

Annual Report

2016/2017



We contribute to
a healthier and safer society.

SECTRA
Knowledge and passion

To contribute to a healthier and safer society.

Sectra's vision

Report on operations

3	Why Sectra exists
4	What Sectra does and what sets us apart
5	Who Sectra creates value for
6	The year in brief
8	Mission statement, goals and strategies
9	Research and development
10	CEO letter
14	The healthcare market
16	Imaging IT Solutions business area
23	Sectra Customer Financing business area
24	Business Innovation business area
28	The security market
30	Secure Communications business area
34	Sectra's history
36	Five-year summary
38	The share

Official Annual Report

40	Board of Directors and Auditor
42	Group Management
44	Administration report
48	Corporate social responsibility and sustainability
52	Financial statements for the Group
54	Financial statements for the Parent Company
56	Accounting policies
58	Notes
71	Auditor's report

Annual General Meeting, financial reports, etc.

74	Glossary and references
75	Annual General Meeting 2017
75	2017/2018 financial calendar
75	Contact information
76	Ten reasons to invest in Sectra

Why Sectra exists

The world's population trend is placing demands on increased and more efficient care

To maintain a high quality of care despite today's population trend, the healthcare sector is being forced to accomplish more with the same or fewer resources. Sectra helps hospitals across the world to become more efficient, enabling them to care for more patients and save more lives.

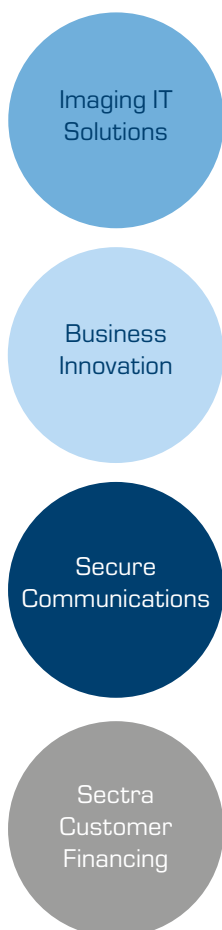
Modern means of communication are making society more vulnerable and require greater security

Eavesdropping, unauthorized data access, and disruptions in communication systems and critical infrastructure could result in serious negative consequences for society and the individual. Sectra helps critical social functions, government officials and diplomats to use modern technology to exchange information securely, thereby contributing to a stable and secure society.



What we do and what sets us apart

Sectra's business areas



What

Offering for more efficient healthcare

Medical images play a key role in diagnostics and the determination of an appropriate treatment. Sectra develops IT solutions and services for storing, viewing and working with medical images. Cancer diseases, osteoarthritis and orthopaedic surgery represent some of the most costly and resource-intensive areas in the healthcare sector—areas where the company's offering facilitates diagnosis, planning and patient monitoring. Cooperation between various departments is also facilitated, resulting in more efficient care. Sectra also helps to raise the quality of medical education by providing solutions for the sharing and integration of medical images.

Refer to page 16 for more information about **Imaging IT Solutions** and page 24 for more information about **Business Innovation** – the business areas in which Sectra's medical operations are conducted.

Offering for a more stable and secure society

The secure transfer of information plays a key role in maintaining the stability in many of society's functions. Sectra develops products and services that protect some of society's most sensitive information and communications. The offering includes secure voice and data communications, with solutions certified at the national level and by the EU and NATO, as well as security analysis and monitoring of critical IT systems, such as electricity and water supply.

Sectra's security operations are conducted under **Secure Communications**. Read more on page 30.

How

Driven by knowledge and passion

Sectra's products and services are recognized for their stability and ease of use. Internal and external customer satisfaction surveys have also clearly shown that what sets Sectra apart from its competitors is its employees – a group of highly skilled individuals who are more than happy to share their experience and are prepared to walk that extra mile to solve customers' problems. They do everything they can to understand the needs and challenges of their customers, and they use this knowledge to simplify and improve customers' daily operations. This is why customers choose Sectra and why they remain loyal.

This unique "Sectra spirit" is built on a strong corporate culture. Combined with innovation and technological excellence, this forms the basis for Sectra's success. It is also the key to the company's close, long-term cooperation with its customers.

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 and assuming responsibility – acting and acting smart.
- Collaboration with demanding customers and competent end-users to create solid solutions.
- Tolerance and respect for each other as individuals and friends.
- Job satisfaction and humor.

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

For whom

These are some examples of Sectra's users



Diagnostic imaging operations

Complete solution that facilitates integrated diagnostics for various departments, such as radiology, mammography, pathology and cardiology. Customers can use Sectra's solution for all image management or within individual departments.

Orthopaedic clinics

Systems for planning and monitoring of orthopaedic surgery contribute to better treatment results and reduce the amount of expenses incurred in the operating theater.

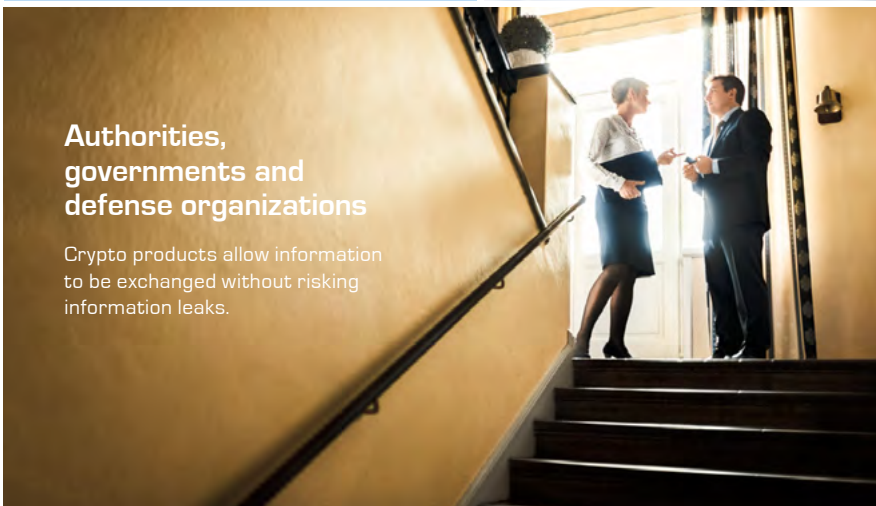
Medical schools

Modern visualization technology give students a better understanding of anatomy and bodily functions.



Authorities, governments and defense organizations

Crypto products allow information to be exchanged without risking information leaks.



Energy companies

Monitoring of data traffic in critical IT systems reduces the risk of disruptions to the companies' production and distribution of electricity and water.



The year in brief

To stay up to date on the latest events at Sectra, subscribe to receive the company's news at www.sectra.com/subscribe

Sectra's system for medical images receives top customer satisfaction ranking worldwide

Sectra delivers high-tech products of superior quality and has motivated, talented employees. This earned the company the top customer satisfaction rating in the industry; refer to page 20.



Advances in digital pathology – a long-term investment in future growth

Sectra is working to extend its product portfolio into new segments. One such segment within Imaging IT Solutions is pathology, an area where digital management of microscopic images could improve the efficiency and quality of cancer care. While this type of growth initiative may hamper the earnings trend in the short term, it has the potential to ultimately contribute to continued expansion. Several new customers have chosen Sectra's solution; refer to page 20.



Offices and distribution partners in several countries

A focus on growth and on being a leader in the areas and regions where the company operates is being supplemented with controlled growth initiatives in a small number of carefully selected markets.

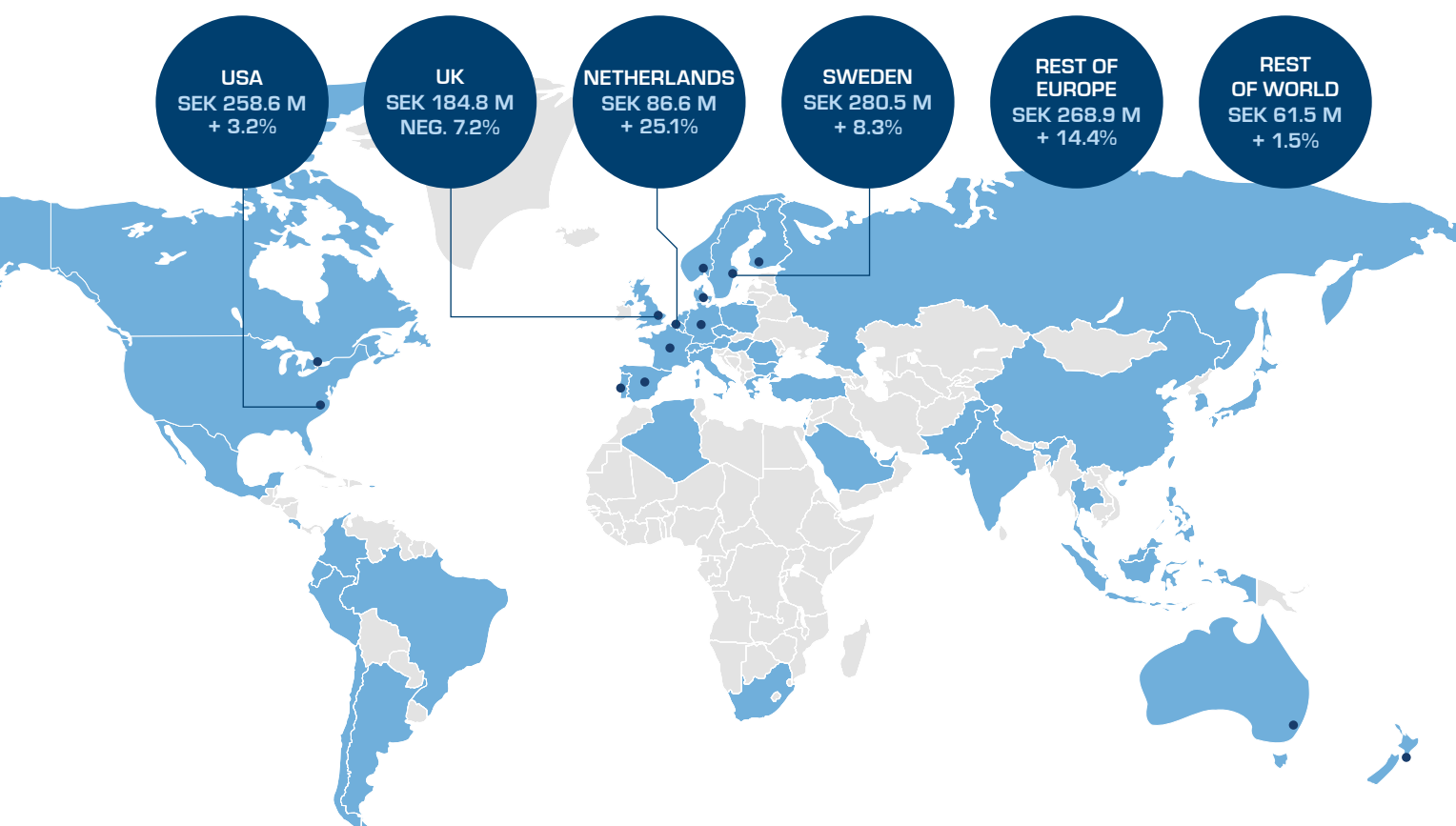
A new office were opened in France and a subsidiary in Canada, both for direct sales of medical IT systems. New distribution partners for medical systems were added in Poland, Russia and South Africa.

Secure Communications turns loss into profit

The trend for Secure Communications is cautiously positive. The business area delivered sales growth and increased its operating profit; refer to page 31.



Growing in countries and regions where the company holds an established position

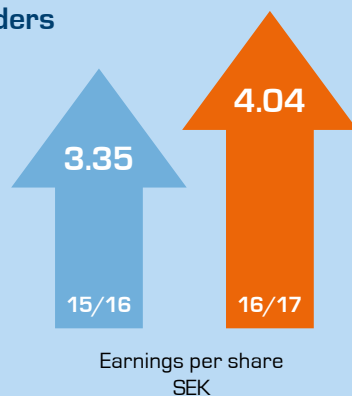


In the UK, outcome was adversely impacted by major currency fluctuations in the British pound.

■ Presence via own companies or partners ● Sectra companies

Positive trend generates return for shareholders

All of the financial goals have been met (refer to page 8) and the Board has proposed to the Annual General Meeting that SEK 4.50 per share be paid to shareholders through a share redemption program.



Quality is profitable

For additional key figures, refer to the five-year summary on page 36.

1 140.9
Net sales
SEK million

200.4
Operating profit
SEK million

6.21
Cash flow per share
SEK

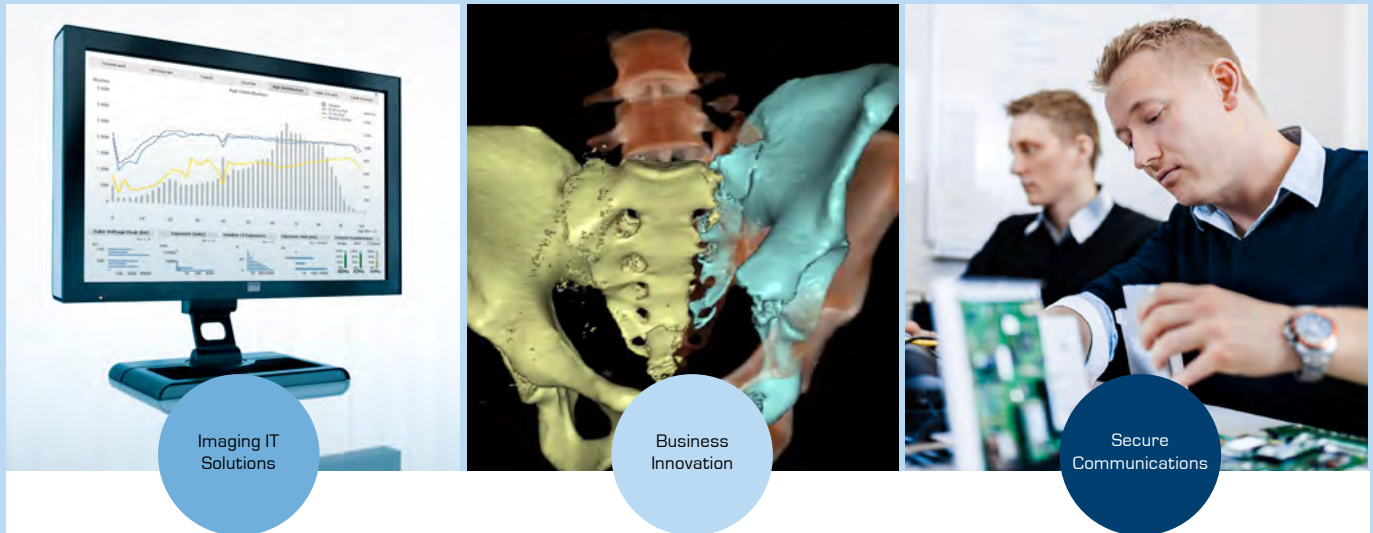
1 177.7
Order bookings
SEK million

Mission statements, goals and strategies

MISSION STATEMENTS	BUSINESS AREAS	GROUP-WIDE STRATEGIES
<p>Increase the effectiveness of healthcare, while maintaining or increasing the quality of care.</p> <p>To strengthen the stability and efficiency of society's most important functions through solutions for critical IT security.</p>	<p>Imaging IT Solutions</p> <p>Business Innovation</p> <p>Secure Communications</p>	<ul style="list-style-type: none"> Customers and customer satisfaction 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 a strong position 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 the 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												
<h3>1. Stability</h3> <p>The equity/assets ratio is to be at least 30%.</p> <p>GOAL >30%</p> <table><tr><th>Year</th><th>Equity/Assets Ratio (%)</th></tr><tr><td>12/13</td><td>61.4</td></tr><tr><td>13/14</td><td>60.7</td></tr><tr><td>14/15</td><td>56.1</td></tr><tr><td>15/16</td><td>49.5</td></tr><tr><td>16/17</td><td>47.7</td></tr></table>	Year	Equity/Assets Ratio (%)	12/13	61.4	13/14	60.7	14/15	56.1	15/16	49.5	16/17	47.7	<p>This high equity/assets ratio has had a positive impact on customer confidence in the company. Although Sectra has distributed more than SEK 800 million to shareholders over the past five years, the equity/assets ratio exceeds the strategic goal.</p>	<p>A strong financial position provides security for customers and enables investments in products and areas that create additional value. 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	Equity/Assets Ratio (%)													
12/13	61.4													
13/14	60.7													
14/15	56.1													
15/16	49.5													
16/17	47.7													
<h3>2. Profitability</h3> <p>The operating margin (EBIT margin) is to be at least 15%.</p> <p>GOAL >15%</p> <table><tr><th>Year</th><th>Operating Margin (%)</th></tr><tr><td>12/13</td><td>10.5</td></tr><tr><td>13/14</td><td>15.0</td></tr><tr><td>14/15</td><td>15.6</td></tr><tr><td>15/16</td><td>15.4</td></tr><tr><td>16/17</td><td>17.6</td></tr></table>	Year	Operating Margin (%)	12/13	10.5	13/14	15.0	14/15	15.6	15/16	15.4	16/17	17.6	<p>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 means 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	Operating Margin (%)													
12/13	10.5													
13/14	15.0													
14/15	15.6													
15/16	15.4													
16/17	17.6													
<h3>3. Growth</h3> <p>Operating profit (EBIT) per share is to grow by at least 50% over a five-year period.</p> <p>GOAL >50%</p> <table><tr><th>Year</th><th>Operating Profit per Share (SEK)</th></tr><tr><td>12/13</td><td>-42.0</td></tr><tr><td>13/14</td><td>8.0</td></tr><tr><td>14/15</td><td>28.0</td></tr><tr><td>15/16</td><td>124.0</td></tr><tr><td>16/17</td><td>88.3</td></tr></table>	Year	Operating Profit per Share (SEK)	12/13	-42.0	13/14	8.0	14/15	28.0	15/16	124.0	16/17	88.3	<p>Growth is 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 and other dilution effects. This also places the focus on ensuring that each acquisition results in higher operating profit per share, which is in the best interests of the shareholders.</p>
Year	Operating Profit per Share (SEK)													
12/13	-42.0													
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Innovation for future growth

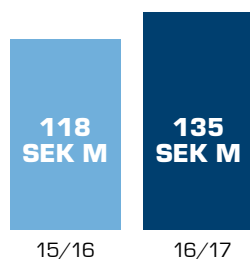
Imaging IT
SolutionsBusiness
InnovationSecure
Communications

Examples of product launches and research projects in 2016/2017

Sectra has its roots in research at Linköping University. Its ties with the research community remain strong and the company conducts projects together with universities, hospitals and other operators around the world. Solutions for digital pathology and computer-aided 3D trauma surgery are examples of the results of successful collaborations.

- Annual updates to Sectra PACS and VNA, including a new visualization tool for reviewing computed tomography (CT) images of lungs.
- New functionality in Sectra's service for collaboration and information sharing in the healthcare sector, which makes it easier for healthcare providers to share images with patients and other relevant parties.
- Unique 3D module for planning pelvic fracture surgeries.
- Light/shadow feature added to visualization table for medical education, leading to more realistic visualizations.
- New functionality, such as VPN and Secure Mobile Workplace, for the Sectra Tiger/R secure smartphone.
- Further development of service offering for critical infrastructure.

