to be given and we need to manage this trust carefully. We are prepared to expand into new customer segments where our expertise in IT security is required by leveraging this trust and the Sectra brand. Given the capacity for change displayed in the business area, I look forward to driving our business development in order to ignite the company's growth.

Simo Pykälistö, new President of Secure Communications and CFO and Executive Vice President of Sectra AB

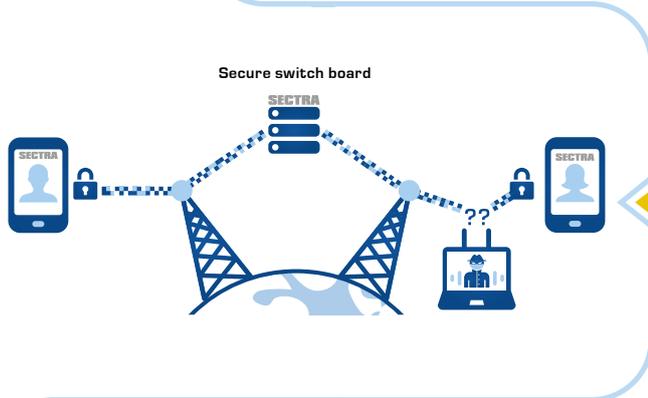
Keep communicating for a more secure world

This is John. He works at the Ministry of Foreign Affairs and 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

When John is informed about the attack, he immediately contacts the embassy in the attacked country to get a quick update. John deals with highly sensitive information and eavesdropping must be avoided at all times. Secure encrypted communication technology is essential for him.



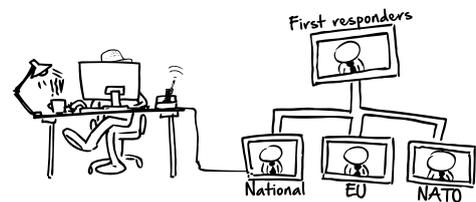
End-to-end encryption

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.

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, coming through only as a random noise.

Presence and availability

National security protocols are immediately put into effect. John needs to call various people to discuss the situation and to coordinate actions. A group of experts is sent to the attacked country to help in the investigation. Based on this new intelligence, heightened security measures are put in place for several assets. John instructs and informs various local authorities. It is a major advantage for John that the solution he uses easily can switch between multiple security domains and security levels. Thanks to Sectra, John can use just one device to connect with all his counterparts.



A few weeks after the attack the terror alert level is reduced. Using Sectra's secure communication solutions, approved by the EU and NATO, John was able to keep his calls secure and classified.

» 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, is growing very quickly. As experts with extensive experience and certified products in secure communications, Sectra is ideally positioned to play a central position in this market.
- Investments in security are increasing in private enterprise and critical infrastructure due to shifting political stability across the globe and the attention surrounding major eavesdropping incidents and cyber attacks. This is creating the right conditions to continue expanding the business area's operations into customer segments that could benefit significantly from Sectra's crypto technology and expertise in cyber security.

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** on page 66.



A film team documents Sectra's smartphone solution – Sectra Tiger/R with Samsung KNOX – which protects the user against eavesdropping and violations. Watch the video at www.sectra.com/ar_tiger

Focus on offering customers stable, accessible and easy-to-use solutions for critical IT security.

Activities:	Can yield a positive effect on earnings:
Increased sales of security-approved communication solutions in the Netherlands, Finland and the rest of Europe due to the company's offering of a complete system concept with solutions for various security levels and the ability to handle multiple security domains (groups of uses with a regulatory right to access classified information) in a single unit, which simplifies user management.	Short to medium term
The partnership with Samsung is paving the way to further develop Sectra Tiger/R in order to enable the company's operations to be expanded into new customer segments for government authorities and private businesses.	Medium to long term
Grow in the area of critical infrastructure by offering security and threat analyses and system monitoring services for critical operating and control systems. Primarily focusing on the energy sector in the Nordic region.	Medium to long term

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

Improved IT security for energy companies

Within the energy sector, IT systems for monitoring and controlling industrial processes are used in a wide range of applications. These systems are becoming increasingly dependent on external information and connected with internal and external networks. This development is contributing to improved efficiency but also making the systems themselves more vulnerable. With its new analysis and monitoring services, Sectra has entered the growing market for IT security in the area of critical infrastructure. Sectra's services are like an immune defense for energy companies' operating and control systems.

Modern society is dependent on the safe and reliable operation of its critical infrastructure. Interruptions in the operating environment – for example, in electricity production and distribution – can lead to significant disruptions in society, resulting in major financial consequences.

Today's threats are invisible

Without adequate monitoring of operating and control systems, a lot can happen in a network without the operator noticing. Only when the threat is activated does the security problem become visible.

In February 2016, Swedish Supreme Commander Micael Bydén stated that the number of attacks on defense and industrial targets is on the rise¹². This is a global trend and the increasing number of threats and attacks is raising risk awareness and driving investments in IT security.

One of the most notable events in the area of cyber security in the energy sector was the systematic series of attacks against the energy industry in Ukraine over the 2015 Christmas holidays. These attacks left 230,000 subscribers without power for a couple of hours. This type of attack is often very well planned and the parties behind the violation have usually managed to plant software that passively waits for an attack. The software is then used, for example, to send malicious code to the systems, retrieve information or send out information under a false name.

Immune defense for operating and control systems

Sectra's new analysis and monitoring services can be compared to an immune defense that protects energy companies' operating and control systems (ICS/SCADA) against disruptions due to cyber-

threats, technical faults or human error. The monitoring systems react and alert the operator when a deviation in the system occurs. The alarm activates automatic and/or manual measures in the same way the body's immune system produces antibodies to eliminate a threat. Like the human immune system, Sectra's systems can also change and adapt and thus do not become locked into specific, known vulnerabilities.

The market for IT security solutions for the energy sector

- Annual sales in the Nordic market for IT security in the energy sector, which is Sectra's initial focus, are estimated at nearly SEK 2 billion (EUR 200 million). According to Sectra's assessment, the market potential for the types of services and security solutions offered by the company in this area amounts to approximately 25% of the market.
- Sales of IT security solutions in the area of critical infrastructure are not limited by the same approval processes and export restrictions as crypto products.
- So far, there is no competitor with as clear a niche as Sectra in the critical infrastructure sector or an offering of both IT security products and monitoring services for this segment. Sectra mainly competes with companies offering general data security services, such as Saab Combitech and other major consulting companies.



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 brand in the area of information security and medical IT. Given the fact that customer confidence is a critical success factor, Sectra has always prioritized stable, long-term growth over rapid, high-risk expansion.

Data security became Sectra's first niche area in 1978, when 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 remains a valuable source of knowledge for Sectra and many of the company's most prominent employees have been recruited from the institute.

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 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 was 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 data security 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.



1987

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.



1999

THEN Sectra delivers telephones to the Swedish Armed Forces, which became the first organization in the world to use encrypted mobile communications.

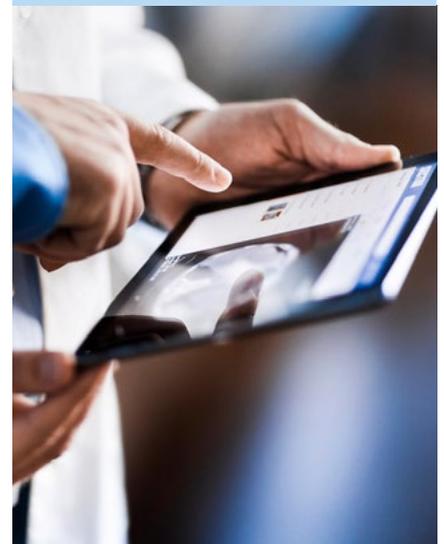
NOW Customers in more than half of all countries in Europe protect their classified information using Sectra's products.



1993

THEN Sweden's first film-free radiology department, using Sectra systems, is opened in Mjölby. Images are sent to the hospital in Motala via the telephone network.

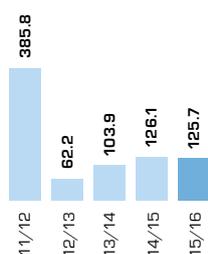
NOW More than 1,700 hospitals worldwide use Sectra's medical products and approximately 75 million radiology examinations are managed using Sectra's systems each year.



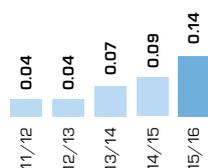
Five-year summary

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

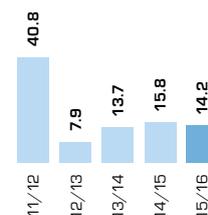
NET PROFIT FOR THE YEAR
SEK MILLION



CASH AND CASH EQUIVALENTS



DEBT/EQUITY RATIO AND
RETURN ON TOTAL CAPITAL
%



2015/2016

More healthcare customers in the operational phase results in increased sales, earnings and cash flow

Continued organic growth, mainly in the US, the UK and Norway. Order bookings continued to exceed net sales by an ample margin. Two companies were acquired and the market for Sectra's secure communications operation was expanded through the launch of IT security services for the energy sector. Increased cash flow and all financial goals were achieved. The Board of Directors proposed that SEK 169.6 million be transferred to the shareholders through a share redemption program.

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, the US and Norway. 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 company transferred SEK 168.8 million to the shareholders.

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.

» Strategic acquisitions and divestments

Sectra has grown both organically and through acquisitions. The company's first acquisition was carried out in 1995. Over the years, Sectra also divested various smaller operations. Most recently in 2011, Sectra divested the operation for development and sales of the low-dose mammography product MicroDose Mammography, an innovation that halved the radiation doses delivered during mammography examinations.

Acquisitions over the past five years

Year	Company	Country	Business area
2015	RxEye AB	Sweden	Imaging IT Solutions
2015	EXP Analytics Oy	Finland	Secure Communications
2015	it-mark ApS	Denmark	Imaging IT Solutions
2012	Product rights for radiation dose monitoring system	Sweden	Imaging IT Solutions
2012	Burnbank Ltd	UK	Imaging IT Solutions

Amounts in SEK thousand unless otherwise stated. For a definition of key figures, see page 68.	2015/2016	2014/2015	2013/2014	2012/2013	2011/2012 ¹
Sales, earnings and order bookings					
Net sales	1 073 560	961 392	853 796	816 954	823 090
Annual growth	11.7	12.6	4.5	-0.7	5.0
Depreciation	-51 492	-42 324	-45 590	-45 955	-43 389
Impairment	0	0	-18 972	0	0
Operating profit (EBIT)	165 517	150 294	128 072	85 866	103 465
Average annual growth in operating profit per share over five years, %	20.1	10.7	7.0	-7.2	-1.8
Growth in operating profit per share over five years, %	124.1	28.5	7.8	-42.5	-24.5
Profit after financial items (EBT)	154 768	164 416	141 464	86 554	127 855
Net earnings for the year from remaining operations	125 697	126 077	103 858	62 246	92 848
Profit from discontinued operations ²	0	0	0	0	292 967
Net profit for the year	125 697	126 077	103 858	62 246	385 815
Order bookings	1 321 968	1 550 397	925 716	916 022	701 157
Profitability					
Gross margin, %	20.2	20.0	22.6	16.1	17.8
Operating margin, %	15.4	15.6	15.0	10.5	12.6
Profit margin, %	14.4	17.1	16.6	10.6	15.6
Return on total capital, incl. discontinued operations, %	14.2	15.8	13.7	7.9	40.8
Return on working capital, incl. discontinued operations, %	24.2	25.1	21.1	11.6	59.7
Return on equity, incl. discontinued operations, %	21.7	20.6	16.3	8.6	58.0
Value added, SEK million	687.4	626.1	548.1	502.1	488.9
Funding and working capital					
Working capital, SEK million	620.6	667.7	661.3	691.8	822.0
of which, goodwill	64.0	46.8	40.2	46.1	0.0
of which, other intangible and tangible fixed assets	236.0	178.8	133.2	125.7	119.3
Liquidity ratio, multiple	1.9	2.2	2.7	2.6	3.4
Solvency, %	49.5	56.1	60.7	61.4	69.4
Debt ratio	0.14	0.09	0.07	0.04	0.04
Investments, SEK million	108.7	63.9	54.6	76.2	31.1
Cash flow					
Cash flow from operating activities	163 838	165 639	159 836	133 634	153 545
Operating cash flow	185 853	85 039	123 632	191 216	148 580
Cash flow from investing activities	-108 668	-63 931	-54 633	-76 206	-31 103
Cash flow from financing activities	-146 626	-154 288	-158 059	-182 697	-173 042
Cash flow for the year	-69 441	-133 180	-89 060	-67 687	395 530
Employees					
No. of employees, average	587	546	523	527	500
No. of employees at fiscal year-end	625	565	536	528	502
Sales per employee, SEK million	1.8	1.8	1.6	1.6	1.6
Value added per employee, SEK million	1.2	1.1	1.0	1.0	1.0
Data per share					
Dividend per share/redemption ⁵ , SEK	4.50	4.50	4.50	4.50	5.00
Dividend yield, %	4.1	3.8	5.8	8.4	11.6
Earnings per share, SEK	3.35	3.38	2.8	1.68	2.52
Earnings per share incl. discontinued operations ² , SEK	3.35	3.38	2.8	1.68	10.47
Earnings per share after dilution ⁴ , SEK	3.29	3.31	2.73	1.65	2.46
Earnings per share after dilution incl. discontinued operations ^{2,4} , SEK	3.29	3.31	2.73	1.65	10.23
Cash flow per share, SEK	4.96	2.28	4.31	3.6	4.17
Cash flow per share, incl. discontinued operations, SEK	4.96	2.28	4.31	3.6	3.34
Cash flow per share after dilution ⁴ , SEK	4.85	2.23	4.19	3.53	4.05
Cash flow per share after dilution incl. discontinued operations ^{2,4} , SEK	4.85	2.23	4.19	3.53	3.24
Equity per share, SEK	14.55	16.44	16.49	17.94	21.37
Equity per share after full dilution ⁴ , SEK	14.23	16.01	16.05	17.55	20.77
No. of shares at fiscal year-end ³	37 503 335	37 271 017	37 094 978	37 094 978	36 842 088
Average number of shares	37 483 975	37 256 347	37 094 978	37 052 830	36 842 088
Share price at fiscal year-end, SEK	110.75	119.5	77.75	53.00	43.00
P/E ratio, multiple	33.0	35.3	27.8	31.5	17.1

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 refer 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 loans issued in 2015/2016 (213,012), 2014/2015 (153,329), 2013/2014 (245,797), 2012/2013 (170,570) and 2011/2012 (55,703).