The Group's R&D costs



10-15%

of consolidated sales are invested in R&D every year.



30

Some 30 of patents in the Group.

EXAMPLES OF RESEARCH PARTNERS

Center for Medical Image Science and Visualization (CMIV) at Linköping University, Karolinska Institute in Stockholm, Lund University, Utrecht University in the Netherlands and University Hospitals of Cleveland in the US.

CEO letter

Rapidly changing markets creating new opportunities

We are well positioned in the markets for medical IT and cybersecurity. These areas represent changing, growing markets where agile, focused companies such as Sectra have the conditions to succeed. Our results for the previous year show that we are on the right path: customer satisfaction remains high, our profitability and cash flow have increased, we command strong market positions and offer innovative products.

Sectra's customers operate in some of society's most critical functions. Our job is to help our customers become more efficient and give them the tools to in turn make peoples' lives healthier, safer and more secure. By following our vision, this is how we create value for our customers, our society and our shareholders.

The healthcare market

Essentially all developed economies are facing a major demographic problem. We are living to an older age, and due to a discrepancy between the number of young and elderly people, fewer individuals will have to provide for more people in the future. The costs for care and treatment of the elderly will thus play a central role for the national economy of many countries. Most western countries have some form of healthy aging program in place – a program designed to keep the elderly healthy and allow them to live at home for as long as possible. And if these elderly people become sick, the healthcare sector needs to be able to diagnose and treat them as quickly as possible without compromising on the quality of care. In particular, society must become more efficient at handling diseases affecting the elderly, which mainly include skeletal, cancer, cardiovascular and neurodegenerative diseases. Diagnostic imaging plays a crucial role in diagnostics and follow-up in all of these areas.

While it would be impossible for Sectra to offer specialist tools for all of these diagnoses, we can provide customers with a platform for consolidated medical image management. We have chosen to specialize in cancer and skeletal diseases.

When it comes to cardiovascular and neurological diseases, we work closely with our partners in order to offer customers complete solutions. With a broad product portfolio and extensive experience of improving clinical workflows with respect to medical images, we have a strong ability to help customers increase their efficiency, consolidate patient information and images, and facilitate cooperation among various players in the healthcare sector.

Cancer diagnostics

An important part of the growth strategy of our largest operating area, Imaging IT Solutions, is to secure a solid position in IT solutions for general diagnostic imaging and become a leader in cancer diagnostics. The number of cancer cases is on the rise, which is creating growing demand for more efficient cancer care. This area is also undergoing major changes. New, promising methods that focus on activating the patient's immune system have shown revolutionary results in the treatment of certain types of cancer. Ten years ago, for example, the spread of skin cancer was basically a death sentence. Today, survival rates have improved dramatically. However, the fact that more patients are surviving is placing greater pressure on diagnostic care, since patients who have concluded their treatment must undergo regular examinations to check that their cancer has not returned. Combined with the fact that the number of cancer cases is on the rise worldwide, this is resulting in an increase in diagnostic imaging.

When it comes to cancer care, Sectra is a major player in digital radiology, growing quickly in digital pathology and one of the world's largest suppliers of imaging systems for digital mammography. Cancer care is also rapidly shifting toward more integrated diagnostics, where various disciplines, such as radiology, nuclear medicine and pathology, work together to arrive at the best possible diagnosis. The tools required to achieve this is one of Sectra's main focus areas for the future.

Skeletal diseases

Skeletal diseases are increasing at a rapid rate, and thus so is the use of orthopaedic implants. In this area, the diagnosis of the underlying disease is seldom the main problem. Instead, the challenge for healthcare providers is to plan how the surgery should be performed in order to achieve the best possible result, which implants should be used, and to monitor the results of the surgery. Sectra has therefore invested in developing image-based IT tools for orthopaedists. The orthopaedic operations are conducted within the Business Innovation operating area.

Business Innovation is also where we conduct operations that address the market for medical education. Drawing on our expertise in radiology products, we offer visualization solutions that can be used to replace or supplement traditional dissections. Modernizing basic and further education programs for physicians, nurses and veterinarians is a top priority for many universities.



Sectra five years from now

We are well positioned to continue delivering a strong performance and our goal for the future is clear. When I think of what Sectra will look like five years from now, I see a company that has grown and advanced its international position through close, long-standing customer relationships. We have continued to achieve our financial goals. Within Imaging IT Solutions, we have captured a marketleading position in a greater number of countries, with a particular focus on growth in the US. When it comes to cancer care, Sectra's solutions for digital pathology have improved diagnostics and helped to provide more people with high-quality care. Within Secure Communications, we have created opportunities for increased growth by broadening our product portfolio and expanding our customer base. We have continued to initiate innovative projects with good profitability potential and divested less successful initiatives where necessary. Our customers continue to be satisfied and our employees enjoy their jobs. These are important factors when it comes to achieving long-term value growth and ultimately generating a return for our owners.

Cybersecurity

Political instability has increased. Issues pertaining to network security have become more complex as more devices have become connected to IT networks and various companies' dependency on digital communication has grown. News headlines about cybercrime are commonplace: eavesdropping, hacking and power failures due to cyberattacks

are only a few examples. In fact, the past year alone has demonstrated society's major need for secure computer systems and communications.

Historically speaking, our main customers in the Secure Communications operating area have been defense departments, police forces and decision-making bodies in Western Europe. A year ago, we introduced a new venture

in the area of cybersecurity for critical IT systems, primarily systems used in the production and supply of energy. This area is now undergoing rapid growth and attracting considerable interest. The services we offer to customers in critical infrastructure are not limited by the same export restrictions that apply to our security-approved crypto products.

Secure Communications has experienced a number of years with less-than-satisfactory results. This year, we once again achieved growth and profit. With our new focus and a growing awareness of security in the world, we are now well positioned for the future.

Strategic choices

High level of customer satisfaction

As I look back on 2016/2017, I am most pleased with the positive feedback we continue to receive from users around the world. After all, operating a business is all about keeping your customers and users happy – and being paid to do so. The market's view of Sectra reflects the high quality of our deliveries, regardless of where in the world our customers are located or the solutions they use. This high customer satisfaction is the result of our targeted efforts to understand our customers' environments and of our culture, with outstanding employees who truly care about and assume responsibility for our customers.

For a medium-sized company such as Sectra, which competes with some of the largest companies in the world, it is important to have a clear profile and focus. Since these large global players have much more extensive resources, it would be difficult and costly for Sectra to attempt to grow through conventional marketing activities. However, many of the largest companies find it difficult to maintain a high level of customer satisfaction, which is something we excel at. Sectra has therefore decided to focus on customer satisfaction – the best marketing tool a company can have. The fact that our medical image management system for radiology, Sectra PACS, has received a top ranking for customer satisfaction for several years, both in the US and globally, is a testament to our success. This has enabled us to continue expanding our customer base in countries such as the Netherlands, Germany and, not least, the US.

New geographic markets

Our basic view is that it is better to be big in a few countries than to be small in many. Our goal is to be the largest or second largest supplier in the countries where we have subsidiaries. Over the past two years, we have started subsidiaries in France (medical systems), Finland (secure communications) and Canada (medical systems). We also plan to gradually open offices in other countries as we achieve growth in the countries where we already operate. However, it takes time to establish a presence in a country and the rate of expansion will thus be limited.

Recurring revenue increases with more customers

Our customer base is continuously growing, and more than 50% of Sectra's sales comprise recurring revenue. With every new customer, our recurring revenue increases since our contracts normally comprise either multiyear managed-services agreements or multiyear service and upgrade agreements. The proportion of managed-services agreements is also growing as customers are increasingly looking to purchase IT solutions as a service. In the global market for medical image management, which is currently our predominant product area, the proportion of revenue derived from services is estimated at only 10%, but this figure is growing. Offering IT solutions as a service is thus part of Sectra's long-term strategy.

Financial performance and sustainability

Quality is profitable

We have exceeded all of our financial goals and our performance shows that providing high quality pays off. The trends with respect to the Group's sales, operating profit and cash flow are positive, despite the fact that our earnings were charged with long-term investments in future growth in such areas as digital pathology and IT security for critical infrastructure.

As the markets mature, our hope is that a number of these activities will contribute to our growth.

In the short term, however, Sectra's growth will mainly be dependent on our sales in Imaging IT Solutions, where our order bookings have not quite met our expectations. This was partly due to the trend in the UK, where we faced a falling GBP rate and a shrinking market in local currency, as well as the fact that in certain countries we now have such a large market share in the radiology PACS product segment that it is difficult to continue growing at the same rate as we have in the past. However, in the US, for example, where Sectra so far has a relatively small market share and thus significant potential, order bookings are growing sharply. To create the scope for further growth in Imaging IT Solutions, we are also focusing on establishing a presence in two new countries. However, we do not expect to see the results of this work until a few years from now.

Sustainability

Along with product safety, quality is one of the most important aspects of our sustainability efforts. Our products and services can mean the difference between life and death for individuals and large groups of people. Carrying out structured quality control and acting responsibly as a company are a natural extension of our vision of contributing to a healthier and safer society. Since our employees are one of our most powerful competitive tools, the process of recruiting, developing, training and retaining employees and securing a healthy work environment are important aspects of our sustainability work. In order to meet customers' supplier sustainability requirements, we developed a new environmental management plan during the year, including environmental goals and systems for managing processes that could potentially impact the environment.



Get to know our CEO

- Doctor's son who traded in what seemed to be a preordained career in medicine (essentially all of his relatives were physicians or dentists) to study engineering physics, with a focus on medical technology, at Linköping University.
- Master of Science in Engineering and Doctor of technology from Linköping University, and MBA from the Stockholm School of Economics.
- Honorary Doctor of Medicine from Linköping University.
- Officer and former minesweeper commander in the Swedish Naval Reserve.
- Sectra's largest owner in terms of votes and founder of Sectra's medical operations.
- Partner, six children and two step-children.
- Pilot who can fly almost anything that flies.
- Listed in the Swedish Medtech Magazine as one of the most influential figures in the field of medical technology in Sweden.
- Enjoys a good debate. Particularly passionate about issues concerning incentives and opportunities for companies to remain and develop in Sweden.

Torbjörn participated as a pilot in the introductory film for the 2017 National Radiology Conference in Linköping, Sweden.

Effects of unexpected news

The past year has been eventful from a political perspective. First the Brexit referendum, where the UK voted to leave the EU, followed by the US presidential election. As was the case for many companies with a high level of international sales denominated in GBP and USD, Sectra's financial results for the year were impacted by major currency fluctuations. The performance of the GBP will also impact our future revenues, since the UK is where our customer financing operations generate their largest revenues, which are derived from multiyear managed-services agreement. While Sectra has a relatively large exposure to currency exchange risks, we have chosen not to employ

currency hedging given that our finances are otherwise strong. Currency fluctuations therefore have a relatively quick impact on Sectra's financial figures.

Will Brexit and Trump continue to affect our operations? As things stand, it is impossible to answer this question, but there is, for example, a risk that the UK market could slow down as it adjusts to new conditions.

Outlook

In the growing markets for health-care IT and cybersecurity, we are well positioned in segments where a strong brand, such as the Sectra brand, is an important and decisive factor. Given the increase in cyberattacks, our corporate culture – where the needs of the customer

are always our top priority – and our combination of niche areas are clear strengths. Our prospects for success are good, thanks to our customer satisfaction, innovative offerings and financial position, which is enabling investments in new markets, product development and future-oriented projects. I therefore have high hopes when it comes to our ability to continue this positive trend over the years ahead.

Linköping, Sweden, June 2017

Torbjörn Kronander
President and CEO

The healthcare market

Aging population shines spotlight on diseases affecting the elderly

In order to take care of more patients, particularly more elderly patients, healthcare must become more efficient. Care of cancer patients and skeletal diseases is facing enormous challenges. These areas are dependent on medical diagnostic imaging—a niche market in which healthcare providers across the globe use Sectra's expertise and solutions to increase productivity, improve the quality of care and coordinate their healthcare resources.

Drivers and trends

- Population growth and increasing prosperity.
- Aging population. Elderly people primarily suffer from diseases such as cancer, cardiovascular diseases, neurological diseases and diseases of the musculoskeletal system. The costs for treating these diseases are placing a growing burden on the healthcare sector. A common feature of these areas is that diagnostic imaging is an important part of diagnosis and monitoring.
- Advances in cancer care mean that more patients now survive the disease. These patients require regular examinations for the rest of their lives, which is contributing to an increased need for diagnostic imaging.
- Patient treatment and medication is becoming increasingly personalized. This means that the treatment of an individual patient is adapted based on

genetics, previous medical history and the care results of other patients with the same disease. Monitoring of customized treatment will to a great extent be image based.

- Artificial intelligence, particularly machine learning, is a new form of technology. In the healthcare sector it can be used, for example, to simplify repetitive and time-consuming diagnostic tasks.
- A higher degree of digitization in healthcare enables greater efficiency and improved quality of care. At the same time, such advances mean that systems and information become more vulnerable to human error, unauthorized data access and cyberattacks.

Customer challenges and needs

- Higher capacity and increased efficiency in order to care for more patients, particularly a growing number of elderly patients.

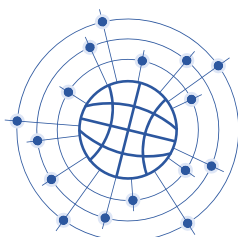
- Higher degree of consolidation and coordination of healthcare resources for increased cost efficiency.
- Efficient planning and monitoring of individual treatment in such areas as cancer care.
- Meet new legal requirements regarding secrecy and security, and protect themselves against violations and information leaks, both in IT systems and when exchanging information between different systems.

Responding to these challenges will require IT solutions with a high level of availability and security that can facilitate diagnosis, planning and patient monitoring, and thereby reduce costs throughout the entire care chain.

Healthcare trends



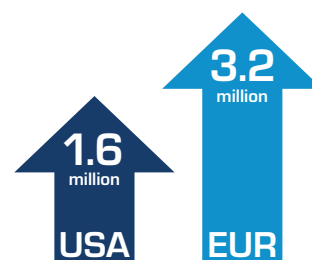
More than one in five people in Europe and North America are currently over the age of 60, a number that continues to rise.¹



Need for coordination and collaboration. A growing number of healthcare providers are consolidating and coordinating their resources to achieve increased cost efficiency.



Monitoring of customized treatment will be largely image based.



The number of new cancer cases per year.² In the US, the number is expected to increase 20% between 2010 and 2020.³

Need for better cancer care

An increasing number of national initiatives are being carried out to shorten lead times in cancer care and improve the quality of care through the implementation of standardized care processes. Advances in cancer care are also creating more opportunities for customized treatment and rapid monitoring of results, so that alternative methods can be used when needed. One important success factor is integrated diagnostics, whereby a team of specialists in various medical disciplines make a diagnosis based on several types of examinations. Such advances place high demands on multi-disciplinary cooperation and on the sharing of information and images.



The market for healthcare IT

The global market for medical imaging IT (including the product areas Radiology IT, Cardiology IT, Enterprise Imaging and Archiving & Management) amounted to USD 3.0 billion in 2015 and is expected to grow to USD 3.2 billion by 2021, corresponding to an average annual growth rate of 1.4%. Growth in certain product segments, including freestanding IT systems for radiology (PACS/RIS), has declined in recent years. In other segments, such as Enterprise Imaging and Vendor Neutral Archives (VNA), the markets are expected to grow by well over 5% per year until 2021. ⁴

Growth is significantly higher in new segments, such as digital pathology, clinical decision support based on artificial intelligence, advanced tools for analysis and diagnosis, and medical technology products that help physicians to adapt treatment and medication to the individual patient (companion diagnostics).

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 surgeries ⁵ 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 annually. ⁶ This creates significant market potential for IT systems and services that can streamline logistics and facilitate the planning and monitoring of orthopaedic procedures. ⁷

Imaging IT Solutions business area

Facts

Number of employees: 471

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.
- 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.
- 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 for users and administrators.

Customers

Public and private healthcare providers that offer medical imaging services. Customers normally include major hospitals, hospital chains and private clinic chains that are growing and being consolidated. These customers appreciate Sectra's ability to deliver extremely reliable and scalable solutions. They also have a need for communication and collaboration between hospitals, which Sectra can meet.

Sales channels and geographic presence

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

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 IBM and Lexmark.

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 for diagnostic purposes, with a particular focus on cancer diagnostics. 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.

Where we are now

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.

Market position

The business area commands a market-leading position in the Netherlands, Norway, Portugal and Sweden. Sectra is also the market leader in other countries in the niche of breast image management. In the UK, where the business area holds a prominent position after securing

a number of major long-term customer contracts in recent years, the market is relatively stagnant. This is because most healthcare providers procured new systems between 2014 and 2016, as their old agreements expired during this period. So far, Sectra's market share in the US is relatively small, but the order bookings are growing sharply.

Sectra has held a strong position in IT systems for managing radiology images for many years, and for four consecutive years it has won the industry's most prestigious award for its outstanding customer satisfaction. The customers



Focus on cancer diagnostics

Sectra's IT solutions enable consolidated management of all medical images. This is particularly valuable during multidisciplinary team meetings, when physicians from different departments meet to review and discuss the treatment plans of individual patients. This type of meeting is common, for example, in cancer care.

include some of the largest healthcare providers in the world.

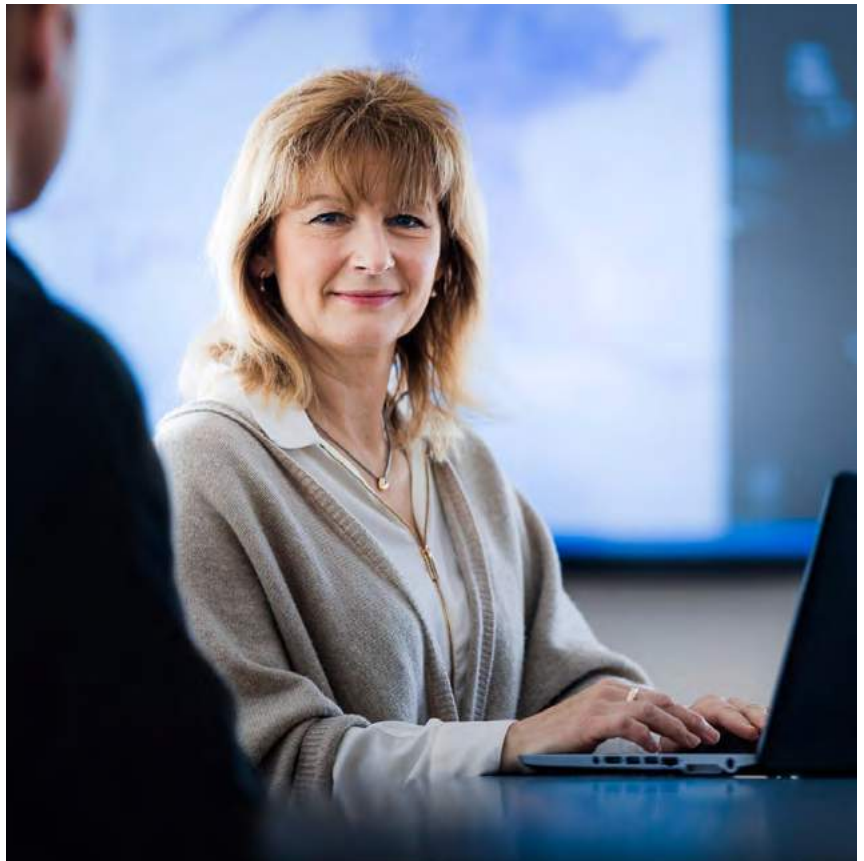
To enable healthcare providers to provide better, faster and more patient-centered care, Sectra offers systems and services for the management and archiving of all types of medical images, including non-radiology images. As its existing customers have expanded their systems to include other areas beyond radiology, Sectra has strengthened its position as an enterprise imaging IT provider.