⁵ 2015/2016 refers to the redemption program proposed by the Board of Directors.

Sectra remains strong despite weak stock exchange trend

On the basis of a strong financial position and solid cash flow, the Board of Directors proposes that the 2016 Annual General Meeting resolve to transfer SEK 169.6 million to shareholders. This proposal corresponds to a direct return of 4.1% 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 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 2015 Annual General Meeting (AGM) resolved to transfer SEK 4.50 per share, a total of SEK 168.8 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 2016 AGM resolve to transfer SEK 4.50 per share, totaling SEK 169.6 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 16, three weeks prior to the AGM on September 6, 2016.

On April 30, 2016, the equity/assets ratio was 49.5% and should the AGM resolve on a share redemption program in accordance with the proposal, the comparable equity/assets ratio will amount to 40.3%. 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 4,153 million
Number of shareholders: 5,503

Analysts

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

Carnegie, Kristofer Liljeberg

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

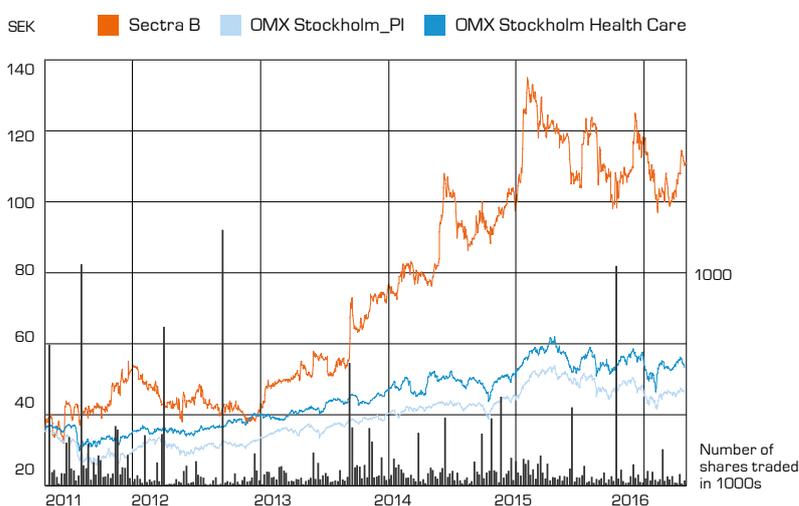
Remium, Christian Lee

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

Share price performance

Sectra's success is not reflected in its share price. The share fell 7.3% to a share price of SEK 110.75 (119.50) on the balance-sheet date. However, the share outperformed the Stockholm Exchange's Total Index, which fell 10.6% during the same period. The number of shares traded was 3.2 million (3.9), corresponding to a turnover rate of 0.09 times (0.11).

Five-year share price performance



» Share capital development and number of shares

Date	Transaction	Change in share capital	Total share capital	Total no. of shares
May 1, 2015	Opening balance		37 271 017	37 271 017
June 17, 2015	New share issue - redemption of convertibles	232 318	37 503 335	37 503 335
Sep 30, 2015	Share redemption program - 2:1 split	0	37 503 335	75 006 670
Oct 30, 2015	Share redemption program - share redemption	-18 751 667.50	18 751 667.50	37 503 335
Oct 13, 2015	Share redemption program - stock dividend	18 751 667.50	37 503 335	37 503 335
Apr 30, 2016	Closing balance		37 503 335	37 503 335

The total number of shares outstanding on the balance-sheet date was 2,620,692 Class A shares and 34,882,643 Class B shares. One Class A share confers ten votes, while one 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, visit

www.sectra.com/sharecapital

» Ownership structure



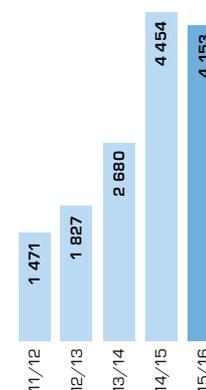
The number of shares comprises direct shareholdings and holdings through related parties at April 30, 2016. For current holdings, see www.sectra.com/shareholders

Shareholders	Class A shares	Class B shares	Capital	Votes
Torbjörn Kronander	465 620	2 580 484	8.1%	11.8%
Jan-Olof Brüer	465 622	2 576 104	8.1%	11.8%
Shannon AB ¹	600 154	186 253	2.1%	10.1%
Nordea Investment Funds	0	6 184 010	16.5%	10.1%
Frithjof Qvigstad	262 866	1 902 519	5.8%	7.4%
IF Skadeförsäkring AB	0	4 183 155	11.2%	6.8%
Viiveke Fåk	221 700	1 088 150	3.5%	5.4%
Robert Forchheimer	202 203	1 178 104	3.7%	5.2%
Ingemar Ingemarsson	221 347	150 999	1.0%	3.9%
SEB Investment Management	0	2 191 269	5.8%	3.6%
Fourth Swedish National Pension Fund	0	1 986 443	5.3%	3.2%
Thomas Ericson	136 329	298 197	1.2%	2.7%
Norges Bank	0	1 121 442	3.0%	1.8%
DnB Carlson Fonder	0	840 038	2.2%	1.4%
Skandia Fonder	0	438 573	1.2%	0.7%
15 largest owners	2 575 841	26 905 740	78.6%	86.2%
Other owners	44 851	7 976 903	21.4%	13.8%
Total	2 620 692	34 882 643	100%	100%

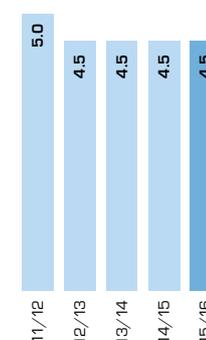
¹ Shannon AB is owned jointly by Torbjörn Kronander and Jan-Olof Brüer.

Source: Euroclear and the Swedish Financial Supervisory Authority's Insider Register.

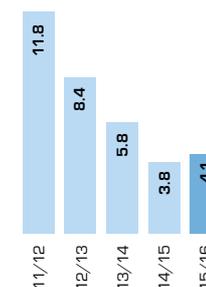
MARKET CAPITALIZATION
SEK MILLION



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, 2016. Torbjörn Kronander and Jan-Olof Brüer's holdings include 50% of holdings through a legal entity owned jointly. For current holdings, see www.sectra.com/board_of_directors. For information about matters addressed by the Board in 2015/2016, refer to the Board's Corporate Governance Report www.sectra.com/corporate_governance

Carl-Erik Ridderstråle

Chairman of the Board
Remuneration Committee Chairman



Torbjörn Kronander

Board member
President and CEO of Sectra AB



Anders Persson

Board member
Member of the Audit Committee



Born/Elected	Born 1942/Elected 2001/Chairman since 2007	Born 1957/Elected 1988/Employed since 1985	Born 1953/Elected 2004
Sectra holdings	95,094 Class B shares and convertibles corresponding to 130,685 Class B shares	765,697 Class A shares, 2,673,611 Class B shares and convertibles corresponding to 144,076 Class B shares	16,673 Class B shares and convertibles corresponding to 23,058 Class B shares
Board fees 2015/2016	SEK 370,000	SEK 0	SEK 205,000
Board member's independence	Independent in relation to the company, management and the company's major shareholders	One of the company's largest shareholders with 16.9% of the votes and 9.2% of capital	Independent in relation to the company, management and the company's major shareholders
Education	Licentiate of Science (Technology)	PhD (Technology), Master of Business Administration, officer in the Naval Reserve	Doctor of Medicine, PhD in Medicine, 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, Trätappor 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, Shannon AB and others, member of the Royal Swedish Academy of Engineering Sciences	Board member of the Center for Medical Image Science and Visualization (CMIV), the National Supercomputer Center at Linköping University and others

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	765,699 Class A shares, 2,669,231 Class B shares and convertibles corresponding to 110,209 Class B shares	Sectra holdings	0
Board fees 2015/2016	SEK 185,000	Education	Authorized Public Accountant
Board member's independence	One of the company's largest shareholders with 16.9% of the votes and 9.2% of capital	Other posts	President of Grant Thornton Sweden AB, member of the Board of Grant Thornton International Ltd
Education	PhD (Technology), Master of Business Administration, 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
Chairman the Audit Committee

**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 2,328 Class B shares	5,000 Class B shares and convertibles corresponding to 9,731 Class B shares	2,858 Class B shares and convertibles corresponding to 2,901 Class B shares
Board fees 2015/2016	SEK 225,000	SEK 205,000	SEK 185,000
Board member's independence	Independent in relation to the company, management and the company's major shareholders	Independent in relation to the company, management and the company's major shareholders	Independent in relation to the company, 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 of Biotage AB. Previously Chief Financial Officer of Karo Bio AB, Affibody AB and Global Genomics AB, Investment Banking Advisor at 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 Intenia AB
Other posts	Board member of Medcap AB	Board member of Industrifonden, Scandinova and others	Executive chairman of the Board of House of Ports Group, Board member of several KTH Chalmers Capital portfolio companies

Deborah Capello

Board member
Employee representative

**Fredrik Häll**

Board member
Employee representative

**Bengt Hellman**

Deputy
Employee representative

**Anna Forsberg**

Deputy
Employee representative



Born/Elected	Born 1970/Elected 2014/ Employed since 2004	Born 1978/Elected 2013/ Employed since 2004	Born 1980/Elected 2015/ Employed since 2014	Born 1984/Elected 2015/ Employed since 2014
Sectra holdings	300 Class B shares	Convertibles corresponding to 1,656 Class B shares	0	0
Education	Master of Science in Electrical Engineering and Applied Physics, Master of Science in Business Administration and Economics	Master of Science in Media Technology and Engineering	Master of Science in Information Technology	Master of Science in Applied Physics and Electrical Engineering
Position	Roll-out Manager, Imaging IT Solutions business area	Chief Architect, Imaging IT Solutions business area	Software Developer, Imaging IT Solutions business area	Release Project 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, 2016. Torbjörn Kronander's holdings include 50% of holdings through a legal entity owned jointly with Board member Jan-Olof Bråer. For current holdings, see

www.sectra.com/senior_executives

Torbjörn Kronander

President and CEO of Sectra AB,
Board member



Simo Pykälistö

President of Secure Communications
business area, Chief Financial Officer and
Executive Vice President of Sectra AB



Marie Ekström Trägårdh

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



Born/Employed	Born 1957/Employed since 1985/ Board member since 1988	Born 1972/Employed 2003	Born 1961/Employed 1996
Sectra holdings	765,697 Class A shares, 2,673,611 Class B shares and convertibles cor- responding to 144,076 Class B shares	27,500 Class B shares and convertibles corresponding to 22,093 Class B shares	34,894 Class B shares and convertibles corresponding to 15,304 Class B shares
Education	PhD (Technology), Master of Business Administration, officer in the Naval Reserve	Master of Science in Business and Economics	Bachelor of Science in Systems Science and IT
Previous professional experience/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 other 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, Shannon AB and others, member of the Royal Swedish Academy of Engineering Sciences		Board member of Swedish MedTech

Jakob Algulin

General Manager
Medical Education business unit



Maria Bolin

General Manager
Osteoporosis business unit



Hanna Eriksson

General Manager
Orthopaedics business unit



Born/Employed	Born 1975/Employed 2001	Born 1979/Employed 2012	Born 1967/Employed 2005
Sectra holdings	Convertibles corresponding to 6,087 Class B shares	550 Class B shares	3,810 Class B shares and convertibles corresponding to 1,043 Class B shares
Education	Master of Science in Industrial Engineering and Management	PhD (Applied Physics)	Master of Business Administration
Previous professional experience/assignments	General Manager Osteoporosis business unit, Sales and Marketing Manager Or- thopaedics business unit and other senior positions in Sectra's medical operation	Account Manager Sectra's Osteoporosis business unit and research in sports medicine	Various senior positions at Johnson & Johnson AB
Other posts	Member of the Program Committee for Industrial Economy, Linköping University	Member of the Swedish Research Council's Committee for National Coordination of Clinical Research	Board member of the Swedish ICT Group

Per Andersnäs

Vice President Operational
Excellence & IT

**Lisa Everhill**

Market Communication and
Investor Relations Manager

**Claes Lundström**

Research Director Medical Systems



Born/Employed	Born 1962/ Employed 1997	Born 1979/ Employed 2006	Born 1973/ Employed 1997
Sectra holdings	0	556 Class B shares and convertibles corresponding to 647 Class B shares	8,442 Class B shares and convertibles corresponding to 6,831 Class B shares
Education	Master of Science in Computer Technology	Master of Business Administration	PhD (Technology)
Previous professional experience/assignments	Product Development Director Imaging IT Solutions business area and other senior positions in Sectra's medical operation	Other senior positions in Sectra's medical operation	Product Development Project Manager and other senior positions in Sectra's medical operation
Other posts			Assistant Professor, Center for Medical Image Science and Visualization (CMIV)

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, 2015 to April 30, 2016. 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 announced the publication of the year-end report for the 2015/2016 fiscal year on May 31, 2016 at 8:00 a.m. through a press release and the report was published on Sectra's website. The publication of the complete Annual Report will be announced in a press release and the report will be published on the website on June 30, 2016 at 11:00 a.m.

Corporate governance

Management and control of the 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. These documents are available on the Group's website www.sectra.com/corporate_governance together with other information about corporate governance at Sectra.

» 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, Sectra Customer Financing and Other Operations. Other Operations refer to the head office's functions for Group finances, IT, regulatory affairs, market communication and investor relations activities.

The Group has its head office in Sweden and a number of subsidiaries with offices in 14 countries across Europe, North America and Australia. Refer to **Note 12** for further information. The company's products and services are also sold in cooperation with partners and distributors in some 30 countries worldwide. Sectra's classified crypto solutions are sold exclusively to customers in Europe.

Acquisitions in 2015/2016

Sectra carried out the following acquisitions during the fiscal year:

- On September 30, 2015, Sectra acquired the Finnish company Exp Analytics Oy. The company sells consulting services in the field of information security. Its operations are included in Sectra's financial statements for the Secure Communications business area.
- On December 30, 2015, Sectra acquired the Swedish company RxEye AB, which sells cloud-based IT services for efficient and secure remote viewing of medical images. The company is included in Sectra's financial statements for the Imaging IT Solutions business area.

As of the end of the 2015/2016 fiscal year, the Danish company it-mark ApS is included in Sectra's financial statements for the Imaging IT Solutions business area. The company was acquired on April 30, 2015. Refer to **Note 13** for further information about the acquired companies.

» Significant events

Events in 2015/2016

- The Group achieved all of its financial goals.
- Through a share redemption program totaling SEK 168.8 million, SEK 4.50 per share was distributed to shareholders.
- Users of systems for managing and archiving radiology images (PACS) once again gave Sectra a top ranking in the 2015/2016 customer satisfaction survey carried out by the analyst company KLAS. Sectra PACS was named "Best in KLAS" in the US, Europe and globally.
- Sectra began delivery of its IT solution for digital pathology, which is included in the company's offering in the field of medical imaging management for cancer diagnosis. Linköping University Hospital in Sweden and University Hospital Utrecht in the Netherlands are examples of customers that ordered Sectra's solution.
- The company grew in the US. Multiyear agreements were signed with major customers such as Carilion Clinic, Hartford HealthCare, ProMedica and University Hospitals Cleveland.
- A new President was appointed for the Secure Communications business area and the operations were expanded through the launch of new IT security services for critical infrastructure.
- The EU approved the new generation of the Sectra Tiger/S 7401 secure mobile phone for use at the Secret security level.

For more details about these individual events, refer to

www.sectra.com/news

Events after the balance-sheet date

- The Board and the President propose that the AGM resolve to distribute SEK 4.50 per share to the shareholders through a 2:1 share split in combination with a mandatory redemption process. No ordinary dividend is proposed.
- Mr. Mats Franzén is appointed CFO of Sectra AB and will assume his new role in the autumn 2016. He succeeds the former CFO, who was appointed President of Sectra's Secure Communications business area in April 2016. Mr. Franzén joins Sectra from engineering company HTC Group and he has extensive experience from executive positions in the finance, audit and IT departments of various companies with international operations. Mr. Franzén will be a member of Group management.

» Outlook

The world needs more efficient healthcare and increased security in society's communication and IT systems. Sectra plays a key role in meeting the needs in both of these areas, which also offer significant scope for expansion. The company's order bookings are significantly higher than its net sales and a higher number of customers with managed-services agreements will generate stable revenues over a number of years, which bodes well for the future. The Group's financial position is enabling investments in new markets, product development and future-oriented projects. Thanks to its long-term customer relationships, focus on high customer satisfaction, dedicated and highly competent employees, high-quality and innovative products, and strong financial position, Sectra has the necessary prerequisites to continue delivering solutions that contribute to a healthier and safer society.

» Financial overview

Consolidated sales and earnings

	2015/2016	2014/2015	CHANGE, %
Order bookings, SEK million	1 322.0	1 550.4	-14.7
Net sales, SEK million	1 073.6	961.4	11.7
Operating profit, SEK million	165.5	150.3	10.1
Operating margin, %	15.4	15.6	-
Net financial items, SEK million	-10.7	14.1	neg
Profit/loss before tax, SEK million	154.8	164.4	-5.8
Profit margin, %	14.4	17.1	-
Profit/loss after tax, SEK million	125.7	126.1	-0.3
Earnings per share, SEK	3.35	3.38	-0.9
Cash flow per share, SEK	4.96	2.28	118

The Group's order bookings continued to exceed net sales by a significant margin. However, as expected, order bookings in the UK were considerably lower than in the comparative period. Many UK healthcare providers procured new medical IT systems in 2014 and 2015, which contributed to Sectra's high order bookings in the preceding fiscal year. The largest increase in order bookings during the fiscal year was reported by Sectra's operations in the US and Norway (which is included in Rest of Europe). Order bookings in these markets rose more than 50%.

Net sales rose 11.7%. This increase was mainly attributable to Sectra's operations for financing multiyear managed-services agreements with customers in the healthcare sector. The financing business has grown and now accounts for 11.1% of the Group's sales. The Secure Communications business area also reported sales growth. Geographically, Sectra's operations in the US, the UK and Rest of Europe reported the highest growth compared with the preceding year. Growth in Rest of Europe mainly pertained to increased sales in Denmark – where Sectra acquired a company in 2015 – Norway and Germany. In Sweden, Sectra reported a certain degree of improvement after the dip in the preceding fiscal year, which was due to a decline in orders for encryption systems from the Swedish principal customer in Secure Communications. Refer to Note 1 for further financial information by segment and geographic market.

The figures recognized for the comparative period include the following nonrecurring items:

	2014/2015
Sale/licensing of patents (net sales)	16.3
Bonuses (personnel costs)	-6.0
Total nonrecurring items 2014/2015	10.3

Excluding the non-recurring items in the year-earlier period, comparative sales growth was 13.6%.

Sales-related Group eliminations amounted to a negative SEK 187.1 million (neg: 257.8) and mainly pertained to Group-financed managed-services agreements with customers in the Imaging IT Solutions business area. Within Imaging IT Solutions, most of the revenue and earnings from Group-financed managed-services agreements is recognized in conjunction with installation and deployment at the customer's site, which was the main reason for the increase in Group eliminations during the preceding fiscal year. The deployments in 2014/2015 and higher number of customers deploying the company's systems in 2015/2016 contributed to increased revenue from end customers, resulting in a decrease in eliminations. As projects move to the operational phase, they contribute to a stable long-term trend since, at Group level, Sectra's external revenues and earnings are recognized over the duration of the managed-services agreement, which is normally five to ten years.

Operating profit increased 10.1% compared with the year-earlier period. The operating margin was 15.4% (15.6), which is higher than the Group's target level (refer to [page 12](#)). Excluding the nonrecurring items in the comparative period, operating profit rose 18.2%. This increase was mainly due to a large number of customer projects in the Imaging IT Solutions business area transitioning from the installation phase to the operational phase. However, operating profit continued to be adversely impacted by the earnings trend in the Secure Communications business area as a result of the focus on new product areas and international expansion.

The Group's net financial items amounted to an expense of SEK 10.7 million (income: 14.1). Currency fluctuations had a negative impact of SEK 10.5 million (pos: 14.9) on the Group's financial items. Changes in the British pound (GBP) accounted for the largest currency effects.

Cash flow and financial position

Sectra has a strong cash balance and balance sheet. At the end of the reporting period, the Group's cash and cash equivalents amounted to SEK 239.8 million (307.1) after adjustment for exchange-rate differences. During the fiscal year, Sectra distributed SEK 168.8 million (167.7) to shareholders through a share redemption program. The Group's interest-bearing liabilities totaled SEK 75.0 million (55.9) and pertained to convertible loans held by employees and Board members. The equity/assets ratio was 49.5% (56.1).

The Group's cash flow from operations after changes in working capital amounted to SEK 185.9 million (85.0). The comparative period includes the aforementioned patent sale of SEK 16.3 million. This change is mainly attributable to increased invoicing and external revenue pertaining to Group-financed customer projects as a result of more projects entering the operational phase. Cash flow per share amounted to SEK 4.96 (2.28) for the fiscal year.

Cash flow from investing activities was a negative SEK 108.7 million (neg: 63.9) for the period. These investments mainly pertain to assets in long-term Group-financed customer projects and development projects. The Group's total cash flow was a negative SEK 69.4 million (neg: 133.2) and the figures included Sectra's share redemption program for shareholders.

Investments, depreciation and amortization

Investments during the fiscal year amounted to SEK 108.7 million (63.9). Investments primarily pertained to customer projects in the Group's financing activities and capitalized development costs. Depreciation/amortization for the period amounted to SEK 51.5 million (42.3).

Hardware-related investments in Group-financed customer projects during the period amounted to SEK 43.0 million (37.1). At the end of the period, the net carrying amount for Group-financed customer projects totaled SEK 145.5 million (62.1).

Sectra's development costs for standard products are capitalized as intangible assets in the balance sheet. Capitalization of development costs during the period amounted to SEK 33.8 million (32.2). Customer-related costs for the development of new products and features are included in project costs and recognized in profit and loss. Amortization of capitalized development projects during the period amounted to SEK 13.6 million (14.5). At the end of the period, capitalized development costs totaled SEK 85.5 million (65.2).

Sectra invests 10-15% of its 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. Direct research expenditures are not material and, accordingly, are not recognized separately.

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. Scandinavia, the US, the UK and the

Netherlands are the business area's largest markets. Read more about the business area on [page 14](#).

In 2015/2016, Imaging IT Solutions' sales amounted to SEK 957.8 million (970.6), down 1.3%. The preceding fiscal year included large nonrecurring effects in the UK, where several major customer installations were deployed late in the comparative period. At the business area level, most sales and earnings from managed-services agreements are recognized in conjunction with installation and deployment at the customer's site. This is also reflected in the business area's positive sales trend in the early quarters of 2015/2016 following the completion of installations at the premises of major customers that had signed multiyear managed-services agreement. Managed-services agreements handled by the Group's financing business (refer to Sectra Customer Financing below) are eliminated at the Group level, with sales and earnings instead distributed over the duration of the customer contracts. Operating profit declined 3.4% to SEK 185.4 million (192.0). This change was the result of the transition to service sales and an increase in the proportion of multiyear managed-services agreement, which do not have an immediate impact on sales and earnings. The earnings trend was affected by the business area's future focus on areas such as digital pathology.

Business Innovation

Business Innovation includes business units in the areas of medical education, orthopaedics and osteoporosis diagnosis as well as a research department. Read more on [page 21](#). After the balance-sheet date, the company carried out a reorganization, merging the Osteoporosis business unit and Orthopaedics business unit to form a single business unit for products and services related to skeletal diseases and injuries.

In 2015/2016, Business Innovations' sales amounted to SEK 51.3 million (57.8), with an operating loss of SEK 0.3 million (profit: 14.1). The change in sales and earnings was attributable to the fact that the figures for the comparative period include the sale and licensing of patents, which had a positive impact of SEK 16.3 million on the sales trend. The sale pertained to patents resulting from research activities that had not been utilized by Sectra itself. However, Sectra retained a perpetual right to use the patents in its own products. This type of patent transaction constitutes a nonrecurring effect and is unlikely to happen again. Excluding the nonrecurring item, the segment's sales rose 25.1%.

Secure Communications

The Secure Communications business area offers products and services for secure voice and data communications and the protection of society's most sensitive IT infrastructure. Customers include government authorities, companies in critical social sectors and defense organizations. Sweden and the Netherlands comprise the business area's largest markets. In the short and medium term, the business area will remain dependent on its relationships with Swedish authorities and defense customers. The market situation in Sweden remains weak. When and how Swedish customers decide on product orders is thus important to the performance of the business area. Demand for crypto products from customers in other European countries is favorable. Read more about the business area on [page 26](#).

In 2015/2016, Secure Communications' sales increased 13.7%

to SEK 87.2 million (76.7). This increase was mainly attributable to sales to international customers, including orders from several new customers as well as deliveries of additional orders to Swedish customers. The business area reported an operating loss of SEK 3.7 million (profit: 3.8), which was charged with activities to broaden the business area's offering to include new customer segments and expand into new geographic markets as well as costs related to the change of President. These activities are an important part of the company's ongoing efforts to restore profitable growth in the business area. In the long term, the investments could help to reduce the company's dependency on its principal customer in Sweden, where the market situation for encryption systems in the Secret segment has been weak for several years.

Sectra Customer Financing

This segment comprises Sectra's unit for financing major managed-services agreements with healthcare customers and asset management. In 2015/2016, the operations' sales increased 67.2% due more customers entering the operational phase. As projects move to the operational phase, they contribute to a stable long-term trend at Group level, where external revenues and earnings are recognized over the duration of the managed-services agreement, which is normally five to ten years. The operations accounts for 11.1% of the Group's net sales and are thus recognized as a separate segment as of 2015/2016 (refer to [Note 1](#)).

Other Operations

This area encompasses Sectra's joint functions for administration, Group finances, marketing communication, IT, regulatory affairs and investor relations activities. The figures for the comparative year have been restated as a result of the separate recognition of Sectra Customer Financing, which was previously included in Other Operations, as an independent segment as of 2015/2016.

Sales from Other Operations rose 5.6% during the period. The operating loss for the period improved to SEK 9.0 million (loss: 20.2). Earnings in the comparative period were charged with investments in the Group's IT operations and employee bonuses totaling SEK 6.0 million.

Parent Company

The Parent Company, Sectra AB, includes the operating segments Business Innovation and Sectra Customer Financing as well as the head office's functions for Group finances, IT, regulatory affairs, market communication and investor relations activities.

Sales in the Parent Company totaled SEK 95.6 million (99.9) for the period. The comparative figures for the fiscal year include a nonrecurring item that had a positive impact of SEK 16.3 million on sales and operating profit. The Parent Company reported an operating loss of SEK 6.9 million (loss: 4.1) for the fiscal year. Profit after net financial items amounted to SEK 60.8 million (83.1). Net financial items include anticipated dividends and other dividends from subsidiaries in an amount of SEK 62.0 million (80.0). Currency fluctuations had an adverse impact of SEK 0.1 million (pos: 2.9) on financial items for the period. For more information, please refer to the following income statements, balance sheets, accounting policies and notes.

Seasonal variations

Sectra's seasonal variations entail that most of the company's invoicing and earnings are traditionally generated at the end of the fiscal year. However, these seasonal variations have diminished somewhat in recent years since a major portion of sales is derived from pay-per-use or pay-by-month agreements with long durations. The equalization effect resulting from long-term managed-services agreements that are financed within the Group does not impact the business areas; instead it is essentially managed through the Parent Company's financing activities. The variations in order volumes in individual quarters can be substantial when customers sign extensive, multiyear agreements with the company, for example, for medical IT projects or for the development of encryption systems.