Cloud-based services on the rise

Demand for IT solutions as cloud services is growing. For customers, this delivery model entails cost advantages and enables them to devote greater focus to their core business: delivering quick and efficient care. Sectra offers this possibility not only for archiving solutions, but also IT systems for reviewing and communicating medical images. While cloud services will ultimately generate major cost and operational benefits for Sectra, they initially entail cost increases since they require investments in hardware and development.

Cancer diagnostics

Medical image 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 growing, partly as a result of more customers implementing systems for consolidated image management. Sectra's IT solutions are used for integrated diagnostics, which facilitates collaboration between, for example, radiologists and pathologists by allowing images from both diagnostic specialties to be archived and viewed in a single system. With more customers already using digital pathology, Sectra has built a strong brand despite the fact that the market has yet to gain momentum.



What were you most proud of during 2016/2017?

It makes me very happy and proud to say that many of our new and existing customers are working proactively to improve their collaboration when it comes to their patients. During the year, I met with numerous customers who are now cooperating with other departments and hospitals in order to consolidate their IT systems to varying degrees. This is allowing them to improve their efficiency and thus devote greater focus to core care activities as well as creating the conditions for more patient-centered care. With less of a focus on the individual department, IT systems can be used as a simple

tool for giving each physician an overall picture of the patient. It's also particularly gratifying to see how our solutions facilitate collaboration between radiologists and pathologists, thereby improving cancer care. This makes me proud and gives me hope that together we can improve the quality of care, despite the growing pressure and declining resources in the healthcare sector.

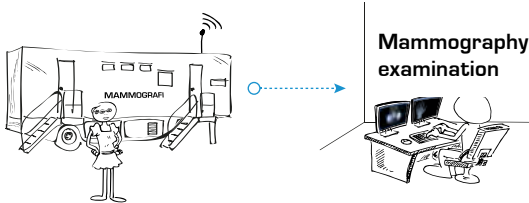
Marie Ekström Trägårdh

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.

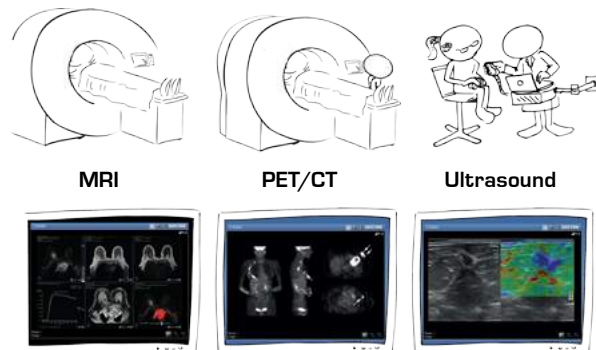


Quick response key in reducing anxiety

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 are essential for her treatment. It is equally important that the physicians involved in her treatment are able to navigate her extensive patient history, create quick and accurate reports based on comprehensive information and communicate their results to other members of Anna's care team.



Digital pathology – an enabler in cancer care

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



Story continues on next page...



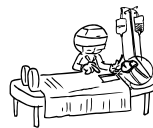
Cooperation across borders

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

... continue reading Anna's Story

Quick and easy imaging overview

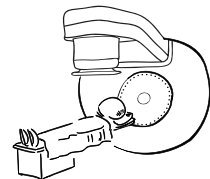
It was decided that Anna would receive a mastectomy, followed by chemotherapy and radiation therapy. Collecting and structuring data from the different treatments provides clinicians with an instant overview of Anna's status.



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.

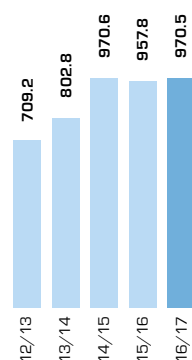
Sectra transfers RIS and PACS functionality to modules that can be adapted and integrated with the customer's local IT ecosystem. This ensures that everyone in the care chain has access to the patient's images and information, regardless of geographical and organizational boundaries.

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.

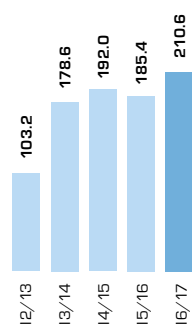
Financial performance

For comments on the company's financial performance, refer to the **Administration Report** on page 44.

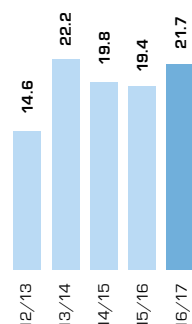
SALES
SEK MILLION



OPERATING EARNINGS
SEK MILLION



OPERATING MARGIN
%



The year in brief

The focus was on further developing existing customer relationships and strengthening the product portfolio through the addition of solutions that further optimize customer operations. The business area also intensified its marketing efforts, particularly in the US. An office was opened in France and a subsidiary was opened in Canada. Cooperation was initiated with new distribution partners in Poland, Russia and South Africa.

Recognition for the industry's most satisfied customers contributes to growth in the US

One of Sectra's medical IT solutions, Sectra PACS, topped the most important customer satisfaction survey in the medical technology industry – "Best in KLAS" – for the fourth consecutive year. This result was a strong contributing factor to Sectra's success in the US market. Agreements have been signed with several prominent customers in the US, including the Hospital of the University of Pennsylvania and City of Hope comprehensive cancer center, which are both replacing their existing PACS with Sectra PACS.

www.sectra.com/klas

Stronger position in several key markets

In addition to the US, the business area also reported growth in Germany and the Netherlands. Isala Hospital in the Netherlands and Saarland University Medical Center in Germany are examples of new customers. In Sweden, the business area's largest market, Sectra's cloud solution for managing images and patient information was deployed by customers for the first time. Another agreement based on this delivery model was signed with Danderyd Hospital in Sweden.

Success in digital pathology

The Netherlands and Scandinavia are the leading markets in the transition to digital technology in the field of pathology. They are also the markets where Sectra has made its greatest progress. Kuopio University Hospital in Finland and Västerbotten County Council in Sweden are examples of new customers. In the Netherlands, Sectra has been commissioned to implement a unique nationwide solution for telepathology.

Building close, long-standing relationships pays off

Several customers have chosen to expand their partnerships with Sectra. Alrijne Ziekenhuis in the Netherlands is an example of a customer that has grown through mergers with other hospitals and thus expanded its use of Sectra's systems. Another example is Helse Vest in Norway, which previously invested in Sectra's multimedia archive (VNA) and went on to order IT systems for managing radiology images and information (RIS and PACS) during the year. ProMedica in the US also expanded its solution to include IT systems for cardiology.

Growing demand for enterprise-wide archiving (VNA)

John Muir Health in the US, Gesundheit Nordhessen in Germany and Blekinge County Council in Sweden are examples of customers that purchased Sectra's archiving solution for all types of medical images. The orders strengthened the business area's position as a supplier of complete solutions for medical enterprise image management.



Shared regional archive offers major advantages for patients and healthcare providers in Stockholm

Stockholm County Council comprises some 2,000 healthcare providers, including ten players offering radiology services for the area's 2.3 million inhabitants. Approximately 1.6 million radiology examinations are conducted in the region every year. With Sectra's help, all healthcare providers in the county have implemented a shared archive for all radiology images. This has made it 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. In the future, the shared archive could also be used to store other types of medical images, thereby contributing to more patient-centered care.

The way forward

Opportunities

- Grow in the area of medical diagnostic imaging.
- Strengthen the product offering in cancer diagnostics. Primarily within pathology and radiology, but also other types of image-intensive operations in which cancer diagnosis, integration and workflow play an important role.
- Offer new, more efficient decision support for physicians and healthcare personnel based on technology such as artificial intelligence and machine learning.
- Generate additional sales to the existing customer base, as Sectra has done for many years in its domestic market in Scandinavia.

- Strengthen the company's position in the product segment for archiving solutions (VNA) for all types of medical images.
- Offer solutions as cloud services, since these solutions offer major cost and operational benefits for both customers and suppliers.

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 image management and previously consolidated deliveries of

IT solutions for image management being broken down into components ("de-constructed 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 69.

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.	Medium term
Greater internal efficiency. Partly by establishing a service-oriented organization that can support the sale of cloud solutions, and partly through increased centralization and globalization to ensure optimal utilization of Sectra'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 strengthening of the product portfolio. Special focus on medical image 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

Sectra Customer Financing business area

The company's strong financial position is used to finance major managed-services agreements with healthcare customers. This financing is managed within the fast-growing Sectra Customer Financing segment. Being able to offer customers this type of opportunity provides a competitive edge in certain procurement scenarios and generates an attractive return in today's low-interest environment.

Delivering medical IT systems as a service generates cost and operational benefits for both customers and suppliers. Accordingly, customers are increasingly purchasing IT systems and software as a service – for example, in the form of long-term managed-services agreements – instead of making capital-intensive investments in complete IT systems. Resource requirements and costs during the installation phase are offset by the higher rate of recurring revenue. The contracts have terms of up to ten years, which contributes to a stable development for Sectra over a number of years.

Second-largest segment in the Group

Sectra Customer Financing has grown rapidly and accounted for 10.5% of consolidated sales in 2016/2017. This growth is linked to Imaging IT Solutions' successful sales of multiyear managed-services agreements for medical IT systems in recent years. Most of the

financing pertains to customer contracts in the UK, which means that currency effects in British pound had a negative impact on the outcome for 2016/2017.

How managed-services agreements impact the Group's financial performance

In the case of Group-financed managed-services agreements, revenue and earnings in the Group are eliminated during the installation phase and distributed evenly over the duration of the agreement. This differs from traditional customer contracts, where most of the revenue and earnings are settled in conjunction with installation and deployment at the customer's site. In both cases, service and support agreements are distributed across the entire duration.

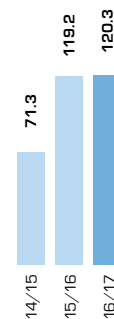
Visit our website to view illustrations showing the differences between various types of customer contracts.

www.sectra.com/customerfinancing

Financial performance

For comments on the company's financial performance, refer to the **Administration Report** on page 44.

SALES
SEK MILLION



OPERATING EARNINGS
SEK MILLION



Why does Sectra offer customer financing?

Just as many regular consumers have changed to buying monthly subscriptions for various software programs, our customers' purchasing behavior is shifting toward buying IT systems as a service. Being able to offer financing for major customer contracts gives Sectra a competitive edge over new players in the market, which rarely have the long-term strength to offer this type of service. Offering customer financing also promotes long customer relationships and the Group's overall strategies. It is also an important indication of value – a way of showing customers that we are a future-proof, stable partner.

Mats Franzén
New CFO of Sectra AB
since November 2016



Business Innovation business area

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 degree. 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 in 2014, 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 unit for low-dose mammography products, which was divested in 2011. Sectra also sold a number of patents in 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 as part of the existing business areas, since the products in question are intended for users in other customer segments. 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 slightly 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: 37

Operations

Business Innovation includes the Orthopaedics 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 orthopaedic clinics, universities and other institutions engaged in medical education.

Sales channels

Own sales organization and partners, such as Zimmer Biomet in 17 countries within Orthopaedics. Some 30 distribution partners within Medical Education.



Jakob Algulin,
General Manager, Medical
Education business unit

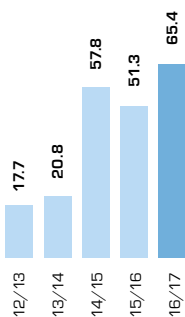
Hanna Eriksson,
General Manager,
Orthopaedics business unit

Claes Lundström,
Research Director
Medical Systems

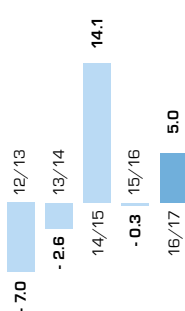
Financial performance

For comments on the company's financial performance, refer to the **Administration Report** on page 44.

SALES
SEK MILLION



OPERATING EARNINGS
SEK MILLION



The year in brief

Computer-aided 3D trauma surgery – a growth area

Customers in Sweden and the US have ordered Sectra's unique pre-operative planning tool that allows orthopaedists to use 3D images to quickly diagnose and plan treatment, for example, for patients with life-threatening physical injuries. The solution is already used by customers in the UK and Germany. New functionality has been launched, which facilitates planning and monitoring of pelvic fracture surgeries.

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.

Increased sales in medical education

Sales of Sectra's visualization table and accompanying cloud-based education portal increased in several markets. Sectra initiated cooperation with distribution partners in Argentina, the Philippines and Taiwan, and continued expanding its distribution network in the Middle East and South-East Asia. A new hardware model was introduced for use in large lecture halls, comprising an 84-inch interactive whiteboard with the latest touch technology. This solution is a good complement to the visualization table, and provides an even better base for interactive medical education and training.



Available in more than 40 countries

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_meded

Orthopaedics

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, 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 developed 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 way forward

- Grow in the countries where the business unit has its own sales organization: Austria, Benelux, France, Germany, Italy, North America, Scandinavia, Switzerland and the UK.
- Increase sales of cloud-based services for planning joint replacement surgeries, for instance 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.
- Launch new services for monitoring orthopaedic surgeries, initially in the Swedish domestic market.



Market position

The Orthopaedics business unit is currently the market leader in Scandinavia in this niche, and commands a strong market position in several other countries, including the Netherlands and the UK. The business unit is also making excellent progress in the US.

Medical education

Visualization technology improves medical education

By interacting with medical images from actual patient cases, students and resident physicians are provided with a better understanding of anatomy, bodily functions and variations, and better knowledge about various cases. Sectra offers software for a range of image-viewing systems, such as visualization tables⁸, interactive whiteboards and tablets. The solution can also be connected to 3D printers. The offering includes a cloud-based education portal that gives the user access to images from actual patient cases from other customers, such as universities, training centers and hospitals using Sectra's solution for medical education.

Sectra's solution is currently available for healthcare personnel, healthcare programs and veterinarians in more than 40 countries in Africa, China, Europe, the Middle East, North America, South America and South-East Asia. Sales mainly take place through some 30 distribution partners.

The way forward

- Encourage more customers to actively use the education portal by expanding the portal to include more patient cases in a range of fields.
- Grow in key markets, such as the US and China.

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. The department is home to seven researchers, two of whom divide their time between Sectra and various universities.

Ongoing research projects

Sectra is currently involved in approximately ten research projects, including a new project in the field of orthopaedic surgery. The aim of the project, run by a large Swedish consortium, is to develop high-precision methods for planning orthopaedic surgeries and post-operative monitoring. Since 2012, Sectra has also been involved in two major projects aimed at developing digital diagnostic methods

based on microscopic images used in pathology. As a result of these projects, pathologist reviews of tissue samples have now been facilitated and become more efficient through computer support for workflows and diagnostic processes, such as the time-consuming task of cell counting.

One of the research projects in the field of digital pathology aims to establish a national network in Sweden. The current shortage of pathologists is creating bottlenecks in many cancer processes, resulting in prolonged lead times. Accordingly, it is crucial that the expertise and capacity of existing pathologists be utilized more effectively, not only when it comes to diagnostics but also for training pathologists.

Artificial intelligence (AI) is an underlying theme in much of the research department's work. Sectra's researchers are working on solutions that combine AI and visualization, focusing on how physicians control and adjust computer results. Earlier work in this area has been incorporated into new product versions in both pathology and orthopaedics.

Artificial intelligence could revolutionize the field of medical diagnostics

At RSNA 2016, a major radiology trade fair held in Chicago, Sectra presented its prototype for a machine learning algorithm for automatic labeling of spinal vertebra using MRI images. Automating relatively simple but tedious tasks frees up time for other tasks where human specialists are truly indispensable.



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. Sectra has extensive experience of protecting society's most critical communication and it is a strong brand in the area of encryption and secure mobile communications. 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.

Drivers and trends

- Growing threat of cyberattacks and sabotage as a means of disrupting critical social functions, for example, in times of crisis or war.
- Eavesdropping on telephone calls and messages is relatively easy and inexpensive. This exposes technology to hackers and other individuals or groups who wish to access information.
- A higher degree of digitization is contributing to efficiency enhancements in society and simplifying peoples' everyday lives. At the same time, these advances mean that society and indi-

viduals are more vulnerable to human error, technical faults, unauthorized data access and virus attacks.

- Regulations and legislation in the EU and national strategies for cybersecurity targeted at both companies and government authorities are imposing stricter demands with respect to secure information management.

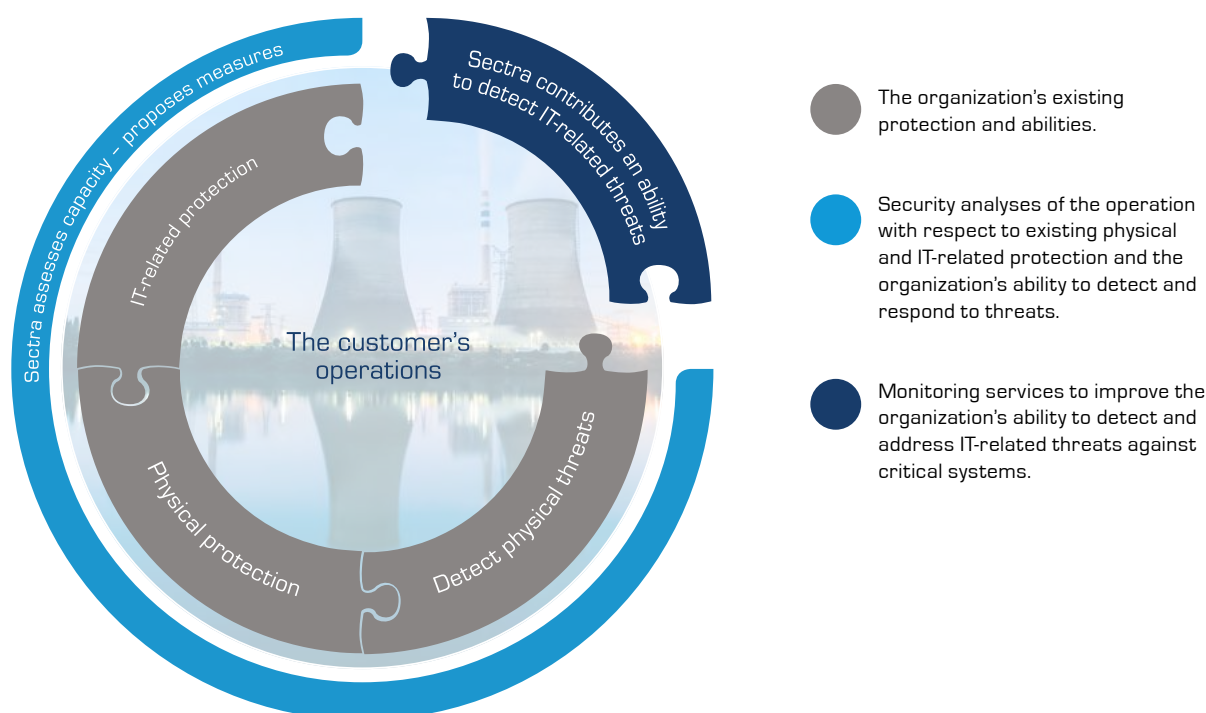
Customer challenges and needs

The need for increased digitization and efficiency without a risk of information leaks is resulting in growing demand for:

- IT solutions that meet new and more stringent demands on information security, thereby providing better protection against eavesdropping and cyberattacks.
- Modern IT technology that enables an exchange of information and communication – between individuals, organizations, applications and connected systems – without compromising on security.
- 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.



Sectra's offering for critical infrastructure – proactive security over time



The market for secure mobile communications

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 security level Secret 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 the energy sector

IT security solutions in the area of critical infrastructure are not subject to the same approval processes and export restrictions as crypto products. Sales of Sectra's services in this area are thus not limited to Europe. However, the business area is initially focusing on the Nordic market for IT security in the energy sector, where annual sales 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.

Secure Communications business area

Facts

Number of employees: 70

Product offering

- Products for secure voice and text communication and secure data transmission. Products that are approved by national security authorities and international organizations, such as the EU and NATO.
- Security and threat analyses in society's critical operations.
- Monitoring services for control systems in society's critical operations.
- Customer-specific development assignments and services.
- Maintenance in the form of support and upgrades.
- Training for users and administrators.

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

Mainly direct sales, but also distribution partners in some countries. The business area has offices in the Netherlands and Sweden, which are its largest markets, as well as in Finland. 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

Within secure mobile communications and crypto development, companies such as Advenica, Cryptify, Fox IT, Rohde & Schwarz, Secunet, Selex Communications, Thales and Tutus. Within IT security for critical infrastructure, mainly companies offering general data security services, such as Saab Combitech and other major consulting companies.

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

Secure mobile communications

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. The offering includes solutions that meet the demands of various security levels and support cooperation between organizations and units with specific security requirements. Products and infrastructure for secure mobile communications are sold as traditional product deliveries and as services including products, operation, secure administration, support and training.

Customer-specific development assignments

Project-based development of crypto products for defense departments and government agencies was previously the core of the business area's operations, and the area remains an important source of revenue. Development often takes place in close cooperation with national security authorities, mainly in the Netherlands and Sweden. Customer-specific assignments include everything from establishing requirements and conducting preliminary studies to series production and maintenance commitments. Examples of ongoing assignments include a crypto for the Tetra networks used by various blue-light emergency services, and a network crypto for the highest security level of Top Secret. In some cases, the results from customer-specific assignments have been

modified for sale to a broader market. Sectra's Tiger products for secure mobile communications are one such example.

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 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.

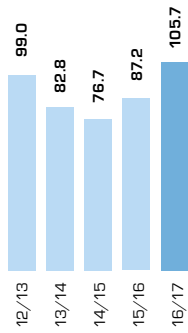
Security analysis and monitoring services for critical infrastructure

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

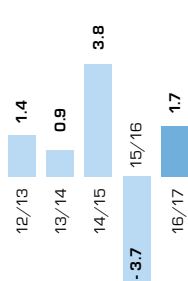
Financial performance

For comments on the company's financial performance, refer to the **Administration Report** on page 44.

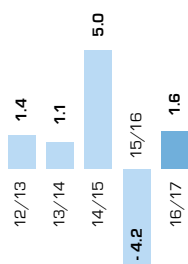
SALES
SEK MILLION



OPERATING EARNINGS
SEK MILLION



OPERATING MARGIN
%



Simo Pykälistö

President of Secure Communications and
Executive Vice President of Sectra AB

establishment phase but show considerable growth potential. While Sectra's services have attracted considerable interest, it is still a new market that has not yet gained momentum.

The year in brief

The focus during the year was on activities to help boost growth and restore the profit level, broaden the business area's offering, and grow within the new customer segment of critical infrastructure. A key step toward continued international expansion in the Netherlands and other countries where Sectra has an established customer base was to obtain security approval for newly developed products.

New approvals for Sectra's Tiger phones

NATO approved the secure mobile phone Sectra Tiger/S for use at the NATO SECRET level. The product has already been approved by the EU for use at the EU SECRET level, thus increasing the potential for a secure pan-European dialog, for example, with respect to crisis preparedness.

Partnership with Samsung expanded to include a secure mobile workplace

Thanks to the expansion of its partnership with Samsung, Sectra is now able to offer a more comprehensive product for government authorities. In addition to secure voice and text message communication, customers' mobile communication needs can now be met via email and apps. The partnership concerning a secure smartphone has resulted in Sectra Tiger/R being approved at the Restricted level by both the Dutch security authorities and NATO.

Profit restored

With new security approvals from the Netherlands and NATO, deliveries of the latest generation of Sectra's Tiger products have begun. This helped to boost operating profit to SEK 1.7 million from a loss in the preceding year. While the focus on the growth of the new critical infrastructure product area will hamper the earnings trend in the short term, it will ultimately contribute to continued expansion.



What were you most proud of during 2016/2017?

The favorable response we received from players in the energy market to Sectra's focus on critical infrastructure. We take a proactive approach to helping our customers handle tangible cyberthreats and thus support them in their efforts to provide society with a stable power supply. We also have a good dialogue with several national security authorities and I'm proud of the trust and support we've earned in the security market. This creates opportunities for growth and was one of the reasons why Samsung chose to expand its partnership with us in order to continue strengthening the protection for smartphone communications.

The way forward

Opportunities

- Grow in the area of secure mobile communications through international expansion, collaboration and further development of the product offering.
- Secure new customer-specific assignments with the potential to generate product sales.
- Use Sectra's expertise and strong brand in the areas of cybersecurity and crypto technology to grow in the area of IT security for critical infrastructure.

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 69.



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 Finland, the Netherlands and the rest of Europe. This is facilitated by the company's offering of a complete system concept with solutions for various security levels able to handle multiple security domains (groups of users 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

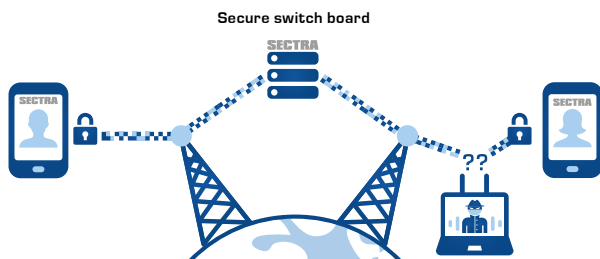
Keep communicating for a more secure world

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 switchboard, 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.

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 TRAnsmision) 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 Jan-Olof's flight of fancy. Today, I would say that his 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 Los Angeles in 1984, smart heating regulation systems for apartment buildings and private homes,



The company's founders Viiveke Fåk, Robert Forchheimer and Ingemar Ingemarsson at Sectra's 2016 Annual General Meeting.

8 DEC torsdag 18 december 1986

Östgötaföretag fann "vaccin" mot datavirus

Linköpingsföretaget Sectra har som sannolikt första företag i världen kommit med "vaccin" mot datavirus.

I ett kortfattat pressmeddelande heter det "att programvarupaketet T-cell detekterar intrång i filsystem gjorda med datavirus i Unix och Vax-VMS-system". Det är två av de större datorsystemen idag.

Datavirus förutspås bli ett av de största hoten mot det alltmer datoriserade samhället och har Linköpingsföretaget lyckats med vinnet så innebär det en viktiga framgång.

Professor Viiveke Fåk, en i gruppen av experterna i Sectra, var till en del datavirusforskare.

Frederic Cohen vid ett datainstitut i Tivoli 1984 presenterade sin upptäckt.

Omkring hade "datavirus" varit sågitt i ett stycke om, men som ingen egentligen trodde på.

Det var då vi förstod att arbetet måste börja på riktigt och vi började med datorvirusforskare att "virus" kan finnas i systemet, säger Viiveke Fåk.

Tiden mögen

— Vi har nu funnit tiden mögen för att lansera ett programvarupaket för operativsystemen Unix och Vax-VMS, säger Jan-Olof Brüer, teknologisk direktör och VD i Sectra.

Sectra har kallat sitt system T-cell efter den del av kroppens immunsystem som bär med sig programvarupaketets funktioner.

Professor Ingemarsson

son kom hem från University of California i San Diego jag som till presentationen av T-cell.

— T-cell kan agera i olika nivåer beroende på beteckningen, nämligen, säger professor Ingemarsson.

— Det kan inom några sekunder tala om att filer ändrats. Det kan också arbeta så att systemet stängs av om det är av stor vikt att det sker så snart "datavirus" kommer in.

"Vaccination"

Han liknar T-cell vid en vaccination. Det är ett programvarupaket specialiserat mot just dessa hot.

— Vi kommer att marknadsföra programvaran tillsammans med en konsult som ansvarar för den avvikelsen, säger professor Viiveke Fåk.

PF onsdagen kunde flera och betäna styrelsemedlemmar i Sectra presentera sin stora nyhet, vaccin mot datavirus. De funderar med jultre och personerna. På vänster sida är v. Torbjörn Kronander, Jan-Olof Brüer, Viiveke Fåk och Ingemarsson.

Hallberg vid institutionen för systemteknik på Linköpings universitet. Gruppen runt professor Ingemarsson är mycket lycklig och glad av de bästa i landet.

HÄRAN WÄRN



The year is 1986, Sectra is already at the forefront of the fight against cybercrime

Optimistic journalists are reporting that Sectra has discovered a vaccine for computer viruses in the form of a new product able to detect access violations in file systems. Torbjörn Kronander, Jan-Olof Brüer, Viiveke Fåk and Ingemarsson share their views in the article.

and communication systems for monitoring air traffic are a few examples.

National security

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

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

Medical technology

Guided by a keen interest in medical technology and a vision of digital radiology images, Sectra's current President and CEO, Torbjörn Kronander, came to the

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

International expansion

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

and in Canada in 2017, Sectra now has subsidiaries in 15 countries.

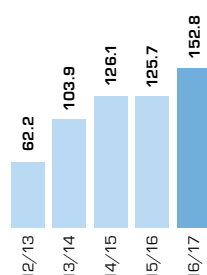
Past the one billion mark

The Group's sales surpassed SEK 1 billion for the first time in 2015/2016. Thanks to its long-term private and institutional owners, Sectra has been able to develop at a controlled pace and remain a Swedish company. President Torbjörn Kronander on the company's historical development: "Sectra has never experienced explosive growth. We have deliberately chosen to prioritize stable, long-term development over rapid, high-risk expansion. We don't need to be fast. We keep on working and have grown 5–15% per year. Over the years, this really adds up."

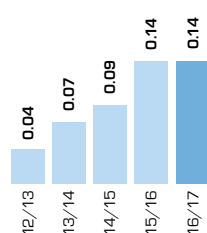
Five-year summary

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

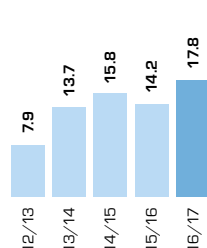
NET PROFIT FOR THE YEAR
SEK MILLION



DEBT RATIO



RETURN ON TOTAL CAPITAL
%



Interested in the company's ten-year history, visit

www.sectra.com/ten_year_summary

2016/2017

Stable performance by the Group despite unexpected currency effects

Sales growth in a number of markets. The outcome in the UK was adversely impacted by currency effects in GBP following the Brexit vote. The future focus on new geographic markets, such as France, and new product areas, such as digital pathology and critical infrastructure, had a negative effect on the earnings trend, but offer major growth potential. All financial goals were exceeded, with positive trends with respect to net sales, operating profit and cash flow. The Board of Directors proposed that SEK 170.7 million be transferred to the shareholders.

2015/2016

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

Sales growth, primarily in Norway, the UK and the US. Order bookings were well above net sales. Two companies were acquired and the market for Sectra's secure communication systems was expanded through the launch of IT security services for the energy sector. Increased cash flow and all financial goals were achieved. The company transferred SEK 169.6 million to the shareholders.

2014/2015

Increased stability based on long-term customer contracts

Many large, long-term customer contracts were signed and record-breaking order

bookings were achieved. Strong growth in Norway, the UK and the US. Cash flow impacted by the large number of customer projects in the installation phase. Launch of IT system for digital pathology and acquisition of partner company in Denmark. All financial goals were achieved and Sectra 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 Netherlands and the UK, and increased investments in product development. The company transferred SEK 167.7 million to the shareholders.

2012/2013

Focused growth initiatives

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

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 note 34 on page 70.

	2016/2017	2015/2016	2014/2015	2013/2014	2012/2013
Sales, earnings and order bookings					
Net sales	1 140 922	1 073 560	961 392	853 796	816 954
Annual growth, %	6.3	11.7	12.6	4.5	- 0.7
Depreciation	- 58 262	- 51 492	- 42 324	- 45 590	- 45 955
Impairment	- 12 313	0	0	- 18 972	0
Operating profit (EBIT)	200 405	165 517	150 294	128 072	85 866
Growth in operating profit per share over five years, %	88.3	124.1	28.5	7.8	- 42.5
Profit after financial items (EBT)	200 001	154 768	164 416	141 464	86 554
Net profit for the year	152 786	125 697	126 077	103 858	62 246
Order bookings	1 177 658	1 321 968	1 471 497	925 716	916 022
Profitability					
Gross margin, %	22.7	20.2	20.0	22.6	16.1
Operating margin, %	17.6	15.4	15.6	15.0	10.5
Profit margin, %	17.5	14.4	17.1	16.6	10.6
Return on total capital, %	17.8	14.2	15.8	13.7	7.9
Return on working capital, %	32.2	24.2	25.1	21.1	11.6
Return on equity, %	27.8	21.7	20.6	16.3	8.6
Value added, SEK million	742.9	687.4	626.1	548.1	502.1
Funding and working capital					
Working capital, SEK million	632.1	620.6	667.7	655.2	691.8
of which, goodwill	52.5	64.0	46.8	40.2	46.1
of which, other intangible and tangible fixed assets	232.7	236.0	178.8	133.2	125.7
Liquidity ratio, multiple	1.8	1.9	2.2	2.7	2.6
Equity/assets ratio, %	47.7	49.5	56.1	60.7	61.4
Debt ratio	0.14	0.14	0.09	0.07	0.04
Investments, SEK million	59.6	108.7	63.9	54.6	76.2
Cash flow					
Cash flow from operating activities	221 058	163 838	165 639	159 836	133 634
Operating cash flow	235 185	185 853	85 039	123 632	191 216
Cash flow from investing activities	- 59 553	- 108 668	- 63 931	- 54 633	- 76 206
Cash flow from financing activities	- 146 084	- 146 626	- 154 288	- 158 059	- 182 697
Cash flow for the year	29 548	- 69 441	- 133 180	- 89 060	- 67 687
Employees					
No. of employees, average	616	587	546	523	527
No. of employees at fiscal year-end	638	625	565	536	528
Sales per employee, SEK million	1.9	1.8	1.8	1.6	1.6
Value added per employee, SEK million	1.2	1.2	1.1	1.0	1.0
Data per share					
Dividend per share/redemption ³ , SEK	4.50	4.50	4.50	4.50	4.50
Dividend yield, %	2.8	4.1	3.8	5.8	8.4
Earnings per share, SEK	4.04	3.35	3.38	2.80	1.68
Earnings per share after dilution ² , SEK	3.98	3.29	3.31	2.73	1.64
Cash flow per share, SEK	6.21	4.96	2.28	3.33	5.15
Cash flow per share after dilution ² , SEK	6.11	4.85	2.23	3.24	5.04
Equity per share, SEK	14.63	14.55	16.44	16.49	17.94
Equity per share after dilution ² , SEK	14.40	14.23	16.01	16.05	17.53
No. of shares at fiscal year-end ¹	37 890 085	37 503 335	37 271 017	37 094 978	37 094 978
Average number of shares	37 772 864	37 483 975	37 256 347	37 094 978	37 052 830
Share price at fiscal year-end, SEK	162.5	110.75	119.5	77.75	53.0
P/E ratio, multiple	40.2	33.0	35.3	27.8	31.5

¹ Adjusted for stock splits and bonus issues.

² Dilution is based on the convertible debenture loans issued in 2016/2017 (136,600), 2015/2016 (219,736), 2014/2015 (158,226), 2013/2014 (49,574) and 2012/2013 (44,918).

³ 2016/2017 refers to the redemption program proposed by the Board of Directors.

Share value increased 50% over the past year

On the basis of a strong financial position and solid cash flow, the Board of Directors proposes that the 2017 AGM resolves to transfer SEK 4.50 per share to the shareholders. This proposal corresponds to a direct return of 2.8% based on the year-end share price. Combined with the price trend, this represents total value growth of 50.8% for the Sectra share during the financial year.

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

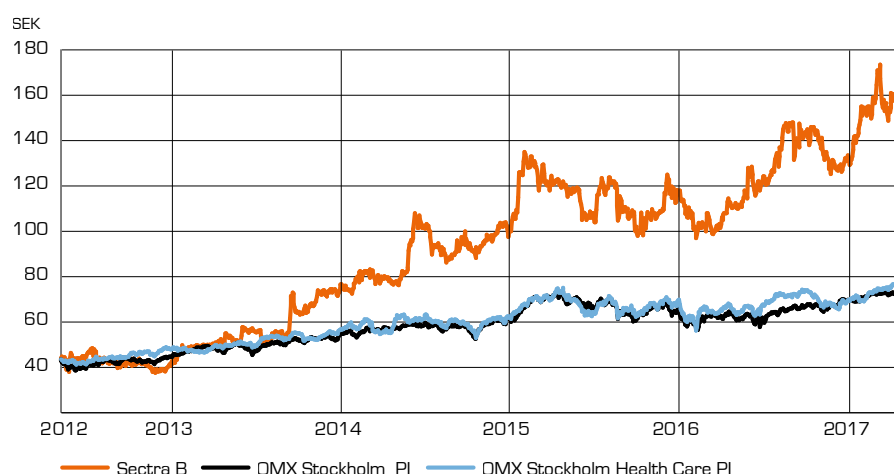
The 2016 AGM resolved to transfer SEK 4.50 per share, a total of SEK 169.6 million, to the shareholders through a share redemption program. Redemption was implemented through a 2:1 share split, combined with a mandatory redemption process and a stock dividend to restore the share capital. No ordinary dividend was paid.

The Board of Directors has proposed that the 2017 AGM resolves to transfer SEK 4.50 per share, totaling SEK 170.7 million, to the shareholders through the same type of redemption process. No ordinary dividend is proposed. More information and a schedule will be available for investors on Sectra's website not later than August 23, three weeks prior to the AGM on September 13, 2017.