» The share

On the balance-sheet date, Sectra's share capital totaled SEK 37,503,335 distributed among 37,503,335 shares. Of these shares, 2,620,692 were Class A shares and 34,882,643 were Class B shares. All shares carry equal rights to the company's assets and earnings. One Class A share confers ten votes, while one Class B share confers one vote. After the balance-sheet date, holders of convertibles redeemed convertibles (2011/2016 and 2012/2016 programs) totaling SEK 9.0 million, corresponding to 182,770 Class B shares. Accordingly, Sectra's share capital at the time the Annual Report was published amounted to 37,686,105, distributed between 37,686,105 shares. Of these shares, 2,620,692 were Class A shares and 35,065,413 were Class B 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 should control of the company change through public purchase offers.

Major shareholders

On the balance-sheet date, Sectra had 5,503 shareholders. 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 the company Shannon AB represents 16.9% of the voting rights.
- Jan-Olof Brüer, who directly and indirectly through family members and the company Shannon AB represents 16.9% of the voting rights.
- Nordea Investment Funds represents 10.1% of the voting rights.

Dividend/share redemption program

The 2015 Annual General Meeting decided to distribute SEK 4.50 per share, totaling SEK 168.8 million, to the shareholders through a share redemption program. The redemption process was conducted during September-October 2015. No ordinary dividend was paid.

For 2015/2016, the Board and the President propose that the Annual General Meeting resolve that SEK 4.50 per share, totaling SEK 169.6 million, be distributed to the shareholders through a share redemption program. No ordinary dividend is proposed.

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. Employees redeemed convertibles (2011/2015 programs) totaling SEK 9.0 million, corresponding to 232,318 Class B shares. Sectra has also redeemed 90,500 employee stock options (2012/2015 program) through a cash settlement, totaling SEK 5.5 million, issued to employees in North America.

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 2012/2016 convertible program.

Full conversion and exercise of the issued incentive programs would increase the number of shares by 838,411, corresponding to 2.2% of the share capital and 1.4% of the votes.

Authorization

The 2015 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.

Board's statement concerning the proposed repurchase of the company's own shares

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

Guidelines for remuneration to senior executives

In accordance with the guidelines prepared by the Board, the 2015 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 2016 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.

Corporate responsibility

Sectra endeavors to improve society – while maintaining favorable profitability – by helping to make it healthier and safer. Acting responsibly with respect to customers, employees, regulations and the environment is a natural consequence of Sectra's vision and mission statement.

Sectra considers its corporate culture to be a crucial factor in ensuring that the company's business is fair, honest and complies with applicable laws. Combined with the company's quality and control processes, the corporate culture helps to guide the decisions and actions of its managers, partners and employees during the course of their daily work.

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. Below is a description of Sectra's work related to various sustainability issues that are particularly important to the company's long-term development.

Quality and product safety

Quality control and product safety are highly important, since Sectra's products and services can mean the difference between life and death for individuals and large groups of people. 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. 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 and, in certain cases, reports are submitted to the relevant authorities.

The company's products are developed, manufactured, marketed, sold and maintained in accordance with quality-control procedures and processes. Sectra's operations are certified in accordance with the SS-EN ISO 9001:2008, SS-EN ISO 13485:2003 and ISO 13485:2003/CMDCAS quality standards. This means that internal and 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 protect 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). Use of these systems and products requires rigorous documentation.

Risk management

Given the fact that customer confidence is a critical success factor, Sectra has always prioritized stable, long-term growth over rapid, high-risk expansion. Because Sectra is active in several industries and a large number of markets, the Group's overall exposure to political and market risks, for example, is limited.

To prevent risks, the company has established a number of policy documents that explain Sectra's values and how its managers and employees are expected to conduct themselves. These documents include policies governing risk management, information security, the Code of Conduct, equality, the environment, work environment and financial matters.

Business and financial risks are analyzed continuously and measures to reduce the Group's risk exposure are taken as needed. The risks with the highest risk index in the annual review performed by the Board and Executive Management are described below. Read more about the company's risk assessment for the coming year in [Note 30](#) Risks and risk management.

“Corporate culture guides employee conduct.”

Business ethics and anti-corruption measures

The company's model for working with customers, distributors and other players is based on responsibility, transparency and knowledge sharing. Sectra has worked with several of its customers for more than 20 years. These close, long-term partnerships play a very important role in Sectra's success. Accordingly, it is vital that the company's efforts to increase its market shares and win the loyalty of new customers do not jeopardize its business ethics and responsibility.

RISKS WITH HIGH RISK INDEX

(Risk index = assessed probability multiplied by assessed financial impact)

MEASURES TO LIMIT RISK

Leaks of confidential information and cyber security threats

As a result of IT advances and a growing number of cyber security breaches in society, there is a greater risk that important confidential information belonging to Sectra and its customers could be exposed. Leaks of confidential information could impact customer confidence in the company and have a serious effect on the company's sales.

Confidentiality agreements are signed with all employees. Employees in the Secure Communications business area undergo security checks and are provided with mandatory training for handling confidential defense information. Sensitive information is handled in small groups and, in special cases, a logbook is kept with the names of the people who have access to the information. Executive Management and employees in particularly exposed positions use Sectra's solutions for secure mobile telephony. In 2015/2016, additional resources were set aside to improve the Group's IT security.

Intellectual property right disputes

Sectra invests considerable resources in product development. During the fiscal year, Sectra began selling a system for digital pathology – a new field with patents from various players, which increases the risk of patent disputes.

To ensure a return on its R&D investments, the company analyzes the requirements for various products in terms of intellectual property rights in order to identify and protect these products through patents. Sectra sold a number of unused patents in the preceding fiscal year and now holds some 30 patents.

Currency exchange risks

The Group's exposure to currency exchange risks mainly arises through transactions in foreign currencies in the form of customer and supplier payments and, to a lesser extent, in connection with the translation of foreign subsidiaries' income statements and balance sheets. The Group's largest exposures are in USD, EUR and GBP.

Sectra continuously monitors risks and cash flows in foreign currencies. Subsidiary financing is carried out in the local currency. The Group does not currently hedge its transaction exposure since the costs involved in effectively managing hedging contracts are deemed to be higher than any potential gain. While currency effects had a positive impact on the Group's operating profit in 2015/2016, profit after net financial items was adversely affected by the translation of investments in foreign subsidiaries.

Outstanding accounts receivable

The Group's customers primarily include government authorities, public healthcare providers and other reputable customers with high credit ratings, although payment practices vary between countries. Sectra is exposed to greater credit risks in countries where many of its customers are privately owned, such as the US. A larger number of partners outside Europe is contributing to a higher risk of potential credit risks, particularly in oil countries, such as Russia and countries in the Middle East.

To minimize credit risks in fixed-price projects, Sectra makes extensive use of advance partial payments and bank guarantees. During the year, Sectra also updated its procedures to ensure more thorough credit ratings of its customers and partners.

Sectra's Board has established a Code of Conduct that addresses various areas, such as product safety, work environment, confidential information, anti-corruption, conflicts of interest, use of social media and competition. It also describes the values and basic principles that Sectra expects its Board members, managers, employees, consultants and partners to follow. When it comes to external parties and sub-suppliers, this is regulated through the terms of agreement or (in the case of large companies over which Sectra has only a minor influence) in the choice of sub-contractor. The Code of Conduct is included in all distribution agreements and Sectra is entitled to terminate its business relationships at short notice if the code is not followed. Should this happen, Sectra is also entitled to transfer its ongoing service agreements to a new partner or take over the agreements itself, making it clear to the counterparty in question that Sectra treats such breaches with the utmost seriousness.

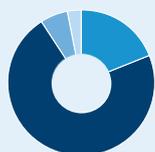
Sectra does not tolerate corruption and works proactively to ensure that neither the company nor its partners are involved in any form of corrupt activities. As part of this work, Sectra's external auditors carry a number of specific audit procedures in selected subsidiaries worldwide.

Expertise, work environment and absence due to illness

On the balance-sheet date, Sectra had 625 (565) permanent employees and some 30 project employees. The employee turnover rate in 2015/2016 was 8.6% (10.6). Sectra's personnel have extensive expertise and a solid educational background, 79% of personnel have a university degree and many have completed postgraduate studies.

The key to Sectra's success lies in its competent employees and their dedication to solving customer problems. An enormous amount of energy is devoted to employing the right people and creating a culture where all employees are always there for the customer. Ongoing skills training and frequent customer visits help to improve quality and give the company a greater understanding of customers' day-to-day operations.

The Group takes a proactive approach to occupational safety and health issues by offering health screenings, wellness programs and training opportunities. This has resulted in a very low rate of absences due to illness, corresponding to 1.7% (1.7).



EMPLOYEE EDUCATION LEVEL

- 21 % Upper-secondary education
- 71 % University degree
- 6 % Licentiate (Technology)
- 2 % PhD (Technology)



Equal opportunity workplace

44 % women and 56% men in Group management.



Diversity

Employees from more than 25 countries working at the office in Linköping.



Absence due to illness

Focus on health results in low rate of absence due to illness.



Sustainability

Sustainable products for a healthier and safer society

www.sectra.com/sustainability

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, 69% are men and 31% are women. The proportion of women in Group Management on the balance-sheet date was 44%, which is significantly higher than the average of 20%¹³ for Swedish listed companies in 2016. For more information, refer to **Note 2**.

Taxes

Sectra pays taxes in accordance with the prevailing regulations in the countries where it operates.

Environment

The Group's activities are largely comparable with working in a traditional office environment. Sectra primarily develops and sells software and services and, to a lesser extent, physical products, including those from external suppliers. Proprietary physical products are produced by sub-suppliers in Europe. With respect to the resale of hardware, the Group's external suppliers are large, global companies with processes and policies in place for key sustainability issues.

The company's operations are not subject to notification or permit requirements under the Swedish Environmental Code. The digital medical image systems 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.

Sectra's environmental policy is available at

www.sectra.com/sustainability

» Approval of reports

Pursuant to the Board decision on June 22, 2016, the consolidated financial statements have been approved for publication and will be presented to the Annual General Meeting for adoption on September 6, 2016.

The following funds are at the disposal of the Annual General Meeting (SEK):	
Fund for fair value	-4 075 048
Share premium reserve	32 894 300
Retained earnings	13 757 939
Net profit for the year	129 485 125
	172 062 316

Proposed appropriation of profits

The Board and President propose that the profits be appropriated so that SEK 172,062,316 is carried forward. The Board and President 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 169,587,473 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 22, 2016

Torbjörn Kronander
President and CEO
Board member

Carl-Erik Ridderstråle
Board member

Anders Persson
Board member

Christer Nilsson
Board member

Erika Söderberg Johnson
Board member

Jakob Svärdröm
Board member

Jan-Olof Brüer
Board member

Fredrik Häll
Board member
Employee representative

Deborah Capello
Board member
Employee representative

Our auditor's report was submitted on
June 22, 2016
Grant Thornton Sweden AB

Peter Bodin
Authorized Public Accountant

» Consolidated income statements

SEK thousand	Note	2015/2016	2014/2015
Operating income			
Net sales	1	1 073 560	961 392
Capitalized work for own use		33 836	32 180
Other operating income		3 452	0
Total income		1 110 848	993 572
Operating expenses			
Goods for resale		-153 798	-152 457
Personnel costs	2	-521 855	-475 781
Other external costs	3, 4	-218 186	-172 716
Depreciation of tangible assets	11	-32 942	-25 162
Depreciation of intangible assets	10	-18 550	-17 162
Total operating expenses		-945 331	-843 278
Operating profit		165 517	150 294
Financial items			
Interest income and similar profit/loss items	6	1 146	15 508
Interest expenses and similar profit/loss items	7	-11 895	-1 386
Total financial items		-10 749	14 122
Profit after financial items		154 768	164 416
Taxes	9	-29 071	-38 339
Net profit for the year		125 697	126 077
Attributable to:			
Parent Company owners		125 697	126 077
Non-controlling interest		0	0
Earnings per share, SEK			
Before dilution		3,35	3,38
After dilution		3,29	3,31
Number of shares on balance-sheet date			
Before dilution		37 503 335	37 271 017
After dilution	2	38 341 746	38 202 938
Average number of shares, before dilution		37 483 975	37 256 347
Average number of shares, after dilution	2	38 249 201	38 125 317

» Consolidated statement of comprehensive income

SEK thousand	Note	2015/2016	2014/2015
Net profit for the year		125 697	126 077
Items that may be reclassified to profit and loss			
Change in translation differences from translating foreign subsidiaries		-26 736	40 368
Other comprehensive income for the year		-26 736	40 368
Total comprehensive income for the year		98 961	166 445
Attributable to:			
Parent Company owners		98 961	166 445
Non-controlling interest		0	0

» Consolidated balance sheets

SEK thousand	Note	April 30, 2016	April 30, 2015
ASSETS			
Fixed assets			
Intangible assets	10	187 439	149 703
Tangible assets	11	112 565	75 945
Financial assets	15, 29	1 798	1 766
Deferred tax assets	9	36 489	26 635
Total fixed assets		338 291	254 049
Current assets			
Inventories	16	13 596	14 610
Accounts receivable	17, 30	220 931	197 769
Current tax assets		9 284	15 342
Other receivables		12 435	14 059
Prepaid expenses and accrued income	18	268 543	286 902
Cash and cash equivalents	19	239 768	307 076
Total current assets		764 557	835 758
Total assets		1 102 848	1 089 807
EQUITY AND LIABILITIES			
Equity			
Share capital		37 503	37 271
Other contributed capital		259 512	250 776
Reserves		3 681	32 007
Retained earnings, including net profit for the year		244 907	291 719
Total equity		545 603	611 775
Long-term liabilities			
Provisions	21	27 595	8 595
Deferred tax liabilities	9, 21	45 906	40 120
Other long-term liabilities	22	52 565	46 941
Total long-term liabilities		126 066	95 656
Current liabilities			
Accounts payable		32 496	42 606
Current tax liabilities		8 272	28 630
Current provisions	21	21 545	0
Other current liabilities	23	61 396	39 581
Accrued expenses and deferred income	24	307 470	271 560
Total current liabilities		431 179	382 376
Total equity and liabilities		1 102 848	1 089 807

For information on pledged assets and contingent liabilities, see Note 25.

» Consolidated cash-flow statements

SEK thousand	Note	2015/2016	2014/2015
OPERATING ACTIVITIES			
Operating profit		165 517	150 294
Adjustment for non-cash items	26	46 849	56 155
Interest and dividend received		1 146	3 431
Interest paid		-1 396	-1 386
Income tax paid		-48 277	-42 855
Cash flow from operations before changes in working capital		163 838	165 639
Changes in working capital			
Change in inventories		988	-1 872
Change in receivables		-28 725	-93 008
Change in current liabilities		49 752	14 280
Cash flow from current operations		185 853	85 039
INVESTING ACTIVITIES			
Acquisitions of intangible assets	10	-34 104	-32 322
Acquisitions of tangible assets	11	-76 274	-22 956
Acquisition of subsidiaries	13	1 710	-8 653
Cash flow from investing activities		-108 668	-63 931
FINANCING ACTIVITIES			
Raising of convertibles	22	28 083	18 512
Payment of options		-5 476	-5 080
Payment of contingent consideration		-468	0
Redemption of shares		-168 765	-167 720
Cash flow from financing activities		-146 626	-154 288
Cash flow for the year		-69 441	-133 180
Cash and cash equivalents, opening balance		307 076	441 945
Exchange-rate difference in cash and cash equivalents		2 133	-1 689
Cash and cash equivalents, closing balance	19	239 768	307 076
Unutilized credit facilities	19	15 000	15 000

» Consolidated statement of changes in equity

SEK thousand	Share capital	Other contributed capital	Reserves		Retained earnings, including net profit for the year	Total equity
			Translation reserve	Other reserves		
Equity as of May 1, 2014	37 095	244 861	-11 252	121 227	219 771	611 702
Correction of classification			-381	-116 998	117 379	0
Adjusted equity as of May 1, 2014	37 095	244 861	-11 633	4 229	337 150	611 702
Net profit for the year					126 077	126 077
Other comprehensive income/loss			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	30 770	1 237	291 719	611 775
Net profit for the year					125 697	125 697
Other comprehensive income/loss			-27 754		1 018	-26 736
Share-related payments				140		140
Overdue incentive programs				-713	713	0
Payment of options					-5 476	-5 476
Conversion of shares	232	8 736				8 968
Redemption of shares					-168 765	-168 765
Equity as of April 30, 2016	37 503	259 512	3 017	664	244 907	545 603

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.

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

» Parent Company income statements

SEK thousand	Note	2015/2016	2014/2015
Operating income			
Net sales	1	95 614	99 916
Capitalized work for own use		3 624	3 577
Other operating income		1 035	0
Total income		100 273	103 493
Operating expenses			
Personnel costs	2	-38 884	-45 313
Other external costs	3, 4	-66 267	-61 886
Depreciation of tangible assets	11	-2 007	-426
Total operating expenses		-107 158	-107 625
Operating loss		-6 885	-4 132
Profit from financial items			
Income from participations in Group companies	5	62 039	80 000
Interest income and similar profit/loss items	6	7 269	8 747
Interest expenses and similar profit/loss items	7	-1 605	-1 554
Profit after financial items		60 818	83 061
Appropriations	8	88 097	130 107
Profit before tax		148 915	213 168
Tax on net profit for the year	9	-19 430	-28 927
Net profit for the year		129 485	184 241

» Parent Company statement of comprehensive income

SEK thousand	Note	2015/2016	2014/2015
Net profit for the year		129 485	184 241
Other comprehensive income			
Fund for fair value		-15 577	19 519
Other comprehensive income/loss for the year		-15 577	19 519
Total comprehensive income for the year		113 908	203 760

» Parent Company balance sheets

SEK thousand	Note	April 30, 2016	April 30, 2015
ASSETS			
Fixed assets			
Intangible assets	10	7 692	4 785
Tangible assets	11	9 627	6 662
Participations in Group companies	12	35 531	35 531
Receivables from Group companies	14	250 014	144 016
Deferred tax assets	9	47	237
Total fixed assets		302 910	191 232
Current assets			
Receivables from Group companies		453 629	539 889
Other receivables		15 737	12 101
Prepaid expenses and accrued income	18	4 857	4 987
Cash and bank balances	19	202 177	267 016
Total current assets		676 400	823 993
Total assets		979 310	1 015 225
EQUITY AND LIABILITIES			
Equity			
<i>Restricted equity</i>			
Share capital		37 503	37 271
Statutory reserve		226 456	226 456
Total restricted equity		263 959	263 727
<i>Unrestricted equity</i>			
Fund for fair value		-4 075	11 502
Share premium reserve		32 895	24 159
Retained earnings		13 758	3 714
Net profit for the year		129 485	184 241
Total unrestricted equity		172 063	223 616
Total equity		436 022	487 343
Untaxed reserves	20	168 351	149 505
Long-term liabilities			
Other long-term liabilities	22	52 565	46 941
Total long-term liabilities		52 565	46 941
Current liabilities			
Accounts payable		4 961	9 721
Liabilities to Group companies		270 883	276 049
Current tax liabilities		0	10 885
Provisions	21	1 688	0
Other current liabilities	23	23 467	10 988
Accrued expenses and deferred income	24	21 373	23 793
Total current liabilities		322 372	331 436
Total equity and liabilities		979 310	1 015 225
Pledged assets and contingent liabilities			
		April 30, 2016	April 30, 2015
Chattel mortgages		11 000	11 000
Total pledged assets		11 000	11 000
Guarantees on behalf of subsidiaries		321 544	357 729
Total contingent liabilities		321 544	357 729

» Parent Company cash-flow statements

SEK thousand	Note	2015/2016	2014/2015
OPERATING ACTIVITIES			
Operating loss		-6 885	-4 132
Adjustment for non-cash items	26	-118	917
Interest received	6	7 269	8 582
Interest paid	7	-1 483	-1 554
Income tax paid		-33 853	-24 349
Cash flow from operations before changes in working capital		-35 070	-20 536
Changes in working capital			
Change in receivables		107 208	-289 549
Change in current liabilities		-8 163	235 452
Cash flow from current operations		63 975	-74 633
INVESTING ACTIVITIES			
Acquisitions of intangible assets	10	-3 625	-3 577
Acquisitions of tangible assets	11	-4 254	-6 163
Acquisitions of subsidiaries	12	0	-57
Payment of loans to subsidiaries	14	-129 012	-12 946
Repayment of loans from subsidiaries	14	7 481	34 434
Cash flow from investing activities		-129 410	11 691
FINANCING ACTIVITIES			
Payment of options		-5 476	-5 080
Dividends received		37 804	0
Raising of convertibles	22	28 083	18 512
Group contributions received/paid	8	106 943	148 500
Redemption of shares		-168 765	-167 720
Cash flow from financing activities		-1 411	-5 788
Cash flow for the year		-66 846	-68 730
Cash and cash equivalents, opening balance		267 016	336 016
Exchange-rate difference in cash and cash equivalents		2 007	-270
Cash and cash equivalents, closing balance	19	202 177	267 016
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, 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/loss			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			0		-167 720	-167 720
Equity as of April 30, 2015	37 271	226 456	11 502	24 159	187 956	487 343
Net profit for the year					129 485	129 485
Other comprehensive income/loss			-15 577		43	-15 534
Total change in capital excluding transactions with the company's owners	0	0	-15 577	0	129 528	113 951
Payment of options					-5 476	-5 476
Conversion of shares	232			8 736		8 968
Redemption of shares					-168 765	-168 765
Equity as of April 30, 2016	37 503	226 456	-4 075	32 896	143 244	436 022

¹ On the balance-sheet date, Sectra's share capital totaled SEK 37,503,335 distributed among 37,503,335 shares. Of these shares, 2,620,692 are Class A shares and 34,882,643 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 are in SEK thousands, unless otherwise stated.

» Amended accounting policies

The accounting policies and calculation methods are unchanged compared with those applied in the 2014/2015 Annual Report.

» New and amended accounting policies that become applicable from 2016/2017 or later

The new rule of the Swedish Annual Accounts Act on the capitalization of development costs came into effect in 2016. The rule entails that when development costs are capitalized, the corresponding amount must be transferred from unrestricted equity to restricted equity, the development expenses fund, and is to be recognized separately in the balance sheet. This rule change impacts the Group's Swedish legal entities and applies from fiscal years beginning May 1, 2016.

New standard regarding income recognition, IFRS 15 Revenue from Contracts with Customers, proposed effective date 2018. The new standard introduces a control-based revenue accounting model and provides more detailed guidance in many areas that were not previously described in applicable IFRS, for example, regarding how to recognize contracts containing several performance obligations, variable pricing, the customer's right of return and, repurchase rights with suppliers. The new standard could affect Sectra's accounts in the future and, accordingly, the process of analyzing each customer contract has been initiated.

IFRS 9 Financial Instruments, proposed effective date 2018. This new standard entails extensive changes in the guidance for recognition and measurement of financial assets and introduces an expected loss impairment model for financial assets. The new standard is not currently deemed to have any significant effects on Sectra's accounting.

IFRS 16 Leases, proposed effective date 2019. The new standard entails that essentially all lease agreements are to be recognized in the balance sheet and depreciation in profit and loss is to be recognized separately from interest expenses attributable to leasing liabilities. The new standard could affect Sectra's accounting in the future, but Sectra does not currently have any lease agreements that are valid for more than one year and pertain to material amounts as referred to in the standard.

» 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. Participations in subsidiaries are recognized in accordance with the cost method.

» 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 sta-

tements 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 an influence over the company, is entitled to variable returns and is also able to exercise its influence over the company to affect these 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 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 a 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, and on whether an individual segment's sales exceed 10% of the Group's total sales. The Group's operations are divided into the following segments: Imaging IT Solutions, Secure Communications, Business Innovation, Sectra Customer Financing and Other Operations. Other Operations pertain to Sectra's joint functions for administration, Group finances, marketing communication, IT, regulatory affairs and investor relations activities. The disclosure requirement in IFRS 8 Operating Segments has meant that from 2015/2016 an additional segment, Sectra Customer Financing, is recognized separately. This segment was previously included in Other Operations, but since its sales now exceed 10% of the Group's total sales it is recognized separately. The comparative period for Other Operations has been restated.

» Revenue recognition

Revenue recognition for the Group

The Group's revenues mainly derive from fixed-price projects, sales of products and licenses, ongoing service agreements 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 charged 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.

Revenue recognition for segments

The Imaging IT Solutions segment recognizes revenues when the projects are completed. The projects sold to the Sectra Customer Financing segment are recognized in accordance with the same principle. Revenues for projects financed and owned by Sectra Customer Financing are initially eliminated at Group level and revenues are recognized for these projects in the Group at an even rate over the contract period.

» 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. For other remuneration of employees, see Note 2.

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

Trademarks and customer relationships

Trademarks and customer relationships pertain to acquisition-related assets. These rights are initially measured at fair value and subject to straight-line amortization over the assets' ten-year estimated period of use. Acquired customer contracts are long-term, valid for up to ten years. The probability of renewal of contracts after expiry even for shorter contract periods is very high, which is why the period of use has been deemed to be ten years. Acquired trademarks have been built up over a long period of time in the acquired companies and are closely linked to customer values, which justifies a period of use of ten years.

» 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 in 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 future 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.

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Notes

» Note 1 Operating segments and function classification

Information regarding the company's operating 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 operating segments are: Imaging IT Solutions, Secure Communications, Business Innovation, Sectra Customer Financing and Other Operations. Regarding the geographic distribution, the basis for distribution is the customer's billing address.

Imaging IT Solutions develops and sells medical IT systems and services that help customers care for more patients, while retaining or improving the level of quality. The business area's offering encompasses IT systems for managing, archiving and presenting all types of medical images and patient information, as well as IT systems for operational follow-up and radiation dose monitoring. The segment also offers maintenance in the form of support, system monitoring, consulting services related to integration, system design, data migration and business development. The largest product area in the segment is IT solutions for managing and archiving radiology images and patient information.

Secure Communications develops and sells products and services for secure voice and data communications and the protection of society's most sensitive IT infrastructure. The segment is divided into three product divisions: Tiger, which offers products for secure voice and data communications;

project-based development, which develops customized encryption systems and products; and critical infrastructure, which offers security and threat analyses and system monitoring services for control systems in society's critical operations. Development and production take place in Sweden. Sales are primarily conducted in EU countries from the business area's offices in Sweden, the Netherlands and Finland.

Sectra's business units 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.

Sectra Customer Financing is Sectra's unit for financing major managed-services agreements with healthcare customers and asset management. The scope of the operations expanded significantly in the past year due to more customers entering the operational phase. As projects move to the operational phase, they contribute to a stable long-term trend, at Group level, where external revenues and earnings are recognized over the duration of the managed-services agreement, which is normally five to ten years.

Other Operations pertain to Sectra's joint functions for administration, Group finances, marketing communication, IT, regulatory affairs and investor relations activities.