On April 30, 2017, the equity/assets ratio was 47.7% and, should the AGM resolve on a share redemption program in accordance with the proposal, the comparable equity/assets ratio will amount to 38.7%. This is well above Sectra's goal, which specifies that the equity/assets ratio is to exceed 30%.

Share price trend May 2012 - April 2017

To see the current share price, visit www.sectra.com/shareprice



Share data

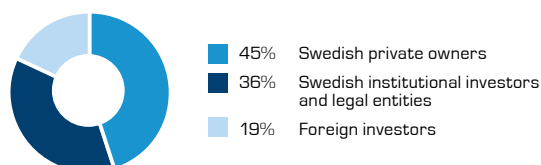
	April 30, 2017	April 30, 2016
Market capitalization, SEK million	6 157	4 153
No. of shareholders	5 916	5 503
No. of shares	37 890 085	37 503 335
Closing price, SEK	162.50	110.75
52-week high, SEK	178.50	121.12
52-week low, SEK	107.95	93.99
52-week price trend, %	46.7	- 7.3
Stockholm Stock Exchange Total Index, 52-week trend, %	17.3	- 10.6
Annual turnover rate	0.10	0.09
Annual average volume per day	14 431	12 599
Marketplace	Nasdaq Stockholm	
Ticker:	SECT B	
ISIN code	SE0008613970	
Listing	March 3, 1999	
Segment	Mid Cap	
Sector	Healthcare	

Share capital development and number of shares

Date	Transaction	Change in share capital	Total share capital	Total no. of shares
May 1, 2016	Opening balance		37 503 335	37 503 335
June 22, 2016	New share issue – redemption of convertibles	182 770	37 686 105	37 686 105
October 5, 2016	Share redemption program – 2:1 split	0	37 686 105	75 372 210
October 19, 2016	Share redemption program – share redemption	- 18 843 052.5	18 843 052.5	37 686 105
October 19, 2016	Share redemption program – stock dividend	18 843 052.5	37 686 105	37 686 105
November 29, 2016	New share issue – redemption of convertibles	203 980	37 890 085	37 890 085
April 30, 2017	Closing balance		37 890 085	37 890 085

The total number of shares outstanding on the balance-sheet date was 2,620,692 Class A shares and 35,269,393 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 the listing in 1999, visit www.sectra.com/sharecapital

Ownership structure ⁹

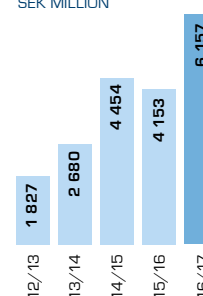


The number of shares comprises direct shareholdings and holdings through related parties at April 30, 2017. For current holdings, see www.sectra.com/shareholders

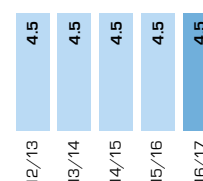
Shareholder	Class A shares	Class B shares	Capital	Votes
Torbjörn Kronander	465 620	2 597 851	8.1%	11.8%
Jan-Olof Brüer	465 622	2 576 104	8.0%	11.8%
Shannon AB ¹	623 686	295 121	2.4%	10.6%
Nordea Funds Oy	0	5 404 534	14.3%	8.8%
Frithjof Qvigstad	262 866	1 902 519	5.7%	7.4%
IF Skadeförsäkring AB	0	3 800 000	10.0%	6.2%
Viiveke Fåk	221 700	1 088 150	3.5%	5.4%
Robert Forchheimer	202 203	1 178 104	3.6%	5.2%
Ingemar Ingemarsson	221 347	150 999	1.0%	3.8%
SEB Investment Management	0	2 297 557	6.1%	3.7%
Fourth Swedish National Pension Fund	0	2 031 935	5.4%	3.3%
Thomas Ericson	136 329	298 197	1.1%	2.7%
Norges Bank	0	990 000	2.6%	1.6%
DnB Carlson Fonder	0	794 943	2.1%	1.3%
Swedbank Robur Fonder	0	558 501	1.5%	0.9%
15 largest owners	2 599 373	25 964 515	75.4%	84.5%
Other owners	21 319	9 304 878	24.6%	15.5%
Total	2 620 692	35 269 393	100%	100%

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

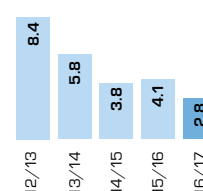
MARKET CAPITALIZATION SEK MILLION



DIVIDEND/REDEMPTION PER SHARE SEK



DIRECT RETURN %



Analysts

The following analysts have monitored Sectra's performance and published analyses during 2016/2017:

Carnegie
Kristofer Liljeberg
tel: +46 [0] 8 676 87 63

Nordea Markets
Hans Mähler, tel. +46 [0] 10 157 02 55
Carl Mellerby, tel. +46 [0] 10 157 29 59

Remium
Björn Rydell, tel. +46 [0] 8 454 32 06

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, 2017.

Torbjörn Kronander and Jan-Olof Brüer's holdings include 50% of the holdings through a jointly owned legal entity. For current holdings, see

www.sectra.com/board_of_directors. For information about matters addressed by the Board in 2016/2017, 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 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	138,612 Class B shares and convertibles corresponding to 99,951 Class B shares	777,463 Class A shares, 2,745,412 Class B shares and convertibles corresponding to 75,680 Class B shares	25,376 Class B shares and convertibles corresponding to 17,310 Class B shares
Board fees 2016/2017	SEK 370,000	SEK 0	SEK 225,000
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 17.1% of the votes and 9.3% 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, 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 Trätrappor Norsjö AB and Kåge Gutmek 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) and others

Jan-Olof Brüer

Board member



Born/Elected	Born 1951/Elected 2013
Sectra holdings	777,465 Class A shares, 2,723,664 Class B shares and convertibles corresponding to 89,101 Class B shares
Board fees 2016/2017	SEK 185,000
Board member's independence	One of the company's largest shareholders with 17.1% of the votes and 9.2% of capital
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 Sectra Communications AB, Shannon AB and Lilla Hallmare Gärd och Förvaltning

Mia Rutenius

Chief Coordinating Auditor
Grant Thornton Sverige AB



Born/Appointed	Born 1974/Appointed 2016
Sectra holdings	0
Education	Authorized Public Accountant
Other posts	Chief Coordinating Auditor for iStone AB, Dialect AB, C-rad AB and others, Head of Audit at Grant Thornton Sweden AB

Erika Söderberg Johnson

Board member
Audit Committee Chairman

**Christer Nilsson**

Board member, Member of the
Remuneration Committee and Audit
Committee

**Jakob Svärdröm**

Board member



Born/Elected	Born 1970/Elected 2007	Born 1952/Elected 2008	Born 1964/Elected 2011
Sectra holdings	799 Class B shares and convertibles corresponding to 1,902 Class B shares	5,000 Class B shares and convertibles corresponding to 10,540 Class B shares	5,759 Class B shares
Board fees 2016/2017	SEK 265,000	SEK 225,000	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	CFO of Biotage AB, Previously CFO of Karo Bio AB, Affibody AB and Global Genomics AB, Investment Banking Advisor at SEB Enskilda	President of Vestadil AB, Previously Director and Advisor at 3i plc, senior positions at Datex-Ohmeda and Gambro	Independent Technology Investment Advisor through Aurena AB, Previously Managing Partner of KTH Chalmers Capital, Executive Vice President and Board member of Streamserve Inc and Business Area Manager at Intentia AB
Other posts	Board member of Medcap AB, Saab AB and Qliro Group AB	Chairman of the Board of Tawi Invest AB and Board member of Industrifonden, Scandinoava and others	Chairman of the Board of Ports Group AB and Trustweaver AB, and Deputy Chairman of 4C Strategies AB

Deborah Capello

Board member
Employee representative

**Fredrik Häll**

Board member
Employee representative

**Bengt Hellman**

Deputy
Employee representative

**Anna Vrilmark**

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	667 Class B shares and convertibles corresponding to 1,531 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	Vice President Product Management, Imaging IT Solutions business area	Software Developer, Imaging IT Solutions business area	Roll-out Manager, Imaging IT Solutions business area

Group Management

The number of shares comprises direct shareholdings, holdings through related parties and legal entities on the balance-sheet date of April 30, 2017. Torbjörn Kronander's holdings include 50% of the holdings through a legal entity owned jointly with Board member Jan-Olof Bråer. For current holdings, see www.sectra.com/executivemgmt.

Torbjörn Kronander

President and CEO of Sectra AB,
Board member



Simo Pykälistö

President of Secure Communications
business area 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	777,463 Class A shares, 2,745,412 Class B shares and convertibles corresponding to 75,680 Class B shares	31,000 Class B shares and convertibles corresponding to 10,541 Class B shares	39,051 Class B shares and convertibles corresponding to 15,573 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 of Sectra AB, full-time at Sectra since 1991, ship captain	CFO of Sectra AB, CFO of Pronyx AB, Finance Director at CDT Nordic, Group Controller at M2 Engineering AB, Finance Manager at Kesko Svenska AB, Economist at OKO Bank	President of Sectra Sverige AB, Executive Vice President of Sectra's Imaging IT Solutions business area and others, senior positions at Sectra, consultant at Frontec AB, Developer/Project Manager at 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 Sunda Hus AB and Insurance Underwriting Agency ÖU	Board member of Swedish MedTech and Pledpharma AB

Mats Franzén

Chief Financial Officer



Jakob Algulin

General Manager Medical Education
business unit



Hanna Eriksson

General Manager Orthopaedics
business unit



Born/Employed	Born 1969/Employed 2016	Born 1975/Employed 2001	Born 1967/Employed 2005
Sectra holdings	12,000 Class B shares	1,085 Class B shares and convertibles corresponding to 7,579 Class B shares	3,810 Class B shares and convertibles corresponding to 1,076 Class B shares
Education	Master of Science in Business Administration and Economics	Master of Science in Industrial Engineering and Management	Master of Business Administration
Previous professional experience/assignments	CFO of HTC Group AB, CEO of HTC Cleaning Technology AB Group, Finance Director of Toyota Industries Europe AB, Senior Group Accountant at BT Industries AB and Approved Public Accountant and Head of PwC's Linköping office	General Manager of the Osteoporosis business unit, Sales and Marketing Manager with Orthopaedics business unit and others, positions in Sectra's medical operation	Various senior positions at Johnson & Johnson AB
Other posts	Board member of Terrasancta AB	Member of the Program Committee for Industrial Economy, Linköping University	

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	400 Class B shares	1,244 Class B shares and convertibles corresponding to 300 Class B shares	5,365 Class B shares and convertibles corresponding to 4,873 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 others, senior positions in Sectra's medical operation	Other senior positions in Sectra's medical operation	Product Development Project Manager and others, senior positions in Sectra's medical operation
Other posts			Associate Professor at the 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, 2016 to April 30, 2017. 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 2016/2017 fiscal year on May 30, 2017 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 29, 2017.

Corporate governance

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 separate document 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.

The Group's operations and structure

Sectra conducts research, development and sales of high-tech products and services in the 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. The latter refers to Sectra's joint functions for administration, Group finances, IT, regulatory affairs, marketing communication and investor relations activities.

The Group has its head office in Sweden and a number of subsidiaries with offices in 15 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 40 countries worldwide. Sectra's classified crypto solutions are sold exclusively to customers in Europe.

New subsidiary and office

During the fiscal year, Sectra registered a new subsidiary in Canada. After the balance-sheet date, Sectra announced its plans to increase its focus on growth in the Canadian market by opening an office for direct sales of medical systems. Sectra,

which is already active in the country through its office in the US, has a high level of customer satisfaction in Canada, but so far holds a relatively small market share.

Sectra also opened an office for direct sales in France at the beginning of the fiscal year. Sectra has been active in the French market via partners since 2006 and already has a number of minor installations of IT systems for mammography throughout the country. The establishment of the office has allowed Sectra to extend its sales of medical IT solutions in the French market to include most of the company's portfolio of medical products and services.

Significant events

During the fiscal year

- The Group exceeded all of its financial goals, refer to page 8; with positive trends with respect to net sales, profitability and cash flow, despite earnings being charged with costs for future investments.
- Through a share redemption program totaling SEK 169.6 million, SEK 4.50 per share was distributed to shareholders.
- Mats Franzén took over as the new CFO. He succeeded Simo Pykälistö, who was appointed President of the Secure Communications business area in April 2016. Mats joined Sectra from HTC Group and has extensive experience from executive positions in the finance, audit and IT departments of various companies with international operations.

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

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.

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. Healthcare and cybersecurity are growing and rapidly changing markets, where numerous opportunities are being created for companies such as Sectra. The company is well positioned in these markets and operates in segments where a strong brand, such as the Sectra brand, is an important and decisive factor.

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 in accordance with the company's vision – to contribute to a healthier and safer society.

Financial overview, Group

	2016/2017	2015/2016	Change, %
Order bookings, SEK million	1,177.7	1,322.0	- 10.9
Net sales, SEK million	1,140.9	1,073.6	6.3
Operating profit, SEK million	200.4	165.5	21.1
Net financial items, SEK million	-0.4	- 10.7	n/a
Profit before tax, SEK million	200.0	154.8	29.2
Profit after tax, SEK million	152.8	125.7	21.6
Operating margin, %	17.6	15.4	n/a
Profit margin, %	17.5	14.4	n/a
Earnings per share, SEK	4.04	3.35	20.6
Cash flow per share, SEK	6.21	4.96	25.2

Consolidated sales and earnings

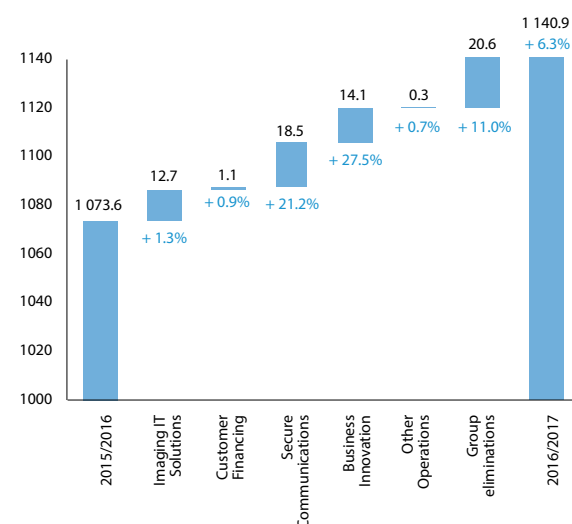
Order bookings for the fiscal year were 3.2% higher than net sales for the same period. The Secure Communications and Business Innovation segments reported increased order bookings. Within Imaging IT Solutions, order bookings in Norway, the UK and Sweden were lower than in the comparative year. The decline in the UK is attributable to exchange-rate movements for the GBP as well as a shrinking market in local currency after most healthcare providers procured new systems in 2014–2016, when their previous agreements expired. In Sweden and Norway, Sectra holds such a large market share in its main area of medical IT systems for radiology that it will be difficult for the company to grow at the same rate as it has in the past in these countries. On the other hand, Sectra's order bookings in the Netherlands and the US increased more than 10%.

Net sales rose 6.3%. Adjusted for currency fluctuations, growth was unchanged at 6.3%. Imaging IT Solutions, Secure Communications and Business Innovation contributed to this increase. The outcome for Sectra Customer Financing was adversely impacted by major currency fluctuations in the GBP, which also affected the outcome of the entire UK operation. The positive trend in the Rest of Europe segment was mainly attributable to continued growth in Norway and Germany. Sales-related Group eliminations amounted to negative SEK 166.5 million (neg: 187.1). This change was the result of a lower percentage of internal transfers of Group-financed managed-services agreements between Imaging IT Solutions and Sectra Customer Financing.

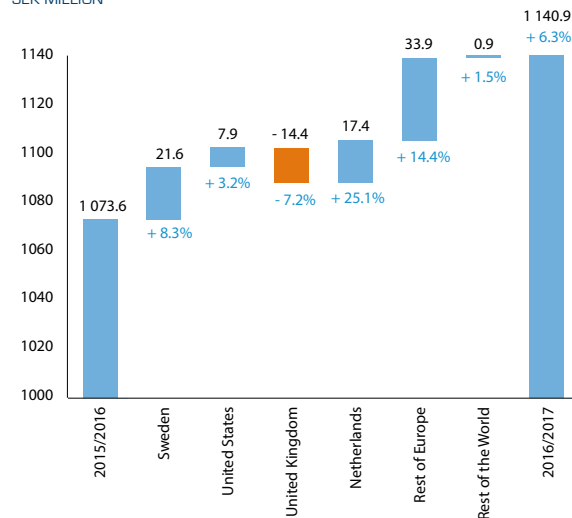
The Group's operating profit rose 21.1%. Adjusted for currency fluctuations, operating profit increased 19.2%. While this increase primarily pertains to Imaging IT Solutions, Business Innovation also reported higher operating profit. Within Secure Communications, the loss from the preceding year was turned into a profit this year. The operating margin rose 2.2 percentage points to 17.6%, which exceeded Sectra's financial goal. This improved margin was mainly attributable to a higher sales volume. Operating profit includes the reversal of a contingent consideration amounting to SEK 12.4 million and impairment of goodwill and other intangible assets totaling a negative SEK 12.3 million. These items had a net effect of SEK 0.04 million on operating profit. The items are attributable to Sectra's acquisition of RxEye AB in 2015; refer to **Note 13**. The forecast synergy effects from the acquisitions have been

reduced and the assumptions regarding the growth rate have been revised as a result of changes in the local strategy within the product segment where Sectra offers services for cooperation and information sharing within the healthcare sector.

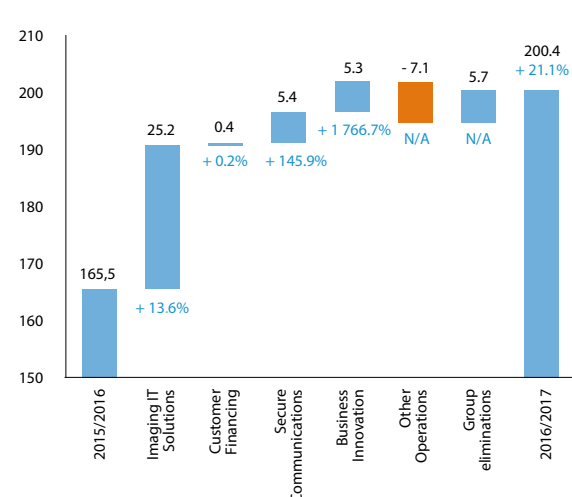
SALES TREND PER OPERATING AREA
SEK MILLION



SALES TREND PER GEOGRAPHIC MARKET
SEK MILLION



PROFIT TREND PER OPERATING AREA
SEK MILLION



Cash flow and financial position

After adjustment for exchange-rate differences, the Group's cash and cash equivalents at the end of the reporting period amounted to SEK 273.2 million (239.8). The equity/assets ratio was 47.7% (49.5). The Group's debt/equity ratio was 0.14 (0.14). Interest-bearing liabilities amounted to SEK 77.6 million (75.0) and pertained to convertible loans held by employees and Board members. During the fiscal year, convertible loans totaling SEK 22.5 million were converted to shares and new convertible loans amounting to SEK 25.0 million were raised.