Operating segments

	Imaging IT Solutions		Secure Communications		Business Innovation		Sectra Customer Financing		Other Operations	
	15/16	14/15	15/16	14/15	15/16	14/15	15/16	14/15	15/16	14/15
Net sales	957 773	970 622	87 159	76 673	51 264	57 755	119 175	71 273	45 173	42 874
Depreciation/ amortization	21 662	22 407	3 668	1 938	718	0	25 163	16 519	281	1 460
Operating profit/loss	185 416	191 969	-3 711	3 834	-298	14 061	4 284	4 027	-9 036	-20 276
Assets	1 088 553	1 122 763	98 451	100 022	23 776	20 398	287 868	188 584	947 000	907 706
Liabilities	1 003 896	934 510	88 783	90 252	18 330	13 643	272 835	181 205	393 476	391 730
Investments	34 589	36 011	8 766	10 657	3 625	3 577	60 888	12 660	800	1 026

	Eliminations ¹		Total Group ²	
	15/16	14/15	15/16	14/15
Net sales	-186 984	-257 805	1 073 560	961 392
Depreciation/ amortization	0	0	51 492	42 324
Operating profit/loss	-11 138	-43 321	165 517	150 294
Assets	-1 342 800	-1 249 666	1 102 848	1 089 807
Liabilities	-1 220 075	-1 133 308	557 245	478 032
Investments	0	0	108 668	63 931

Geographic areas

	Sweden		UK		Rest of Europe		Netherlands	
	15/16	14/15	15/16	14/15	15/16	14/15	15/16	14/15
Net sales	258 865	226 510	199 156	173 087	235 010	198 975	69 238	86 046
Assets	497 181	506 961	270 512	270 559	118 012	101 072	63 315	71 730
Investments	40 713	40 549	58 736	9 877	8 950	9 215	220	644

	US		Rest of world		Total Group ²	
	15/16	14/15	15/16	14/15	15/16	14/15
Net sales	250 706	209 870	60 585	66 904	1 073 560	961 392
Assets	144 415	128 716	6 413	10 768	1 099 848	1 089 806
Investments	0	3 554	49	92	108 668	63 931

Income statement classified by function³

SEK thousand	2015/2016	2014/2015
Net sales	1 073 560	961 392
Cost of goods sold	-423 687	-362 824
Gross profit	649 873	598 568
Selling expenses	-262 146	-209 281
Administration expenses	-112 905	-108 618
Research and development costs	-117 588	-119 856
Other operating income	8 283	0
Other operating expenses	0	-10 519
Operating profit	165 517	150 294
Financial items	-10 749	14 122
Profit after financial items	154 768	164 416
Taxes	-29 071	-38 339
Net profit for the year	125 697	126 077

¹ 63.9% (59.7) 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 25.9% (27.7).

² Sectra has no customers that individually contribute more than 10% of total net sales. Of the Group's total assets of SEK 300 million, SEK 117 million is attributable to Sweden, SEK 143 million to the UK and SEK 40 million to other countries.

³ 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 preceding year include the sale/licensing of patents as a nonrecurring item. "Other operating income" includes such items as grants from Vinnova and exchange-rate gains. "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

	15/16		14/15	
	Total	of whom, women	Total	of whom, women
Parent Company				
Sweden	57	26	52	26
Group				
Australia	7	2	7	1
Denmark	13	2	3	1
Finland	1	0	0	0
France	2	2	0	0
Canada	4	0	4	0
Netherlands	35	10	33	9
Norway	17	8	16	8
New Zealand	2	0	2	0
Portugal	11	4	8	2
Spain	2	0	2	0
UK	76	23	78	24
Sweden	321	93	298	85
Germany	16	4	15	4
US	80	25	80	26
Group total	587	173	546	160

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 22% (11). The proportion of women in the Group's management groups, including company presidents, amounted to 30% (28), and in Group management to 44% (36).

Salaries and other remuneration

	Group		Parent Company	
	15/16	14/15	15/16	14/15
Board and President	24 579	20 877	4 521	3 594
Other employees	372 597	336 773	26 318	28 426
Total	397 176	357 650	30 839	32 020

Social security expenses

	Group		Parent Company	
	15/16	14/15	15/16	14/15
Board and President				
Social security contributions	3 862	3 352	1 454	1 163
Pension costs	1 941	1 503	461	463
Total Board and President	5 803	4 855	1 915	1 626
Other employees				
Social security contributions	85 286	76 549	8 478	8 935
Pension costs	20 298	19 322	2 000	1 821
Total other employees	105 584	95 871	10 478	10 756

Remuneration of the Board, President and other senior executives 2015/2016

	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 Svärdröm	185	0	0	23	0	208
Total remuneration of the Board	1 375	0	0	23	0	1 398
President/CEO Torbjörn Kronander	0	1 990	773	0	461	3 224
Other senior executives (nine individuals)	0	7 960	1 126	0	1 443	10 529
Total remuneration of the President and other senior executives	0	9 950	1 899	0	1 904	13 753
Total	1 375	9 950	1 899	23	1 904	15 151

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 2015/2016 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, social security contributions are included in the invoice.

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 nine 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 140 thousand (335), of which SEK 0 thousand (0) pertained to senior executives, including the President/CEO.

Issued incentive programs

Convertible programs	2011/2016	2012/2016	2012/2017	2013/2016	2013/2017
Number of underlying Class B shares	55 704	127 075	43 495	197 723	48 075
Conversion rate, SEK	39.50	53.30	56.80	68.20	72.80
Exercise period	May 23-27, 2016	May 23-27, 2016	May 22-26, 2017	Nov 7-10, 2016	Nov 6-9, 2017
Time to expiration	Oct 28, 2011 – Jun 15, 2016	Nov 1, 2012 – Jun 15, 2016	Nov 1, 2012 – Jun 15, 2017	Nov 1, 2013 – Nov 30, 2016	Nov 1, 2013 – Nov 30, 2017
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	0.1%	0.3%	0.1%	0.5%	0.1%

Convertible programs	2014/2017	2014/2018	2015/2018	2015/2019
Number of underlying Class B shares	125 836	27 493	188 084	24 928
Conversion rate, SEK	119.30	127.30	130.70	140.40
Exercise period	Dec 11-15, 2017	Dec 10-14, 2018	Dec 10-14, 2018	Dec 9-13, 2019
Time to expiration	Dec 1, 2014 – Dec 31, 2017	Dec 1, 2014 – Dec 31, 2018	Dec 1, 2015 – Dec 31, 2018	Dec 1, 2015 – Dec 31, 2019
Interest rate during time to expiration	Stibor +2.25%	Stibor +2.25%	Stibor +2.25%	Stibor +2.25%
Dilution upon full conversion, capital	0.3%	0.1%	0.5%	0.1%

Number of convertibles/options	May 1, 2015	Concluded programs	New programs	Increase due to restated price	April 30, 2016
Convertibles	831 921	-232 329	213 012	25 807	838 411
Options	100 000	-100 000	0	0	0
Total	931 921	-332 329	213 012	25 807	838 411

Recalculation occurred as a result of the share redemption program.

» Note 3 Fees to auditors

	Group		Parent Company	
	15/16	14/15	15/16	14/15
Grant Thornton				
Audit fees	1 559	1 213	496	411
Audit activities in addition to audit assignment	559	593	235	200
Tax advisory services	311	305	31	18
Other services	274	87	0	17
Audit fees to other auditors				
Audit fees	31	29	0	0
Other services	64	0	0	0
Total	2 798	2 227	762	646

Audit assignments involve an 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 audit 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 24,250 thousand (24,458). Agreed future leasing fees for operational leases are payable as shown below:

Group	16/17	17/18	18/19	19/20
	Rent	18 237	17 232	16 190
Cars	5 384	3 634	1 743	466
Other	698	147	123	102
Total	24 319	21 013	18 056	14 211

» Note 5 Income from participations in Group companies

	Parent Company	
	15/16	14/15
Anticipated dividends from Group companies	8 000	80 000
Other dividends from Group companies	54 039	0
Total	62 039	80 000

» Note 6 Interest income and similar profit/loss items

	Group		Parent Company	
	15/16	14/15	15/16	14/15
Other interest income	325	3 007	202	2 706
Interest income from Group companies	0	0	7 067	5 876
Dividends	821	424	0	0
Exchange difference, net	0	12 077	0	165
Total	1 146	15 508	7 269	8 747

» Note 7 Interest expenses and similar profit/loss items

	Group		Parent Company	
	15/16	14/15	15/16	14/15
Interest expenses	1 396	1 386	1 260	1 307
Interest expenses from Group companies	0	0	223	247
Exchange difference, net	10 498	0	121	0
Total	11 894	1 386	1 604	1 554

» Note 8 Appropriations

	Parent Company	
	15/16	14/15
Group contributions	106 943	148 500
Change in tax allocation reserve	-17 453	-18 275
Change in excess depreciation/amortization	-1 393	-118
Total	88 097	130 107

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.

» Note 9 Tax on net profit for the year

	Group		Parent Company	
	15/16	14/15	15/16	14/15
Tax expenses				
Current tax	-34 830	-43 787	-19 239	-29 164
Deferred tax	5 759	5 448	-191	237
Total tax expenses	-29 071	-38 339	-19 430	-28 927

Relationship between Group tax and recognized tax per applicable tax rate

Profit before tax	154 768	164 416	148 915	213 168
Tax per applicable tax rate for the Parent Company (22%)	-34 049	-36 171	-32 761	-46 897
Adjustment of tax for previous years	-285	560	1	659
Tax effect of non-deductible expenses	-1 974	-1 754	-346	-527
Tax effect of non-taxable income	228	6	13 871	17 601
Change in temporary differences	861	770	-195	237
Effect of changed tax rates in foreign subsidiaries	-2 994	-2 142	0	0
Tax effect of unutilized loss carryforwards	8 896	0	0	0
Effect of utilized loss carryforwards	246	392	0	0
Tax on net profit for the year	-29 071	-38 339	-19 430	-28 927

Deferred tax liabilities

Deferred tax liabilities on untaxed reserves	38 623	33 006	0	0
Deferred tax liabilities on current assets	0	35	0	0
Deferred tax liabilities on surplus values	7 283	7 078	0	0
Total deferred tax liabilities	45 906	40 120	0	0

Deferred tax assets

Deferred tax assets on current assets	25 459	26 107	47	237
Deferred tax assets on current liabilities	0	0	0	0
Deferred tax assets on provisions	2 134	528	0	0
Deferred tax assets on unutilized loss carryforwards	8 896	0	0	0
Total deferred tax assets	36 489	26 635	47	237

Unutilized loss carryforwards pertain to Swedish companies in the Group and amounted to SEK 40,437 thousand on April 30, 2016, corresponding to a tax value of SEK 8,896 thousand, which is recognized as a deferred tax asset. Unutilized loss carryforwards in the preceding year were attributable to foreign companies in the Group and amounted to SEK 1,116 thousand, corresponding to a tax value of SEK 335 thousand. There is no time limit for utilization of the Swedish loss carryforwards.

» 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	113 704	50 156	1 000	30 255	7 761	202 876	1 208
Translation differences	1 358	7 217	0	2 762	550	11 887	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, 2015	145 884	57 373	2 500	52 298	8 311	266 366	4 785
Opening amortization and impairment	66 128	9 917	1 000	15 583	5 389	98 017	0
Translation differences	0	660	0	693	131	1 484	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	10 577	1 075	18 476	5 889	116 663	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
Opening cost	145 884	57 373	2 500	52 298	8 311	266 366	4 785
Translation differences	-267	-3 871	0	-1 460	-325	-5 923	0
Investments for the year	34 104	0	0	0	0	34 104	3 625
Investments from acquisitions	0	21 054	0	6 610	0	27 664	0
Accumulated cost at April 30, 2016⁶	179 721	74 556	2 500	57 448	7 986	322 211	8 410
Opening amortization and impairment	80 646	10 577	1 075	18 476	5 889	116 663	0
Translation differences	0	0	0	-369	-72	-441	0
Amortization for the year	13 559	0	300	4 329	362	18 550	718
Accumulated amortization and impairment at April 30, 2016	94 205	10 577	1 375	22 436	6 179	134 772	718
Closing residual value according to plan at April 30, 2016	85 516	63 979	1 125	35 012	1 807	187 439	7 692

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 five years. The largest remaining project concerns the development of IT systems in Imaging IT Solutions.

² Goodwill is attributable to the acquisition of Burnbank Systems Ltd, EXP analytics Oy and RxEye AB. Of total goodwill, SEK 53,312 thousand was attributable to the Imaging IT Solutions segment and SEK 10,667 thousand was attributable to the Secure Communications segment.

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

⁴ Customer relations are attributable to the Imaging IT Solutions segment and pertain to acquired assets from Sectra Sverige AB, Sectra imaXperts BV, Burnbank Systems Ltd, it-mark ApS and RxEye AB.

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

⁶ Of accumulated cost on April 30, 2016, 23.8% (26.0) pertains to ongoing development projects and 76.2% (74.0) 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 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 below have been approved by the Board.

Cash-flow assumptions

The future cash flows used when calculating each unit's value in use are 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 regarding Burnbank Systems Ltd and sales in the global market for RxEye AB's services. Goodwill attributable to the acquisition of EXP Analytics Oy is based on future cash flows in the form of growth potential in the Finnish and Estonian market.

Discounting factor

The present value of the forecast future cash flows for all development projects was estimated using a pre-tax rate of 9% (10). A pre-tax rate of 9% (10) 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 year are due to a lower risk-free interest and lower market risk.

Forecast period and growth rate

The forecast period when calculating value in use is determined by the asset's useful life of five years. The growth rate is based on the market growth in Sectra's individual 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.

Assumed average growth over the forecast period is approximately 8% yearly for all development projects and approximately 134% for the acquired companies. In the preceding year, average growth for all development projects and Burnbank Systems Ltd was between 10% and 20%.

Assumed average perpetuity growth is negative 29% for all development projects and negative 10% for the acquired companies.

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:	4.5%
Beta value:	The beta value is calculated at one
Interest expenses:	Sectra's assessed cost for borrowing
Tax rate:	Tax rate in Sweden

Impairment tests and sensitivity analyses for the year

Impairment tests for the year per development project and other intangible assets were performed with such a margin that Executive Management deems that any reasonable and possible changes in individual variables will not cause the value in use to fall below the carrying amount. According to an overall assessment, a decline in forecast sales proceeds of up to 36% for all development projects would not result in any impairment. An increase in the discount rate of up to 54% for all development projects would not result in any impairment.

Impairment tests of goodwill for the year show that impairment is not currently required in any of the acquired companies. Should there be any future changes in individual variables, the value in use may fall below the carrying amount which could lead to impairment. A decline in sales proceeds in the acquired companies of up to 26% would not result in any impairment. An increase in the discount rate of up to 35% would not result in any impairment.