The Group's cash flow from operations after changes in working capital amounted to SEK 235.2 million (185.9). Cash flow per share increased to SEK 6.21 (4.96) for the period. This change was primarily the result of improved cash flow from operating profit. Cash flow from investing activities amounted to a negative SEK 59.6 million (neg: 108.7). These investments mainly pertained to assets in long-term Group-financed customer projects and development projects. The change was primarily attributable to lower investments in Group-financed customer projects compared with the preceding year, when Sectra deployed a larger number of customer projects. The Group's total cash flow was SEK 29.5 million (neg: 69.4). The trend in operating profit and lower investments in Group-financed customer projects contributed to this improvement.

Investments, depreciation and amortization

Group investments amounted to SEK 59.6 million (108.7). Investments primarily pertained to customer projects in the Group's financing activities and capitalized development costs. Depreciation/amortization for the year amounted to SEK 58.3 million (51.5). In addition, depreciation/amortization related to Sectra's acquisition of RxEye AB in 2015 amounted to SEK 12.3 million during the fiscal year; see [Note 13](#).

Hardware-related investments in Group-financed customer projects totaled SEK 18.9 million (43.0), of which a negative SEK 1.3 million (neg: 13.6) was attributable to the impact of currency fluctuations on the size of the investment amounts. At the end of the fiscal year, the net carrying amount for Group-financed customer projects totaled SEK 120.1 million (145.5).

Capitalization of development costs during the period amounted to SEK 29.4 million (33.8). Amortization of capitalized development projects for the year amounted to SEK 16.8 million (13.6). At the end of the period, capitalized development costs totaled SEK 98.1 million (85.5).

Every year, Sectra invests 10-15% of its consolidated sales in research and development (R&D) projects. R&D costs for the fiscal year amounted to SEK 134.7 million (117.6). R&D is conducted both in-house and in collaboration with customers and partners.

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. In many cases, the equalization effect resulting from long-term managed-services agreements that are financed internally within the Group does not impact the business areas;

instead it is essentially managed through the Parent Company's financing activities. The 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.

Financial overview, operating areas and Parent Company

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 within the limits of available resources, while also maintaining or improving the quality of care. The business area's market segment in the area of medical IT systems and services is continuing to grow as a result of the population trend, the consolidation of healthcare resources and the increased use of medical diagnostic imaging. Scandinavia, the US, the UK and the Netherlands are the business area's largest markets.

During 2016/2017, sales for Imaging IT Solutions amounted to SEK 970.5 million (957.8), up 1.3%. In accordance with Sectra's expectations, the outcome in the UK was lower than in the comparative year. During the early quarters of 2015/2016 and the preceding year, the business area reported strong growth in the UK market. However, this effect was non-recurring in nature since many healthcare providers' previous agreements expired during this period.

Operating profit rose 13.6% to SEK 210.6 million (185.4), corresponding to an operating margin of 21.7% (19.4). In accordance with Sectra's aim, the percentage of sales of goods for resale (licenses and hardware from sub-suppliers) is decreasing and being replaced by service and license sales. This has had a positive impact on the earnings trend of the business area. The business area is also implementing long-term growth initiatives in new product areas, such as digital pathology, and an expansion into additional geographic markets through the establishment of its own operations and through new distributors. These activities were charged to operating profit for the year, but have the potential to contribute to an ongoing positive performance going forward.

Sectra Customer Financing

This segment comprises Sectra's unit for financing major managed-services agreements with healthcare customers and asset management. In 2016/2017, the operations' sales amounted to SEK 120.3 million (119.2). This segment has a significant exposure to the GBP, which had a negative impact on its performance. Adjusted for currency fluctuations, sales increased 11.2% during the fiscal year. Since most of the financing activities pertain to multiyear customer contracts in the UK, the movement of the GBP in relation to the SEK also had a major impact on the operating area's forecast revenue.

The segment's growth is mainly linked to Imaging IT Solutions' successful sales of multiyear managed-services agreements for medical IT systems in recent years, particularly in the UK. Financing of major managed-services agreements is usually handled by Sectra Customer Financing. Within Imaging IT Solutions, most of the revenue and expenses for managed-services agreements are recognized in conjunction with

installation and deployment at the customer's site, which are initially eliminated at the Group level and later consolidated over the duration of the agreement.

Business Innovation

Business Innovation includes business units in the areas of medical education and orthopaedics as well as a research department. The Osteoporosis business unit was incorporated into the Orthopaedics business unit during the fiscal year. Sectra's patent portfolio is managed and developed within Business Innovation.

Business Innovation is continuing to grow. Sales in 2016/2017 rose 27.5% to SEK 65.4 million (51.3), which contributed to a positive earnings trend. Operating profit amounted to SEK 5.0 million (loss: 0.3).

Secure Communications

The Secure Communications business area offers products and services for secure voice and data communications as well as cybersecurity for critical infrastructure. The critical infrastructure operations are still in the establishment phase but show considerable long-term potential. IT developments in society, political instability in the world and the growth of cybercrime are creating a greater need for Sectra's expertise and product offerings. Customers include government authorities, companies in critical social functions and defense organizations. Sweden and the Netherlands comprise the business area's largest markets.

The trend for Secure Communications is cautiously positive. Sales in 2016/2017 increased 21.2% to SEK 105.7 million (87.2) and the business area turned its loss from the preceding year into a profit. Operating profit improved by SEK 5.4 million to SEK 1.7 million (loss: 3.7). This development is largely linked to deliveries of Tiger products for secure mobile communications after the business area obtained security approvals in the EU and the Netherlands during the fiscal year. The results were charged with ongoing growth initiatives intended to broaden the business area's offering to include new customer segments and to expand into additional geographic markets.

Other Operations

This segment pertains to Sectra's joint functions for administration, Group finances, IT, regulatory affairs, marketing communication and investor relations activities. Sales from Other Operations are entirely intra-Group in nature and amounted to SEK 45.5 million (45.2) in 2016/2017. An operating loss of SEK 16.1 million (loss: 9.0) was reported for the period. The earnings trend was impacted by an increase in international Group-wide initiatives and investments in IT security.

Parent Company's sales and profit

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, marketing communication and investor relations activities. For more information, please refer to the following income statements, balance sheets, accounting policies and notes.

The share

On the balance-sheet date, Sectra's share capital totaled SEK 37,890,085 distributed between 37,890,085 shares. Of these shares, 2,620,692 were Class A shares and 35,269,393 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. These figures include the redemption of convertibles (2011/2016, 2012/2016 and 2013/2016 programs) during the fiscal year totaling SEK 22.5 million, corresponding to 386,750 Class B shares. Sectra issued two new convertible programs during the fiscal year; refer to **Note 2** for additional information.

After the balance-sheet date, holders of convertibles redeemed convertibles (2012/2017 program) totaling SEK 2.5 million, corresponding to 44,916 Class B shares. Accordingly, Sectra's share capital at the time the Annual Report was published amounted to SEK 37,935,001, distributed between 37,935,001 shares. Of these shares, 2,620,692 are Class A shares and 35,314,309 are Class B shares.

Full conversion and exercise of the issued incentive programs would increase the number of shares by 609,054, corresponding to 1.6% of the share capital and 1.0% of the votes. These figures include a recalculation of the issued convertibles, which took place due to the share redemption program conducted during the fiscal year.

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 5,916 (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 17.1% of the voting rights.
- Jan-Olof Brüer, who directly and indirectly through related companies and the company Shannon AB represents 17.1% of the voting rights.

Authorization

The 2016 AGM authorized the Board of Directors, during the period until the next AGM, 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 AGM also resolved to authorize the company to repurchase not more than 10% of the company's own shares up until the next AGM. 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 2016 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 2017 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 and sustainability

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 statements.

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-



638 employees, 71% men and 29% women



33% women in Group management



80% of employees have a university degree



Employees come from some 30 different countries



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



Sustainable products for a healthier and safer society www.sectra.com/sustainability

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 to the right. Read more about the company's risk assessment for the coming year in [Note 30](#) Risks and risk management.

Business ethics and anti-corruption measures

The company's model for working with customers, distributors and strategic partners 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.

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-supplier. 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.

RISKS WITH HIGH RISK INDEX

MEASURES TO LIMIT RISK

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

Leaks of confidential information and cybersecurity threats

As a result of IT advances and a growing number of cyber security breaches in society, there is now 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 2016/2017, 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 preceding 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 currently holds some 30 patents.

Risks related to business ethics

The focus on business ethics has increased, both within the company and in the global business environment. This is particularly true when it comes to corruption and bribery, which have received greater attention in the media due to a number of international scandals. According to Executive Management's assessment, the company's risks in this area have increased over the past fiscal year as a result of the growing number of international distribution partners, which are more difficult to monitor using internal procedures.

Sectra has a Code of Conduct that contains a strict anti-bribery policy, which is intended to limit the risk of individual instances of briber. For more information, refer to the heading Business ethics and anti-corruption measures. The code is included in all distribution agreements and Sectra is entitled to terminate its business relationships at short notice if the code is not followed. Other measures include ongoing assessments of subsidiaries and partners and specific audit procedures in selected subsidiaries each year.

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 EUR, GBP and USD.

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. Currency effects had a positive impact on the Group's operating profit in 2016/2017.

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.

Sectra has procedures in place to ensure thorough credit ratings of its customers and partners. To minimize credit risks in fixed-price projects, Sectra makes extensive use of advance partial payments and bank guarantees.

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.

Employee satisfaction, development and well-being

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. Sectra uses its annual employee surveys and reviews to monitor employee satisfaction and development. One of the Group-wide goals monitored by Sectra is whether its employees have a good "gut feeling" when coming to work. The goal is to achieve a result of more than 3.5 on a scale of 5. The result for 2016/2017 was 3.9 (3.9).

On the balance-sheet date, Sectra had 638 (625) permanent employees and some 30 project employees. The employee turnover rate in 2016/2017 was 14.0% (8.6). Sectra's personnel have extensive expertise and a solid educational background. 80% of its employees have a university degree and many have completed postgraduate studies.

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 low rate of absences due to illness, corresponding to 2.1% (1.7).

Equality and diversity

Sectra works continuously to promote gender equality in order to achieve gender balance and diversity. The Group's employees come from some 30 different countries and bring experience

from a range of cultures and settings. Of these employees, 71% (69) are men and 29% (31) are women. As of the balance-sheet date, 33% (44) of Group Management were women. For more information, refer to **Note 2**.

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.

In order to meet customers' sustainability requirements on Sectra as a supplier, the Group developed a new environmental plan during the fiscal year. The plan describes the environmental impact and environmental goals of the Group's business activities and the measures taken to achieve these goals. The environmental plan is part of Sectra's quality management system.

The company's operations are not subject to notification or permit requirements under the Swedish Environmental Code. From an environmental perspective, the digital radiography systems that Sectra develops, for example, are highly advantageous. The introduction of digital technology is helping 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 on the Group's website, www.sectra.com/sustainability.

Taxes

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



Ongoing skills training and frequent customer visits help to improve quality and give the company a greater understanding of customers' day-to-day operations.

Approval of reports

Pursuant to the Board decision on June 27, 2017, the consolidated financial statements have been approved for publication and will be presented to the Annual General Meeting for adoption on September 13, 2017.

The following funds are at the disposal of the Annual General Meeting (SEK):

Share premium reserve	54 965 741
Loss brought forward	- 34 821 126
Net profit for the year	162 202 112
	182 346 727

Proposed appropriation of profits

The Board and President propose that the profits be appropriated so that SEK 182,346,727 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 170,707,505 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 27, 2017

Torbjörn Kronander
President and CEO
Board member

Carl-Erik Ridderstråle
Chairman of the Board

Anders Persson
Board member

Christer Nilsson
Board member

Erika Söderberg Johnson
Board member

Jakob 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 27, 2017
Grant Thornton Sweden AB

Mia Rutenius
Authorized Public Accountant

Consolidated income statements

SEK thousand	Note	2016/2017	2015/2016
Operating income			
Net sales	1	1 140 922	1 073 560
Capitalized work for own use		29 369	33 836
Reversal of contingent consideration		12 355	0
Other operating income		2 398	3 452
Total income		1 185 044	1 110 848
Operating expenses			
Goods for resale		- 166 349	- 153 798
Personnel costs	2	- 542 464	- 521 855
Other external costs	3, 4	- 205 251	- 218 186
Impairment of intangible assets	10	- 12 313	0
Depreciation of tangible assets	11	- 36 123	- 32 942
Amortization of intangible assets	10	- 22 139	- 18 550
Total operating expenses		- 984 639	- 945 331
Operating profit		200 405	165 517
Financial items			
Interest income and similar profit/loss items	6	1 621	1 146
Interest expenses and similar profit/loss items	7	- 2 025	- 11 895
Total financial items		- 404	- 10 749
Profit after financial items		200 001	154 768
Taxes	9	- 47 215	- 29 071
Net profit for the year		152 786	125 697
Attributable to:			
Parent Company owners		152 786	125 697
Non-controlling interest		0	0
Earnings per share, SEK			
Before dilution		4.04	3.35
After dilution		3.98	3.29
Number of shares on balance-sheet date			
Before dilution		37 890 085	37 503 335
After dilution	2	38 499 139	38 341 746
Average number of shares, before dilution		37 772 864	37 483 975
Average number of shares, after dilution	2	38 420 443	38 249 201

Consolidated statement of comprehensive income

SEK thousand	Note	2016/2017	2015/2016
Net profit for the year		152 786	125 697
Items that may be reclassified to profit and loss			
Change in translation differences from translating foreign subsidiaries		3 256	- 26 736
Other comprehensive income for the year		3 256	- 26 736
Total comprehensive income for the year		156 042	98 961
Attributable to:			
Parent Company owners		156 042	98 961
Non-controlling interest		0	0

Consolidated balance sheets

SEK thousand	Note	April 30, 2017	April 30, 2016
ASSETS			
Fixed assets			
Intangible assets	10	182 053	187 439
Tangible assets	11	103 205	112 565
Financial assets	15, 29	1 799	1 798
Deferred tax assets	9	30 283	36 489
Total fixed assets		317 340	338 291
Current assets			
Inventories	16	24 707	13 596
Accounts receivable	17, 30	225 436	220 931
Current tax assets		8 120	9 284
Other receivables		13 252	12 435
Prepaid expenses and accrued income	18	300 389	268 543
Cash and cash equivalents	19	273 216	239 768
Total current assets		845 120	764 557
Total assets		1 162 460	1 102 848
EQUITY AND LIABILITIES			
Equity			
Share capital		37 890	37 503
Other contributed capital		281 583	259 512
Reserves		36 302	3 681
Retained earnings, including net profit for the year		198 740	244 907
Total equity		554 515	545 603
Long-term liabilities			
Provisions	21	14 396	27 595
Deferred tax liabilities	9, 21	26 539	45 906
Other long-term liabilities	22	56 611	52 565
Total long-term liabilities		97 546	126 066
Current liabilities			
Accounts payable		43 011	32 496
Current tax liabilities		33 150	8 272
Current provisions	21	15 923	21 545
Other current liabilities	23	64 790	61 396
Accrued expenses and deferred income	24	353 526	307 470
Total current liabilities		510 400	431 179
Total equity and liabilities		1 162 460	1 102 848

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

Consolidated cash-flow statements

SEK thousand	Note	2016/2017	2015/2016
OPERATING ACTIVITIES			
Operating profit		200 405	165 517
Adjustment for non-cash items	26	55 276	46 849
Interest and dividend received		1 621	1 146
Interest paid		- 1 580	- 1 396
Income tax paid		- 34 664	- 48 277
Cash flow from operations before changes in working capital		221 058	163 838
Changes in working capital			
Change in inventories		- 10 923	988
Change in receivables		- 28 761	- 28 725
Change in current liabilities		53 811	49 752
Cash flow from current operations		235 185	185 853
INVESTING ACTIVITIES			
Acquisitions of intangible assets	10	- 30 996	- 34 104
Acquisitions of tangible assets	11	- 28 557	- 76 274
Acquisition of subsidiaries	13	0	1 710
Cash flow from investing activities		- 59 553	- 108 668
FINANCING ACTIVITIES			
Raising of convertibles	22	25 028	28 083
Payment of options		0	- 5 476
Payment of contingent consideration		- 1 524	- 468
Redemption of shares		- 169 588	- 168 765
Cash flow from financing activities		- 146 084	- 146 626
Cash flow for the year		29 548	- 69 441
Cash and cash equivalents, opening balance		239 768	307 076
Exchange-rate difference in cash and cash equivalents		3 900	2 133
Cash and cash equivalents, closing balance	19	273 216	239 768
Unutilized credit facilities	19	15 000	15 000

Consolidated statement of changes in equity

SEK thousand	Reserves				Retained earnings, including net profit for the year	Total equity
	Share capital	Other contributed capital	Translation reserve	Other reserves		
Equity as of May 1, 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
Net profit for the year					152 786	152 786
Other comprehensive income/loss			3 256			3 256
Allocation to fund for development costs				29 365	- 29 365	0
Conversion of shares	388	22 071				22 459
Redemption of shares					- 169 588	- 169 588
Equity as of April 30, 2017	37 890	281 583	6 273	30 029	198 740	554 515

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 and fund for development costs. There are no non-controlling interests in the Sectra Group.

Parent Company income statements

SEK thousand	Note	2016/2017	2015/2016
Operating income			
Net sales	1	108 828	95 614
Capitalized work for own use		4 405	3 624
Other operating income		1 836	1 035
Total income		115 069	100 273
Operating expenses			
Personnel costs	2	- 49 251	- 38 884
Other external costs	3, 4	- 69 345	- 66 267
Amortization of intangible assets	10	- 1 332	- 718
Depreciation of tangible assets	11	- 3 365	- 1 289
Total operating expenses		- 123 293	- 107 158
Operating loss		- 8 224	- 6 885
Profit from financial items			
Income from participations in Group companies	5	0	62 039
Interest income and similar profit/loss items	6	11 469	7 269
Interest expenses and similar profit/loss items	7	- 1 456	- 17 181
Profit after financial items ¹		1 789	45 242
Appropriations ²	8	204 339	88 097
Profit before tax		206 128	133 339
Tax on net profit for the year	9	- 43 926	- 19 430
Net profit for the year		162 202	113 909

¹ The comparative year has been restated due to an amendment of the accounting policies in RFR 2 with respect to IAS 21. This had a negative impact of SEK 15,577 thousand on profit after financial items for 2015/2016.

² Untaxed reserves in the Parent Company have been adjusted compared with the previously published year-end report. This adjustment had no impact on the Group's earnings and financial position.

Parent Company balance sheets

SEK thousand	Note	2017-04-30	2016-04-30
ASSETS			
Fixed assets			
Intangible assets	10	10 765	7 692
Tangible assets	11	15 477	9 627
Participations in Group companies	12	35 597	35 531
Receivables from Group companies	14	250 020	250 014
Deferred tax assets	9	47	47
Total fixed assets		311 905	302 910
Current assets			
Receivables from Group companies		393 999	453 629
Accounts receivable		16 292	11 148
Other receivables		6 608	4 589
Prepaid expenses and accrued income	18	6 900	4 857
Cash and bank balances	19	221 099	202 177
Total current assets		644 898	676 400
Total assets		956 803	979 310
EQUITY AND LIABILITIES			
Equity			
<i>Restricted equity</i>			
Share capital		37 890	37 503
Statutory reserve		226 456	226 456
Fund for development costs		4 402	0
Total restricted equity		268 748	263 959
<i>Unrestricted equity</i>			
Share premium reserve		54 966	32 895
Retained earnings		- 34 821	25 259
Net profit for the year ¹		162 202	113 909
Total unrestricted equity		182 347	172 063
Total equity		451 095	436 022
Untaxed reserves ²	20	87 629	168 351
Long-term liabilities			
Other long-term liabilities	22	56 611	52 565
Total long-term liabilities		56 611	52 565
Current liabilities			
Accounts payable		4 931	4 961
Liabilities to Group companies		287 823	270 883
Current tax liabilities		19 181	0
Provisions	21	2 190	1 688
Other current liabilities	23	23 352	23 467
Accrued expenses and deferred income	24	23 991	21 373
Total current liabilities		361 468	322 372
Total equity and liabilities		956 803	979 310

¹ The comparative year has been restated due to an amendment of the accounting policies in RFR 2 with respect to IAS 21. This had a negative impact of SEK 15,577 thousand on profit after financial items for 2015/2016.

² Untaxed reserves in the Parent Company have been adjusted compared with the previously published year-end report. This adjustment had no impact on the Group's earnings and financial position.

Parent Company cash-flow statements

SEK thousand	Note	2016/2017	2015/2016
OPERATING ACTIVITIES			
Operating loss		- 8 224	- 6 885
Adjustment for non-cash items	26	10 809	- 118
Interest received	6	7 832	7 269
Interest paid	7	- 1 456	- 1 483
Income tax paid		- 26 195	- 33 853
Cash flow from operations before changes in working capital		- 17 234	- 35 070
Changes in working capital			
Change in receivables		43 786	107 208
Change in current liabilities		18 881	- 8 163
Cash flow from current operations		45 433	63 975
INVESTING ACTIVITIES			
Acquisitions of intangible assets	10	- 4 405	- 3 625
Acquisitions of tangible assets	11	- 9 214	- 4 254
Acquisitions of subsidiaries	12	- 65	0
Payment of loans to subsidiaries	14	0	- 129 012
Repayment of loans from subsidiaries	14	7 729	7 481
Cash flow from investing activities		- 5 955	- 129 410
FINANCING ACTIVITIES			
Payment of options		0	- 5 476
Dividends received		0	37 804
Raising of convertibles	22	25 028	28 083
Group contributions received/paid	8	123 617	106 943
Redemption of shares		- 169 588	- 168 765
Cash flow from financing activities		- 20 943	- 1 411
Cash flow for the year		18 535	- 66 846
Cash and cash equivalents, opening balance		202 177	267 016
Exchange-rate difference in cash and cash equivalents		387	2 007
Cash and cash equivalents, closing balance	19	221 099	202 177
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 development costs	Fund for fair value	Share premium reserve	Retained earnings, including net profit for the year	Total equity
Equity as of May 1, 2015	37 271	226 456	0	11 502	24 159	187 956	487 343
Effect of amended accounting policies				- 11 502		11 502	0
Adjusted opening balance as of May 1, 2015	37 271	226 456	0	0	24 159	199 458	487 343
Net profit for the year ²						113 909	113 909
Other comprehensive income/loss						43	43
Total change in capital excluding translations with the company's owners	0	0	0	0	0	113 952	113 952
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	0	0	32 895	139 169	436 022
Net profit for the year						162 202	162 202
Total change in capital excluding translations with the company's owners	0	0	0	0	0	162 202	162 202
Allocation to fund for development costs			4 402			- 4 402	0
Conversion of shares	387				22 071		22 458
Redemption of shares						- 169 588	- 169 588
Equity as of April 30, 2017 ³	37 890	226 456	4 402	0	54 966	127 380	451 095

¹ On the balance-sheet date, Sectra's share capital totaled SEK 37,890,085 distributed among 37,890,085 shares. Of these shares, 2,620,692 are Class A shares and 35,269,393 are Class B shares.

² Net profit for the year after amendment of accounting policies in RFR 2 with respect to IAS 21.

³ Untaxed reserves in the Parent Company have been adjusted compared with the previously published year-end report. This adjustment had no impact on the Group's earnings and financial position.

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 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 under the "Fund for development costs," and is to be recognized separately in the balance sheet. This impacts the Group's Swedish legal entities and applies from the fiscal year beginning May 1, 2016.

The accounting policies and calculation methods are otherwise unchanged compared with those applied in the 2015/2016 Annual Report.

New and amended accounting policies that become applicable from 2017/2018 or later

IFRS 15 Revenue from Contracts with Customers, 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 process of analyzing each customer contract to assess the potential consequences of recognition in accordance with IFRS 15 is under way and it is not currently possible to describe the possible effects of the future application of this standard.

IFRS 9 Financial instruments, effect date 2018. This new standard entails extensive changes in the guidance for recognition and measurement of financial assets and introduces an anticipated credit 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. This new standard entails that the lessee is to recognize all contracts that meet the definition of a lease according to the standard (excluding contracts with a term of 12 months or less and contracts pertaining to low-value assets) as assets and liabilities in the balance sheet, with depreciation, amortization and interest expenses recognized in profit or loss. Accordingly, contracts that currently comprise operational leases will be capitalized in the balance sheet. The Group has not yet assessed the impact of the standard on the financial statements. The disclosures provided in **Note 4** with respect to operational leases give an indication of the scope of the leases that currently exist.

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.

The Swedish Financial Reporting Board has amended RFR 2 in respect of the application of IAS 21. This amendment entails that exchange-rate

differences arising on monetary items comprising part of a net investment in a foreign operation are to be recognized in profit and loss and not in other comprehensive income as they were in the past. The amendment impacts financial income and expenses in the Parent Company. The 2015/2016 comparative year has been restated due to this amendment.

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 under the "Fund for development costs," and is to be recognized separately in the balance sheet.

Basis for preparation of the reports

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

Consolidated financial statements

The consolidated financial statements have been prepared using the acquisition method, and cover those companies in which the Parent Company, directly or through subsidiaries, exerts a controlling influence. A controlling influence means that the Parent Company directly or through subsidiaries has 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.

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.

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.

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 as that used for direct sales to end customers. 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. When Sectra's customers choose to utilize the financing solution via Customer Financing, an interest component is included in the agreement. These revenues, along with other revenues in the agreement, comprise the segment's operating profit and are thus recognized in operating profit.

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 and loss 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.

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 is very high, even for shorter contract periods, 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 Group has estimated the following useful lives:

Buildings	40 years
Office furniture	10 years
Equipment and office machines	5 years
Equipment at customer premises	3-10 years, depending on the period of use in each agreement.

Leasing

Through operational and financial leasing agreements, the company utilizes equipment, premises, computers, cars and items for onward leasing. All of the Group's leasing agreements are deemed to be operational, since the material risks and benefits are deemed to remain with the lessor.

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.

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; refer to [Note 29](#).

Notes Content

Note 1 Operating segments and function classification	59
Note 2 Employees and personnel costs	60
Note 3 Fees to auditors	62
Note 4 Cost for operational leases	62
Note 5 Income from participations in Group companies	62
Note 6 Interest income and similar profit/loss items	62
Note 7 Interest expenses and similar profit/loss items	62
Note 8 Appropriations	62
Note 9 Tax on net profit for the year	62
Note 10 Intangible assets	63
Note 11 Tangible assets	64
Note 12 Participations in Group companies	64
Note 13 Acquisitions	65
Note 14 Long-term receivables from Group Companies	66
Note 15 Investments held as fixed assets	66
Note 16 Inventories	66
Note 17 Accounts receivable	66
Note 18 Prepaid expenses and accrued income	66
Note 19 Cash and cash equivalents	66
Note 20 Untaxed reserves	66
Note 21 Provisions	67
Note 22 Other long-term liabilities	67
Note 23 Other current liabilities	67
Note 24 Accrued expenses and deferred income	67
Note 25 Pledged assets and contingent liabilities	67
Note 26 Cash flow	67
Note 27 Related parties	67
Note 28 Important estimates and judgments and uncertainty in estimates	68
Note 29 Measurement of financial assets and liabilities	68
Note 30 Risk, risk management and sensitivity analysis	69
Note 31 Asset management	70
Note 32 Board's statement concerning repurchase and transfer the company's own share	70
Note 33 Proposed appropriation of profits	70
Note 34 Definitions of key figures	70

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	
	16/17	15/16	16/17	15/16	16/17	15/16	16/17	15/16	16/17	15/16
Net sales	970 544	957 773	105 719	87 159	65 370	51 264	120 333	119 175	45 500	45 173
Depreciation/ amortization	24 285	21 662	4 362	3 668	1 332	718	27 433	25 163	850	281
Impairment	12 313	0	0	0	0	0	0	0	0	0
Operating profit/ loss	210 628	185 416	1 668	- 3 711	4 999	- 298	4 663	4 284	- 16 144	- 9 036
Assets	1 140 209	1 088 553	114 874	98 451	35 153	23 776	236 784	287 868	908 062	947 000
Liabilities	1 002 230	1 003 896	103 592	88 783	21 848	18 330	214 896	272 835	417 795	393 476
Investments	20 879	34 589	11 693	8 766	4 406	3 625	20 936	60 888	1 639	800

	Eliminations ¹		Total Group ²	
	16/17	15/16	16/17	15/16
Net sales	-166 544	- 186 984	1 140 922	1 073 560
Depreciation/ amortization	0	0	58 262	51 492
Impairment	0	0	12 313	0
Operating profit/ loss	- 5 409	- 11 138	200 405	165 517
Assets	- 1 272 622	- 1 342 800	1 162 460	1 102 848
Liabilities	- 1 152 416	- 1 220 075	607 945	557 245
Investments	0	0	59 553	108 668

¹ Refer to page 60.

² Refer to page 60.

cont. Not 1 Operating segments and function classification

Geographic areas

	Sweden		UK		Netherlands		Rest of Europe	
	16/17	15/16	16/17	15/16	16/17	15/16	16/17	15/16
Net sales	280 554	258 865	184 755	199 156	86 573	69 238	268 869	235 010
Assets	535 296	497 181	238 785	270 512	74 570	63 315	144 565	118 012
Investments	41 022	40 713	13 964	58 736	922	220	3 441	8 950

	US		Rest of world		Total Group ²	
	16/17	15/16	16/17	15/16	16/17	15/16
Net sales	258 638	250 706	61 533	60 585	1 140 922	1 073 560
Assets	160 215	144 415	9 029	6 413	1 162 460	1 099 848
Investments	0	0	204	49	59 553	108 668

Income statement classified by function ³

SEK thousand	16/17	15/16
Net sales	1 140 922	1 073 560
Cost of goods sold	- 449 143	- 423 687
Gross profit	691 779	649 873
Selling expenses	- 260 005	- 262 146
Administration expenses	- 98 093	- 112 905
Research and development costs	- 134 690	- 117 588
Other operating income	2 398	8 283
Other operating expenses	- 984	0
Operating profit	200 405	165 517
Financial items	- 404	- 10 749
Profit after financial items	200 001	154 768
Taxes	- 47 215	- 29 071
Net profit for the year	152 786	125 697

¹ 62.4% [63.9] 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 17.7% [25.9].

² Sectra has no customers that individually contribute more than 10% of total net sales. Of the Group's total assets of SEK 285.3 million, SEK 122.6 million is attributable to Sweden, SEK 123.9 million to the UK and SEK 38.8 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 function "Research and development costs" includes direct costs for new development, capitalized work for own use and amortization of capitalized development projects. "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

	16/17		15/16	
	Total	of whom, women	Total	of whom, women
Parent Company				
Sweden	64	26	57	26
Group				
Australia	6	2	7	2
Denmark	14	2	13	2
Finland	3	1	1	0
France	3	3	2	2
Canada	4	0	4	0
Netherlands	34	10	35	10
Norway	19	9	17	8
New Zealand	2	0	2	0
Portugal	13	4	11	4
Spain	2	0	2	0
UK	77	24	76	23
Sweden	339	93	321	93
Germany	18	3	16	4
US	82	25	80	25
Group total	616	176	587	173

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% [22]. The proportion of women in the Group's management groups, including company presidents, amounted to 27% [30], and in Group management to 33% [44].

Salaries and remuneration

	Group		Parent Company	
	16/17	15/16	16/17	15/16
Board and President	25 956	24 579	4 325	4 521
Other employees	382 683	372 597	29 317	26 318
Total	408 639	397 176	33 642	30 839

Social security expenses

	Group		Parent Company	
	16/17	15/16	16/17	15/16
Board and President				
Social security contributions	4 716	3 862	1 430	1 454
Pension costs	2 534	1 941	615	461
Total Board and President	7 250	5 803	2 045	1 915
Other employees				
Social security contributions	88 886	85 286	9 944	8 478
Pension costs	21 308	20 298	2 186	2 000
Total other employees	110 194	105 584	12 130	10 478

Remuneration of the Board, President and other senior executives 2016/2017

	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	265	0	0	0	0	265
Jan-Olof Bråner	185	0	0	0	0	185
Anders Persson	225	0	0	0	0	225
Christer Nilsson	225	0	0	0	0	225
Jakob Svärdröm	185	0	0	0	0	185
Total remuneration of the Board	1 455	0	0	0	0	1 455
President/CEO Torbjörn Kronander	0	2 604	346	0	615	3 565
Other senior executives (eight individuals)	0	7 430	990	0	1 545	9 965
Total remuneration of the President and other senior executives	0	10 034	1 336	0	2 160	13 530
Total	1 455	10 034	1 336	0	2 160	14 985

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 2016/2017 and SEK 370,000 to the Board Chairman. For Audit Committee work, SEK 40,000 was paid to external Board members and SEK 80,000 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 eight 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 option 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 0 thousand (140), of which SEK 0 thousand (0) pertained to senior executives, including the President/CEO.

Issued incentive programs

Convertible programs	2012/2017	2013/2017	2014/2017	2014/2018	2015/2018
Number of underlying Class B shares	44 918	49 574	129 864	28 362	194 021
Conversion rate, SEK	55.00	70.60	115.60	123.40	126.70
Exercise period	May 22-26, 2017	Nov 6-9, 2017	Dec 11-15, 2017	Dec 10-14, 2018	Dec 10-14, 2018
Time to expiration	Nov 1, 2012- Jun 15, 2017	Nov 1, 2013- Nov 30, 2017	Dec 1, 2014- Dec 31, 2017	Dec 1, 2014- Dec 31, 2018	Dec 1, 2015- Dec 31, 2018
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%	0.1%	0.3%	0.1%	0.5%

Convertible programs	2015/2019	2016/2019	2016/2020
Number of underlying Class B shares	25 715	118 419	18 181
Conversion rate, SEK	136.10	181.80	192.50
Exercise period	Dec 9-13, 2019	Dec 9-13, 2019	Dec 10-16, 2020
Time to expiration	Dec 1, 2015- Dec 31, 2019	Dec 1, 2016- Dec 31, 2019	Dec 1, 2016- Dec 31, 2020
Interest rate during time to expiration	Stibor +2.25%	Stibor +2.25%	Stibor +2.25%
Dilution upon full conversion, capital	0.1%	0.3%	0.0%

Number of convertibles	May 1, 2016	Concluded programs	New programs	Increase due to restated price	April 30, 2017
Convertibles	838 411	- 386 750	136 600	20 793	609 054
Total	838 411	- 386 750	136 600	20 793	609 054

Recalculation occurred as a result of the share redemption program.

Note 3 Fees to auditors

	Group		Parent Company	
	16/17	15/16	16/17	15/16
Grant Thornton				
Audit fees	1 941	1 559	843	496
Audit activities in addition to audit assignment	595	559	572	235
Tax advisory services	188	311	43	31
Other services	77	274	32	0
Audit fees to other auditors				
Audit fees	69	31	0	0
Other services	84	64	0	0
Total	2 954	2 798	1 490	762

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

	Group		Parent Company	
	16/17	15/16	16/17	15/16
Leasing costs paid for the year	23 718	21 582	9 924	8 418
Nominal value of agreed future leasing fees:				
Due for payment within 1 year	23 438	22 579	9 972	9 507
Due for payment after 1 year but within 5 years	65 631	55 470	35 425	24 865
Due for payment after more than 5 years	17 003	9 394	9 030	0
Total	106 072	87 443	54 427	34 372

Note 5 Income from participations in Group companies

	Parent Company	
	16/17	15/16
Anticipated dividends from Group companies	0	8 000
Other dividends from Group companies	0	54 039
Total	0	62 039

Note 6 Interest income and similar profit/loss items

	Group		Parent Company	
	16/17	15/16	16/17	15/16
Other interest income	539	325	445	202
Interest income from Group companies	0	0	7 387	7 067
Dividends	1 082	821	0	0
Exchange difference, net	0	0	3 637	0
Total	1 621	1 146	11 469	7 269

Note 7 Interest expenses and similar profit/loss items

	Group		Parent Company	
	16/17	15/16	16/17	15/16
Interest expenses	1 580	1 396	1 419	1 260
Interest expenses from Group companies	0	0	37	223
Exchange difference, net	445	10 498	0	15 698
Total	2 025	11 894	1 456	17 181

Note 8 Appropriations

	Parent Company	
	16/17	15/16
Group contributions	123 617	106 943
Change in tax allocation reserve	82 434	- 17 453
Change in excess depreciation/amortization	- 1 712	- 1 393
Total	204 339	88 097

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	
	16/17	15/16	16/17	15/16
Tax expenses				
Current tax	- 61 536	- 34 830	- 43 926	- 19 239
Deferred tax	14 321	5 759	0	- 191
Total tax expenses	- 47 215	- 29 071	- 43 926	- 19 430

Relationship between Group tax and recognized tax per applicable tax rate

Profit before tax	200 001	154 768	206 128	133 339
Tax per applicable tax rate for the Parent Company (22%)	- 44 000	- 34 049	- 45 348	- 29 335
Adjustment of tax for previous years	1 846	- 285	724	1
Tax effect of non-deductible expenses	- 1 526	- 1 974	- 210	- 346
Tax effect of non-taxable income	915	228	904	13 871
Change in temporary differences	- 637	861	4	- 195
Tax effect of amended accounting policies	0	0	0	- 3 426
Tax effect of changed tax rates in foreign subsidiaries	- 3 813	- 2 994	0	0
Tax effect of unutilized loss carryforwards	0	8 896	0	0
Tax effect of utilized loss carryforwards	0	246	0	0
Tax on net profit for the year	- 47 215	- 29 071	- 43 926	- 19 430

Deferred tax liabilities

Deferred tax liabilities on untaxed reserves	20 476	38 623	0	0
Deferred tax liabilities on current assets	0	0	0	0
Deferred tax liabilities on surplus values	6 063	7 283	0	0
Total deferred tax liabilities	26 539	45 906	0	0

Deferred tax assets

Deferred tax assets on current assets	25 950	25 459	47	47
Deferred tax assets on current liabilities	0	0	0	0
Deferred tax assets on provisions	4 333	2 134	0	0
Deferred tax assets on unutilized loss carryforwards	0	8 896	0	0
Total deferred tax assets	30 283	36 489	47	47

Unutilized loss carryforwards pertain to Swedish companies in the Group and amounted to SEK 0 thousand (40,437) on April 30, 2017, corresponding to a tax value of SEK 0 thousand (8,896), which is recognized as a deferred tax asset.