Parent Company

At April 30, 2016, the Parent Company held intangible assets related to capitalized development projects in Business Innovation amounting to SEK 8.4 million (4.8).

» Note 11 Tangible assets

	Group		Parent Company	
	April 30, 2016	April 30, 2015	April 30, 2016	April 30, 2015
Opening cost	269 698	217 050	18 315	12 152
Translation differences	-19 737	27 440	0	0
Investments for the year	76 274	22 956	4 254	6 163
Sales/disposals for the year	-14 051	-1 864	0	0
Investments from acquisitions	262	1 019	0	0
Closing accumulated cost	312 446	266 601	22 569	18 315
Opening depreciation	193 753	148 556	11 653	11 227
Translation differences	-12 863	18 529	0	0
Depreciation for the year	32 942	25 162	1 289	426
Sales/disposals for the year	-13 951	-1 591	0	0
Closing accumulated depreciation	199 881	190 656	12 942	11 653
Residual value according to plan	112 565	75 945	9 627	6 662
Total carrying amount	112 565	75 945	9 627	6 662

» Note 12 Participations in Group companies

	Corp. Reg. No.	Reg. office	No. of participations	Share of capital, %	April 30, 2016	April 30, 2015
					Carrying amount	Carrying amount
Parent Company:						
Sectra Imaging IT Solutions AB	556250-8241	Linköping, SE	300 000	100%	2 883	2 883
Sectra Communications AB	556291-3300	Linköping, SE	3 000 000	100%	3 000	3 000
Sectra Secure Transmission AB	556247-1283	Linköping, SE	100 000	100%	95	95
Ebberöd Capital, Inc.	20-8912327	Shelton, US	1 000	100%	0	0
Ebberöd Capital Ltd	6707408	London Stansted, UK	1 000	100%	0	0
Sectra Sverige AB ²	556483-9479	Linköping, SE	40 350	100%	21 016	21 016
Sectra Norge AS ²	975 353 265	Oslo, NO	5 000	100%	283	283
Sectra North America, Inc. ²	06-1473851	Shelton, US	500	100%	384	384
Sectra Medical Systems GmbH ²	HR B 8546	Cologne, DE	500	100%	219	219
Sectra A/S ²	10073251	Odense, DK	5 000	100%	639	639
Sectra Ltd ²	4571654	London Stansted, UK	1	100%	0	0
Sectra Pty Ltd ²	105 376 190	Sydney, AU	1	100%	1	1
Sectra New Zealand Ltd ²	1539744	Auckland, NZ	1	100%	0	0
Sectra Medical Systems SL ²	B84352749	Madrid, ES	500	100%	2 290	2 290
Art Ces Lda	PT513270396	Porto, PT	5000	100%	48	48
Sectra imaXperts BV ²	39069257	Almere, NL	500	100%	4 664	4 664
Sectra France SAS	811070317	Paris, FR	1 000	100%	9	9
Total					35 531	35 531
Sectra Imaging IT Solutions AB:						
Paxlink AB	556572-3292	Linköping, SE	1 000	100%	811	811
RxEye AB	556807-9924	Stockholm, SE	1 090 856	100%	17 453	et
Burnbank Systems Ltd ¹	05968184	Ipswich, UK	1 000	100%	61 836	61 836
Burnbank Dataconnect Ltd	02860002	Ipswich, UK	1 450	100%	0	0
Burnbank Healthsystems Ltd	06502661	Ipswich, UK	2	100%	0	0
Total					80 100	62 647
Sectra Communications AB:						
Sectra Secure Solutions AB	556570-9325	Linköping, SE	3 000 000	100%	6 981	6 981
Sectra Communications Ltd	4884887	London, UK	1	100%	0	0
Sectra Communications BV	27264295	The Hague, NL	1 800	100%	164	164
Sectra Communications Oy	2679724-9	Helsinki, FI	2 500	100%	23	23
Total					7 168	7 168

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 Acquisition and discontinuation of operations

it-mark ApS

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 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 Sectra's existing funds.

The operations were consolidated into the Sectra Group's Imaging IT Solutions business area from the date of acquisition on April 30, 2015, at which time Sectra obtained a controlling influence over the acquired unit. In December 2015, Sectra's Danish companies – it-mark ApS and Sectra A/S – were merged. During the period, sales in the merged company as a whole amounted to DKK 24.3 million (approximately SEK 30.2 million) and profit totaled DKK 3.5 million (approximately SEK 4.3 million).

EXP Analytics Oy

On September 30, 2015, the Group acquired 100% of the shares in the Finnish company EXP Analytics Oy, which sells consulting services in the field of information security. The acquisition was part of Sectra's efforts to expand the Secure Communications business area in the Finnish market. The acquired company has four employees.

The total consideration transferred on the date of acquisition amounted to SEK 11.9 million, of which SEK 1.7 million comprised a cash consideration, SEK 9.7 million a contingent consideration recognized as a provision in the Group, and SEK 0.5 million a contingent consideration recognized as a current liability in the Group. The fair value of the contingent consideration was calculated based on the likelihood that the sales and earnings objectives set for 2020 would be achieved. The acquisition was fully financed with Sectra's existing funds.

The goodwill that arose in connection with the transaction was attributable to expected growth opportunities for Secure Communications in the Finnish and Estonian market, as well as the experience and expertise of the company's employees.

Payment of the contingent consideration is based on the sales and earnings trend for both the company and the entire Secure Communications segment.

The payment range is between EUR 0.3 million and EUR 1.8 million, which is based on market conditions for the company.

The operations were consolidated into the Sectra Group's Secure Communications business area from the date of acquisition on September 30, 2015, at which time Sectra obtained a controlling influence over the acquired unit. During the period, the company reported sales of EUR 0.4 million (approximately SEK 3.8 million) and a loss of EUR 0.1 million (loss: approximately SEK 0.8 million). Since the acquisition date, the company's sales and earnings totaled EUR 0.07 million (approximately SEK 0.6 million) and the loss amounted to EUR 0.13 million (loss: approximately SEK 1.2 million).

RxEye AB

On December 30, 2015, the Group acquired 100% of the shares in the Swedish company RxEye AB, which sells cloud-based IT services for efficient and secure remote viewing of medical images. Through its cloud services, RxEye has established a network for remote viewing of radiology and pathology images. The company's customers are located in Europe, and more than 2,000 users in Sweden, Norway and France are connected to the network. The company now has a total of six employees and had sales of approximately SEK 7 million in the 2015 fiscal year. The acquisition was part of Sectra's efforts to expand the operations of Imaging IT Solutions.

The total consideration transferred on the date of acquisition amounted to SEK 17.2 million, of which SEK 2.6 million comprised a cash consideration and SEK 14.6 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 sales objectives set for 2021 would be achieved. The acquisition was fully financed with Sectra's existing funds.

The goodwill that arose in connection with the transaction was attributable to expected growth opportunities for RxEye's products in the markets where Sectra operates.

Payment of the contingent consideration is based on the sales performance of the company's products and the operations of the entire Imaging IT Solutions business area in certain markets. The range for the contingent consideration is between SEK 0.0 million and SEK 110 million.

The operations were consolidated into the Sectra Group's Imaging IT Solutions business area from the date of acquisition on December 30, 2015, at which time Sectra obtained a controlling influence over the acquired unit. During the period, the company reported sales of SEK 3.4 million and a loss of SEK 26.1 million. Since the acquisition date, the company's sales totaled SEK 1.0 million and profit amounted to SEK 7.9 million.

Acquired net assets and goodwill

	2015/2016				2014/2015	
	RxEye AB		EXP Analytics Oy		it-mark ApS	
	Carrying amount of the acquired company	Value according to acquisition analysis	Carrying amount of the acquired company	Value according to acquisition analysis	Carrying amount of the acquired company	Value according to acquisition analysis
SEK million						
Customer relations	0.0	6.6	0.0	0.0	0.0	19.3
Tangible assets	0.0	0.0	0.3	0.3	1.0	1.0
Current receivables	1.8	1.8	1.8	1.8	3.0	3.0
Cash and cash equivalents	5.6	5.6	0.3	0.3	3.7	3.7
Deferred tax	0.0	-1.2	0.0	0.0	0.0	-3.5
Current liabilities	-6.3	-6.3	-1.2	-1.2	-4.1	-4.1
Total acquired net assets	1.1	6.5	1.2	1.2	3.6	19.4
Fair value of consideration transferred		17.2		11.9		19.4
Goodwill		10.7		10.7		0.0
Net outflow of cash and cash equivalents attributable to the acquisition¹						
Cash consideration transferred		1.5		0.9		12.4
Cash and cash equivalents not yet paid		1.1		0.7		0.0
Cash and cash equivalents in the acquired company on the date of acquisition		-5.6		-0.3		-3.7
Total		-3.0		1.3		8.7

¹ Excluding acquisition-related expenses of SEK 0.4 million for 2015/2016 and SEK 0.5 million for 2014/2015, which were recognized as external costs in the consolidated income statement for the respective fiscal year.

Discontinued operations at 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 included an additio-

nal consideration of EUR 12.5 million, which would fall due in five years should specially agreed terms be met. Management's assessment is that no additional consideration will be paid to Sectra. During the 2011/2012 fiscal year, excluding the 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, 2016	April 30, 2015
Opening cost	144 016	145 985
New receivables	129 055	12 946
Amortized receivables	-7 525	-34 434
Exchange-rate difference	-15 532	19 519
Total	250 014	144 016

» Note 15 Investments held as fixed assets

	Group		Parent Company	
	April 30, 2016	April 30, 2015	April 30, 2016	April 30, 2015
Other shares and participations	1 798	1 766	0	0
Total	1 798	1 766	0	0

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

The item "Investments held as fixed assets" 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, 2016	April 30, 2015	April 30, 2016	April 30, 2015
Component stocks	10 812	10 675	0	0
Finished products	2 784	3 935	0	0
Total	13 596	14 610	0	0

An impairment loss amounting to SEK 1,363 thousand (116) was recognized in profit and loss for 2015/2016.

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, 2016	April 30, 2015	April 30, 2016	April 30, 2015
SEK	22 728	24 979	567	296
USD	42 654	42 620	3 333	2 146
EUR	70 027	56 439	7 345	7 868
GBP	53 840	49 358	-24	-27
Other currencies	31 682	24 373	-73	-15
Total	220 931	197 769	11 148	10 268

Change for the year in the reserve for doubtful accounts receivable

	Group		Parent Company	
	April 30, 2016	April 30, 2015	April 30, 2016	April 30, 2015
Opening balance	20 102	15 728	1 178	100
Realized losses	-536	0	0	0
Reversal of unutilized amounts	-6 709	-3 269	-886	0
Reserve for doubtful accounts receivable	11 568	6 301	0	1 078
Exchange-rate effect	-77	1 342	0	0
Total	24 348	20 102	292	1 178

See Note 30 for an age analysis.

» Note 18 Prepaid expenses and accrued income

	Group		Parent Company	
	April 30, 2016	April 30, 2015	April 30, 2016	April 30, 2015
Prepaid rent	3 041	3 207	1 344	1 343
Accrued interest income	121	482	121	466
Prepaid support agreements	10 470	8 219	1 281	1 002
Other items	45 784	78 142	2 111	2 176
Recognized non-invoiced income ¹	209 127	196 852	0	0
Total	268 543	286 902	4 857	4 987

¹ Of which SEK 113,606 thousand is the long-term portion.

» Note 19 Cash and cash equivalents

	Group		Parent Company ¹	
	April 30, 2016	April 30, 2015	April 30, 2016	April 30, 2015
Bank balances	239 768	307 076	202 177	267 016
Total	239 768	307 076	202 177	267 016

¹ Balances in the Group's cash-pool accounts are recognized 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.

Bank overdraft facilities	Group		Parent Company	
	April 30, 2016	April 30, 2015	April 30, 2016	April 30, 2015
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, 2016	April 30, 2015
Tax allocation reserves:		
Allocated to taxes 11	-	10 700
Allocated to taxes 13	29 950	29 950
Allocated to taxes 14	20 425	20 425
Allocated to tax year 2014	42 013	43 000
Allocated to tax year 2015	45 175	45 175
Allocated to tax year 2016	29 140	-
Excess depreciation/amortization	1 648	255
Total	168 351	149 505

Of the total untaxed reserves, SEK 37,037 thousand (32,891) is recognized as deferred tax liabilities in the Group

» Note 21 Provisions

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

	Group				Parent Company
	Taxes	Guarantee commitments and other provisions	Contingent consideration ¹	Total	Guarantee commitments
Carrying amount, May 1, 2015	40 120	2 400	6 195	48 715	0
Provisions made in the period	6 780	16 497	24 101	47 378	1 688
Reversal of provisions	0	0	-53	-53	0
Amount appropriated	-994	0	0	-994	0
Carrying amount, April 30, 2016	45 906	18 897	30 243	95 046	1 688
Of which, total long-term portion of provisions	36 725	0	27 595	64 320	0
Of which, total short-term portion of provisions	9 181	18 897	2 648	30 726	1 688

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 other provisions, and within five years for contingent consideration.

¹ Refer to Note 13.

» Note 22 Other long-term liabilities

	Group		Parent Company	
	April 30, 2016	April 30, 2015	April 30, 2016	April 30, 2015
Convertible debentures 11/16	0	2 201	0	2 201
Convertible debentures 12/16	0	6 773	0	6 773
Convertible debentures 12/17	2 471	2 471	2 471	2 471
Convertible debentures 13/16	0	13 484	0	13 484
Convertible debentures 13/17	3 500	3 500	3 500	3 500
Convertible debentures 14/17	15 012	15 012	15 012	15 012
Convertible debentures 14/18	3 500	3 500	3 500	3 500
Convertible debentures 15/18	24 582	0	24 582	0
Convertible debentures 15/19	3 500	0	3 500	0
Total	52 565	46 941	52 565	46 941

During the year, two new convertible programs were issued, comprising a total of 213,012 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, 2016	April 30, 2015	April 30, 2016	April 30, 2015
Convertible debentures 11/15 reclassification from long-term liabilities	0	8 968	0	8 968
Convertible debentures 11/16 reclassification from long-term liabilities	2 201	0	2 201	0
Convertible debentures 12/16 reclassification from long-term liabilities	6 773	0	6 773	0
Convertible debentures 13/16 reclassification from long-term liabilities	13 484	0	13 484	0
Value-added tax	18 785	15 556	0	0
Employee withholding taxes	7 654	7 133	785	640
Other liabilities	12 499	7 924	224	1 380
Total	61 396	39 581	23 467	10 988

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, 2016	April 30, 2015	April 30, 2016	April 30, 2015
Accrued social security contributions	29 210	24 413	4 334	3 881
Accrued vacation pay	41 947	37 532	6 609	6 278
Prepaid support agreements	76 397	62 888	0	0
Accrued accounts payable	30 597	16 369	2 977	2 578
Invoiced non-recognized income	79 455	83 918	1 717	198
Other items	49 864	46 440	5 736	10 858
Total	307 470	271 560	21 373	23 793

» Note 25 Pledged assets and contingent liabilities

	Group		Parent Company	
	April 30, 2016	April 30, 2015	April 30, 2016	April 30, 2015
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			321 544	357 729
Total contingent liabilities			321 544	357 729

» Note 26 Cash flow

Adjustment for non-cash items

	Group		Parent Company	
	15/16	14/15	15/16	14/15
Depreciation/amortization and impairment	51 492	42 324	2 008	426
Exchange-rate differences	-17 247	17 096	-2 126	491
Reversal of provision/provision	12 464	-3 600	0	0
Share-related payments	140	335	0	0
Total	46 849	56 155	-118	917

» 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 and uncertainty in estimates

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.

» Note 29 Measurement of financial assets and liabilities

Group, April 30, 2016	Accounts receivable and loan receivables	Financial assets available for sale	Other financial assets and liabilities	Total carrying amount	Fair value
Investments held as fixed assets	0	1 798	0	1 798	1 798
Accounts receivable	220 931	0	0	220 931	220 931
Other short-term receivables	0	0	0	0	0
Cash and bank balances	0	0	239 768	239 768	239 768
Total financial assets	220 931	1 798	239 768	462 497	462 497
Long-term liabilities	0	0	52 565	52 565	52 565
Provisions	0	0	49 140	49 140	49 140
Other current liabilities	0	0	22 458	22 458	22 458
Accounts payable	0	0	32 496	32 496	32 496
Total financial liabilities	0	0	156 659	156 659	156 659

Group, April 30, 2015	Accounts receivable and loan receivables	Financial assets available for sale	Other financial assets and liabilities	Total carrying amount	Fair value
Investments held as fixed assets	0	1 766	0	1 766	1 766
Accounts receivable	197 769	0	0	197 769	197 769
Other short-term receivables	0	0	0	0	0
Cash and bank balances	0	0	307 076	307 076	307 076
Total financial assets	197 769	1 766	307 076	506 611	506 611
Long-term liabilities	0	0	46 941	46 941	46 941
Provisions	0	0	8 595	8 595	8 595
Other current liabilities	0	0	8 968	8 968	8 968
Accounts payable	0	0	42 606	42 606	42 606
Total financial liabilities	0	0	107 110	107 110	107 110

Possible customer losses were impaired via profit and loss in the amount of SEK 10,610 thousand (4,150). 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 1,798 thousand (1,766).
- The contingent consideration recognized in provisions of SEK 30,243 thousand at April 30, 2016 belongs to Level 3, which means that the calculations of fair value are based on unobservable inputs. The calculations were based on the likelihood that set goals would be achieved. SEK 27,595

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 9%. A discount rate of 9% 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. There may be a certain level of uncertainty in estimates regarding future cash flows.

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.

Contingent consideration – there is a certain level of uncertainty in the assumptions regarding future sales and earnings attributable to contingent consideration liabilities.

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.

thousand pertains to the long-term portion and SEK 2,648 thousand to the short-term portion. The value of the contingent consideration attributable to the acquisition of it-mark ApS is based on the likelihood that the earnings objective set for April 30, 2020 will be achieved and is to be paid at a fixed amount per year. The fair value at April 30, 2016 was assessed to be DKK 5 million, based on reasonable expectations with respect to the company's earnings trend. The value of the contingent consideration attributable to EXP Analytics Oy is based on the sales and earnings trend for both the company and the entire Secure Communications segment. The payment range is between EUR 0.3 million and EUR 1.8 million, which is based on market conditions for the company. The fair value at April 30 was assessed to be EUR 1.0 million, based on reasonable expectations with respect to the market trend. The value of the contingent consideration attributable to the acquisition of RxEye AB is based on the sales performance of the company's products and the operations of the entire Imaging IT Solutions business area in certain markets. The range for the contingent consideration is between SEK 0.0 million and SEK 110 million. The assessment of the fair value of SEK 14.6 million at April 30, 2016 was based on reasonable expectations with respect to the market trend. The sales performance and earnings above have a direct impact on the contingent consideration, which is why the consideration may be changed.

» 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. Because Sectra is active in several industries and a large number of markets, the Group's overall exposure to political and market risks, for example, is limited. The largest individual risks related to operations are described below.

Customers and partners

Sectra's five largest partners and customers jointly account for 17.5% (18.9) of Group sales. No individual customer accounts for more than 10% of Group sales. Although sales to each customer are often divided among a number of agreements, the proportion of long-term managed-services 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

The Group's exposure to currency exchange risks mainly arises through transactions in foreign currencies in the form of customer and supplier payments and, to a lesser extent, in connection with the translation of foreign subsidiaries' income statements and balance sheets. In accordance with the Group's finance policy, subsidiary financing is to be carried out 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 230 thousand (loss: 504) and net financial items includes an exchange loss of SEK 10,498 (gain: 14,945).

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	250.4	-365.7	-115.3
USD	264.3	-205.2	59.2
EUR	199.2	-173.0	26.1
GBP	212.5	-117.5	95.0
Other currencies	147.2	-80.5	66.7
Total	1 073.6	-941.9	131.7

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 exceeded its interest-bearing liabilities, as a result of which a decline in interest rates had an adverse impact on the Group and an increase had 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 credit ratings. Sectra's customers consist largely of government agencies and other highly reputable customers with high credit ratings, and whose credit risk is considered to be extremely low. To minimize customer credit risks in fixed-price projects, Sectra makes extensive use of advance partial payments.

Age analysis accounts receivable

SEK million	April 30, 2016	April 30, 2015
Accounts receivable not due for payment	131.0	113.4
Accounts receivable overdue 0-60 days	54.6	53.0
Accounts receivable overdue by more than 60 days	15.1	14.3
Accounts receivable overdue by more than 120 days	44.5	37.2
Reserve for customer losses	-24.3	-20.1
Total	220.9	197.8

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 credit ratings and invests in high-quality instruments.

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 2011/2016, SEK 2,201 thousand, are payable in June 2016, 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%. Convertible loans 2015/2018, SEK 24,582 thousand, and 2015/2019, SEK 3,500 thousand, are payable in December 2018 and 2019 respectively, and carry a variable interest rate, Stibor +2.25%. Other loans carry variable 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 2015/2016 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 9.2 million
Cost of materials	+/- 1%	+/- SEK 1.5 million
Personnel	+/- 1%	+/- SEK 5.2 million
Interest-rate levels	+/- 1%	+/- SEK 2.7 million
Exchange-rate changes:		
USD exchange rate	+/- 1%	+/- SEK 1.7 million
EUR exchange rate	+/- 1%	+/- SEK 1.6 million
GBP exchange rate	+/- 1%	+/- SEK 3.8 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 7.1 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 2015/2016 fiscal year, the Group's equity/assets ratio was 49.5% (56.1).

The Group's capital is defined as total shareholders' equity less any positive unrealized value changes and amounted to SEK 545,603 thousand (611,775) at April 30, 2016. 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 other than 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, 2016 are described in this Annual Report. The Annual Report also states the policies applied in the valuation of assets, provisions and liabilities.

Unrestricted equity in the Parent Company and the Group's retained earnings amounted to SEK 172.1 million and SEK 244.9 million, respectively, at the end of the 2015/2016 fiscal year.

The Annual Report states that the Group's equity/assets ratio is 49.5%. 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 the 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 2015-05-01 – 2016-04-30. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 42-68.

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 2016 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 2016 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 2015-05-01 – 2016-04-30.

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 22 2016

Grant Thornton Sweden AB

Peter Bodin

Authorized Public Accountant

Glossary

Agile development process

In an agile process, development is performed on a gradual, iterative basis, with regular partial deliveries and reconciliation. Development is governed more by visions and goals determined at an early stage rather than detailed technical specifications. The aim is to focus on results and minimize the risk of becoming tied up in project plans and bureaucratic documentation.

Arthrosis

Also referred to as osteoarthritis. A disease resulting from the breakdown (degeneration) of joint cartilage, primarily affecting older and overweight individuals. Strain and movement causes pain. Most commonly affects the wrist, hip, knee and toe joints. Common cause of joint replacement surgery.

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 workflows and extended reporting to the patient's physician.

Internet of Things (IoT)

The Internet of Things is a collective term for development whereby machines, vehicles, household appliances, clothing and other objects and beings (including people) are equipped with small, built-in sensors and computers that can communicate via the Internet.

Critical infrastructure

Basic infrastructure that is essential for the functioning of 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.

Mammography

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

Cloud solution/the cloud

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

Multidisciplinary 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.

VNA (Vendor-Neutral Archive)

IT solution for managing and archiving files such as medical images, audio files and film sequences in a shared multimedia archive.

List of references

- ¹ 2015/2016 Best in KLAS Awards: Software and Services Report, December 2015. © 2015 KLAS Enterprises, LLC. All rights reserved. www.klasresearch.com
- ² Sectra's own customer satisfaction surveys for 2015/2016.
- ³ <http://www.census.gov/population/international/data/idb/informationGateway.php>
- ⁴ World Health Organization, Regional Office for Europe: Data and Statistics <http://www.euro.who.int/en/health-topics/noncommunicable-diseases/cancer/data-and-statistics>
- ⁵ American Cancer Society Cancer facts and figures <http://www.cancer.org/acs/groups/content/@research/documents/document/acspc-047079.pdf>
- ⁶ National Center for Biotechnology Information, U.S. National Library of Medicine: The past, present, and future of cancer incidence in the United States: 1975 through 2020. [2015], <http://www.ncbi.nlm.nih.gov/pubmed/25649671>

- ⁷ The Orthopaedic Industry Annual Report for year ending December 31, 2012.
- ⁸ The Orthopaedic Industry Annual Report 2013 by ORTHOWORLD, Inc.
- ⁹ Osteoporosis: Burden, Health Care Provision and Opportunities in the European Union. Report launched in June 2011 by International Osteoporosis Foundation (IOF) in collaboration with the European Federation of Pharmaceutical Industry Associations (EFPIA).
- ¹⁰ Calculation based on open comparisons by the Swedish Association of Local Authorities and Regions.
- ¹¹ Sectra's visualization table was developed in cooperation with researchers at the Center for Medical Image Science and Visualization, the Interactive Institute and Visualization Center C.
- ¹² Sydsvenska Dagbladet February 10, 2016
- ¹³ 2016 AllBright Report <http://www.allbright.se/>

Annual General Meeting and dividend 2016

Date: September 6, 2016
Time: 4:00 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 (AGM) in the form of a press release and publication on the company's website. The notice will also be announced in the Swedish Official Gazette (Post- och Inrikes Tidningar) 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 AGM 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 August 31, 2016 and notify the company by e-mail info.investor@sectra.se, telephone +46 (0)13-23 52 00 or mail to the following address: Sectra AB, AGM, 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 August 31, 2016.

Documents

Complete proposals for decisions and forms for notification and authorization will be available not later than August 16, 2016 (three weeks prior to the AGM) on www.sectra.se/agm2016 and from Sectra's office in Linköping. Shareholders who wish to receive these documents by mail should contact the company by telephone +46 (0)13-23 52 00 or by e-mail info.investor@sectra.se

Interim Reports 2016/2017

September 5, 2016	Three-month Report
December 7, 2016	Six-month Report
March 7, 2017	Nine-month Report
May 30, 2017	Year-end report

Subscription

Financial reports, press releases and corporate governance information is available on the Group's website www.sectra.com under the Investor heading. To subscribe and receive information by e-mail, go to: www.sectra.com/subscription

Distribution of the printed Annual Report

This Annual Report will be announced in a press release on June 30, 2016 and be published on the company's website. A message will be sent by mail to all shareholders announcing that the report is available and to contact the company for a printed copy. To reduce its environmental impact, Sectra has decided to limit mail distribution to Europe; other stakeholders should refer to the digital version.

Contact for shareholders and investors

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 Tel: +46 (0)13-23 52 04

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www.sectra.com

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

Ten good reasons to invest in Sectra

- » Growth potential in the healthcare, secure communications and critical infrastructure sectors.
- » Established brand in niche areas, where customer confidence is a critical success factor.
- » Stable, profitable company, with more than 50% of sales comprising recurring revenue 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 safer society.
- » Self-financed portfolio of exciting innovation projects with reported and controlled costs. While some of these projects may not succeed, a single success story would be sufficient to add significant value.
- » Members of management are shareholders.
- » Principal owners 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.

Shareholders explain why they invested in Sectra

"I like the industry and the company's interesting ideas/products, and I believe strongly in the Board of Directors."

"Exciting industries, good growth potential. Registered office/roots in Linköping (my university town). President who is part of the debate."

"I have worked at Sectra and therefore been offered an opportunity to participate in several convertible program."

"Serious company with highly educated employees in growing industries."

Source: Sectra's IR survey for 2014 and 2015

Are you already a Sectra shareholder?

We would like to know why you chose to buy shares in Sectra and what you think of your investment and confidence in the company. We would be grateful if you could answer the 9 questions in Sectra's shareholder survey. Your feedback is important to us!

 www.sectra.com/shareholder2016

SECTRA

Knowledge and passion

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