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	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, 2016 ⁶	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
Opening cost	179 721	74 556	2 500	57 448	7 986	322 211	8 410
Translation differences	- 1 627	- 778	0	411	- 109	- 2 103	0
Investments for the year	30 996	0	0	0	0	30 996	4 405
Accumulated cost at April 30, 2017 ⁶	209 090	73 778	2 500	57 859	7 877	351 104	12 815
Opening amortization and impairment	- 94 205	- 10 577	- 1 375	- 22 436	- 6 179	- 134 772	- 718
Translation differences	0	0	0	62	112	174	0
Impairment for the year	0	- 10 667	0	- 1 647	0	- 12 313	0
Amortization for the year	- 16 820	0	- 300	- 4 636	- 383	- 22 139	- 1 332
Accumulated amortization and impairment at April 30, 2017	- 111 025	- 21 244	- 1 675	- 28 657	- 6 450	- 169 050	- 2 049
Closing residual value according to plan at April 30, 2017	98 065	52 534	825	29 202	1 427	182 053	10 765

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. Goodwill attributable to the acquisition of RxEye AB has been impaired in its entirety during the fiscal year. Of total goodwill, SEK 41,627 thousand was attributable to the Imaging IT Solutions segment and SEK 10,907 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 Trademarks pertain to acquired assets from Sectra Sverige AB and Burnbank Systems Ltd.

⁶ Of the accumulated cost 24.0% (23.8) pertains to ongoing development projects and 76.0% (76.2) to completed projects.

Impairment of intangible asset

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

Goodwill

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 with respect to Burnbank Systems Ltd. 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 markets.

Other intangible assets

The future cash flows used when calculating each unit's value in use are based on a detailed review of each development project.

Discounting factor

Along with a joint discount rate of 7.1%, each cash-flow generating unit is charged an additional individual risk premium of 1.0 percentage point in the event that the technical conditions pertaining to the unit are considered, in all material respects, to be new and an additional individual risk premium of 1.0 percentage point in cases where the market conditions are considered, in all material respects, to be new (3.5). Changes to the discount rate compared with previous years are due to a lower risk-free interest and lower market risk since the previous size-based additional risk premium is no longer considered applicable.

Goodwill

A pre-tax rate of between 7.1% and 8.1% (9.0) was used when calculating cash flows associated with goodwill.

Other intangible assets

The present value of forecast future cash flows for development projects has been calculated using a pre-tax rate of between 7.1% and 9.1% (9.0).

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. The variation in assumed growth during the forecast period and thereafter between the respective acquired companies and the various development projects is significant, which means that average values can vary considerably between years. In cases where intangible assets are assumed to have a perpetual economic life, perpetuity growth has been set at 0% under the prevailing external economic conditions, and for other assets, individual assessments have been carried out to determine the percentage by which the cash flow from each asset is assumed to be decreased.

Goodwill

Assumed average growth for the acquired companies is 20% (134) annually. The average assumed perpetuity growth is 0% (neg: 10). The downward adjustment of average growth is primarily attributable to the fact that future synergy effects are deemed to have decreased in the case of RxEye AB. Assumed perpetuity growth has been adjusted in three cases to reflect a renewed assessment that the goodwill has an indeterminable useful life.

Other intangible assets

Assumed average growth over the forecast period is 8% (8) annually for all development projects.

cont. note 10

Assumed annual perpetuity growth for all development projects is negative 11% (neg: 29). Assumed perpetuity growth has been adjusted in three cases to reflect a renewed assessment.

Other assumptions regarding required returns

Risk-free interest:	Ten-year treasury bill on the balance-sheet date 0.6% (0.7)
Market risk premium:	6.5% (4.5)
Company-specific risk premium:	0.0-2.0% (3.5)
Beta value:	The beta value is calculated at 1.0 (1.0)
Interest expenses:	Sectra's assessed cost for borrowing
Tax rate:	Tax rate in Sweden

Since all assets were acquired using shareholders' equity, the return requirement is between 7.1% and 9.1% after tax, which corresponds to between 9.1% and 11.6% before tax.

Impairment tests and sensitivity analyses for the year*Goodwill*

Impairment tests 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 sensitivity analysis in which the discount rate increases by 2 percentage points and annual perpetuity growth decreases

by 2 percentage points results in the value that exceeds the carrying amount being reduced by an average of 35%. If growth during the forecast period also decreases by 2 percentage points, the value that exceeds the carrying amount is reduced by a total average of 41%.

Other intangible assets

Impairment tests for the year per development project and other intangible assets were performed with such a margin that Executive Management deems that any reasonable and possible changes in individual variables will not cause the value in use to fall below the carrying amount. A sensitivity analysis in which the discount rate increases by 2 percentage points and annual perpetuity growth decreases by 2 percentage points results in the value that exceeds the carrying amount being reduced by an average of 31%. If growth during the forecast period also decreases by 2 percentage points, the value that exceeds the carrying amount is reduced by a total average of 39%.

Parent Company

At April 30, 2017, the Parent Company held intangible assets related to capitalized development projects in Business Innovation amounting to SEK 10.8 million (8.4).

Note 11 Tangible assets

	Group		Parent Company	
	April 30, 2017	April 30, 2016	April 30, 2017	April 30, 2016
Opening cost	312 446	269 698	22 569	18 315
Translation differences	3 847	- 19 737	0	0
Investments for the year	28 557	76 274	9 214	4 254
Sales/disposals for the year	- 6 111	- 14 051	0	0
Investments from acquisitions	0	262	0	0
Closing accumulated cost	338 739	312 446	31 783	22 569
Opening depreciation	- 199 881	- 193 753	- 12 942	- 11 653
Translation differences	- 5 022	12 863	0	0
Depreciation for the year	- 36 123	- 32 942	- 3 365	- 1 289
Sales/disposals for the year	5 492	13 951	0	0
Closing accumulated depreciation	- 235 534	- 199 881	- 16 307	- 12 942
Residual value according to plan	103 205	112 565	15 477	9 627
Total carrying amount	103 205	112 565	15 477	9 627

Note 12 Participations in Group companies

					April 30, 2017	April 30, 2016
	Corp. Reg. No.	Reg. office	No. of participations	Share of capital, %	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	556483-9479	Linköping, SE	40 350	100 %	21 016	21 016
Sectra Norge AS	975 353 265	Oslo, NO	5 000	100 %	283	283
Sectra North America, Inc.	06-1473851	Shelton, US	500	100 %	384	384
Sectra Medical Systems GmbH	HR B 8546	Cologne, DE	500	100 %	219	219
Sectra Danmark A/S	10073251	Odense, DK	5 000	100 %	639	639
Sectra Ltd	4571654	London Stansted, UK	1	100 %	0	0
Sectra Pty Ltd	105 376 190	Sydney, AU	1	100 %	1	1
Sectra New Zealand Ltd	1539744	Auckland, NZ	1	100 %	0	0
Sectra Medical Systems SL	B84352749	Madrid, ES	500	100 %	2 290	2 290
Art Ces Lda	PT513270396	Porto, PT	5000	100 %	48	48
Sectra imaXperts BV	39069257	Almere, NL	500	100 %	4 664	4 664
Sectra France SAS	811070317	Paris, FR	1 000	100 %	9	9
Sectra Canada Inc	BC1112137	Vancouver, CA	100	100 %	65	et
Total					35 597	35 531

cont. note 12

			No.		April 30, 2017	April 30, 2016
	Corp. Reg. No.	Reg. office	of participations	Share of capital, %	Carrying amount	Carrying amount
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 %	13 261	17 453
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					75 908	80 100
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.

Note 13 Acquisitions

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 had 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 April 30, 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 was 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.

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 had a total of six employees and 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 December 31, 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 RxEye's products in the markets where Sectra operates.

Payment of the contingent consideration was 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 110.0 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.

Acquired net assets and goodwill

	2015/2016			
	RxEye AB		EXP Analytics Oy	
SEK million	Carrying amount of the acquired company	Value according to acquisition analysis	Carrying amount of the acquired company	Value according to acquisition analysis
Customer relations	0.0	6.6	0.0	0.0
Tangible assets	0.0	0.0	0.3	0.3
Current receivables	1.8	1.8	1.8	1.8
Cash and cash equivalents	5.6	5.6	0.3	0.3
Deferred tax	0.0	- 1.2	0.0	0.0
Current liabilities	- 6.3	- 6.3	- 1.2	- 1.2
Total acquired net assets	1.1	6.5	1.2	1.2
Fair value of consideration transferred		17.2		11.9
Goodwill		10.7		10.7
Net outflow of cash and cash equivalents attributable to the acquisition ¹				
Cash consideration transferred		1.5		0.9
Cash and cash equivalents not yet paid		1.1		0.7
Cash and cash equivalents in the acquired company on the date of acquisition		- 5.6		- 0.3
Totalt		- 3.0		1.3

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

Note 14 Long-term receivables from Group companies

	Parent Company	
	April 30, 2017	April 30, 2016
Opening cost	250 014	144 016
New receivables	2 386	129 055
Amortized receivables	- 7 729	- 7 525
Exchange-rate difference	5 349	- 15 532
Total	250 020	250 014

Note 15 Investments held as fixed assets

	Group		Parent Company	
	April 30, 2017	April 30, 2016	April 30, 2017	April 30, 2016
Other shares and participations	1 799	1 798	0	0
Total	1 799	1 798	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, 2017	April 30, 2016	April 30, 2017	April 30, 2016
Component stocks	18 375	10 812	0	0
Finished products	6 332	2 784	0	0
Total	24 707	13 596	0	0

An impairment loss amounting to SEK 2,295 thousand (1,363) was recognized in profit and loss for 2016/2017.

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, 2017	April 30, 2016	April 30, 2017	April 30, 2016
SEK	38 620	22 728	729	567
USD	63 172	42 654	3 333	3 333
EUR	52 687	70 027	12 267	7 345
GBP	41 236	53 840	- 8	- 24
Other currencies	29 721	31 682	- 29	- 73
Total	225 436	220 931	16 292	11 148

Change for the year in the reserve for doubtful accounts receivable

	Group		Parent Company	
	April 30, 2017	April 30, 2016	April 30, 2017	April 30, 2016
Opening balance	24 348	20 102	292	1 178
Realized losses	- 60	- 536	0	0
Reversal of unutilized amounts	- 2 876	- 6 709	- 19	- 886
Reserve for doubtful accounts receivable	12 208	11 568	0	0
Exchange-rate effect	541	- 77	0	0
Total	34 161	24 348	273	292

See Note 30 for an age analysis.

Note 18 Prepaid expenses and accrued income

	Group		Parent Company	
	April 30, 2017	April 30, 2016	April 30, 2017	April 30, 2016
Prepaid rent	3 886	3 041	1 662	1 344
Accrued interest income	2	121	2	121
Prepaid support agreements	23 055	10 470	1 656	1 281
Other items	54 099	45 784	3 580	2 111
Recognized non-invoiced income ¹	219 347	209 127	0	0
Total	300 389	268 543	6 900	4 857

¹ Of which, SEK 95,632 thousand (113,606) is the long-term portion pertaining to customer projects financed through Sectra Customer Financing and attributable to periods longer than one year. This item pertains to costs for customization, etc. that are invoiced from Imaging IT Solutions and where revenues are distributed over the duration of the agreement. In a corresponding manner, the expense is distributed over the duration of the agreement.

Note 19 Cash and cash equivalents

	Group		Parent Company ¹	
	April 30, 2017	April 30, 2016	April 30, 2017	April 30, 2016
Bank balances	273 216	239 768	221 099	202 177
Total	273 216	239 768	221 099	202 177

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, 2017	April 30, 2016	April 30, 2017	April 30, 2016
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, 2017	April 30, 2016
Tax allocation reserves:		
Allocated to taxes 13	0	29 950
Allocated to taxes 14	20 425	20 425
Allocated to tax year 2014	0	42 013
Allocated to tax year 2015	0	45 175
Allocated to tax year 2016	25 255	29 140
Allocated to tax year 2017	38 589	-
Excess depreciation/amortization	3 360	1 648
Total	87 629	168 351

Of the total untaxed reserves, SEK 19,278 thousand (37,037) is recognized as deferred tax liabilities in the Group.

Note 21 Provisions

	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

	Group				Parent Company
	Taxes	Guarantee commitments and other provisions	Contingent consideration ¹	Total	Guarantee commitments
Carrying amount, May 1, 2016	45 906	18 897	30 243	95 046	1 688
Provisions made in the period	134	502	0	636	502
Translation difference	0	0	753	753	0
Impairment	0	0	- 12 355	- 12 355	0
Amount appropriated	- 19 501	- 6 197	- 1 524	- 27 222	0
Carrying amount, April 30, 2017	26 539	13 202	17 117	56 858	2 190
Of which, total long-term portion of provisions	19 278	0	14 396	33 674	0
Of which, total short-term portion of provisions	7 261	13 202	2 721	23 184	2 190

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 four years for contingent consideration.

¹ Refer to Note 13.

Note 22 Other long-term liabilities

	Group		Parent Company	
	April 30, 2017	April 30, 2016	April 30, 2017	April 30, 2016
Convertible debentures 12/17	0	2 471	0	2 471
Convertible debentures 13/17	0	3 500	0	3 500
Convertible debentures 14/17	0	15 012	0	15 012
Convertible debentures 14/18	3 500	3 500	3 500	3 500
Convertible debentures 15/18	24 582	24 582	24 582	24 582
Convertible debentures 15/19	3 500	3 500	3 500	3 500
Convertible debentures 16/19	21 529	0	21 529	0
Convertible debentures 16/20	3 500	0	3 500	0
Total	56 611	52 565	56 611	52 565

During the year, two new convertible programs were issued, comprising a total of 136,600 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, 2017	April 30, 2016	April 30, 2017	April 30, 2016
Convertible debentures 11/16 reclassification from long-term liabilities	0	2 201	0	2 201
Convertible debentures 12/16 reclassification from long-term liabilities	0	6 773	0	6 773
Convertible debentures 13/16 reclassification from long-term liabilities	0	13 484	0	13 484
Convertible debentures 12/17 reclassification from long-term liabilities	2 471	0	2 471	0
Convertible debentures 13/17 reclassification from long-term liabilities	3 500	0	3 500	0
Convertible debentures 14/17 reclassification from long-term liabilities	15 012	0	15 012	0
Value-added tax	21 728	18 785	952	0
Employee withholding taxes	8 075	7 654	882	785
Other liabilities	14 004	12 499	535	224
Total	64 790	61 396	23 352	23 467

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, 2017	April 30, 2016	April 30, 2017	April 30, 2016
Accrued social security contributions	30 855	29 210	4 424	4 334
Accrued vacation pay	44 501	41 947	7 091	6 609
Prepaid support agreements	71 939	76 397	0	0
Accrued accounts payable	23 095	30 597	5 269	2 977
Invoiced non-recognized income	123 751	79 455	2 225	1 717
Other items	59 385	49 864	4 982	5 736
Total	353 526	307 470	23 991	21 373

Note 25 Pledged assets and contingent liabilities

	Group		Parent Company	
	April 30, 2017	April 30, 2016	April 30, 2017	April 30, 2016
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			190 948	321 544
Total contingent liabilities			190 948	321 544

Note 26 Cash flow

Adjustment for non-cash items

	Group		Parent Company	
	16/17	15/16	16/17	15/16
Depreciation/amortization and impairment	70 576	51 492	4 696	2 008
Exchange-rate differences	- 4 005	- 17 247	3 637	- 2 126
Reversal of provision/provision	- 11 295	12 464	2 476	0
Share-related payments	0	140	0	0
Total	55 276	46 849	10 809	- 118

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. 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 an after-tax discount rate of between 7.1% and 9.1% (9.0). An after-tax discount rate of between 7.1% and 9.1% (9.0) 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 in contracts arise upon the delivery of a system and during the duration of the contract. These obligations normally involve a guarantee period of 12 months and other obligations during the duration of the contract. Assessment of future guarantee costs is based on individual projects and prior experience. Deviations between the actual guarantee cost and the provisions occur for individual projects, but at Group level these deviations are limited.

Note 29 Measurement of financial assets and liabilities

Group, April 30, 2017	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	1 799	0	1 799	1 799
Accounts receivable	225 436	0	0	225 436	225 436
Other short-term receivables	0	0	0	0	0
Cash and bank balances	0	0	273 216	273 216	273 216
Total financial assets	225 436	1 799	273 216	500 451	500 451
Long-term liabilities	0	0	56 611	56 611	56 611
Provisions	0	0	30 318	30 318	30 318
Other current liabilities	0	0	20 983	20 983	20 983
Accounts payable	0	0	43 012	43 012	43 012
Total financial liabilities	0	0	150 924	150 924	150 924

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

Possible customer losses were impaired via profit and loss in the amount of SEK 11,376 thousand (10,610). 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

– 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 1,799 thousand (1,798).
 – The contingent consideration recognized in provisions of SEK 17,117 thousand (30,243) 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 14,396 thousand (27,595) pertains to the long-term portion and SEK 2,721 thousand (2,648) 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 was assessed to be DKK 4.2 million (5.0), based on reasonable expectation 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 until April 30, 2020. 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 was assessed to be EUR 1.0 million (1.0), 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 certain markets up to December 31, 2020. The range for the contingent consideration is between SEK 0.0 million and SEK 110.0 million. The assessment of the fair value of SEK 2.3 million (14.6) has been reduced as a result of changes in the local strategy within the product segment where Sectra offers services for cooperation and information sharing within the healthcare sector. The forecast synergy effects from the acquisitions have been reduced and the assumptions regarding the growth rate have been revised. The sales performance and earnings above have a direct impact on all of the contingent considerations, which is why the considerations 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 15.7% (17.5) of Group sales. No individual partner or 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, cyber security threats 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 gain of SEK 1,191 thousand (loss: 230) and net financial items includes an exchange loss of SEK 445 thousand (loss: 10,498).

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	282.8	- 404.3	- 121.5
USD	270.2	- 194.0	76.1
EUR	184.8	- 152.1	32.7
GBP	242.0	- 133.3	108.7
Other currencies	161.1	- 86.2	75.0
Total	1 140.9	- 969.9	171.0

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, 2017	April 30, 2016
Accounts receivable not due for payment	155.6	131.0
Accounts receivable overdue 0-60 days	45.8	54.6
Accounts receivable overdue by more than 60 days	13.6	15.1
Accounts receivable overdue by more than 120 days	44.6	44.5
Reserve for customer losses	- 34.2	- 24.3
Total	225.4	220.9

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 (15,000).

Convertible loans 2012/2017, SEK 2,471 thousand, are payable in June 2017. Convertible loans 2013/2017, SEK 3,500 thousand, are payable in November 2017. Convertible loans 2014/2017, SEK 15,012 thousand, and 2014/2018, SEK 3,500 thousand, are payable in December 2017 and 2018 respectively. Convertible loans 2015/2018, SEK 24,582 thousand, and 2015/2019, SEK 3,500 thousand, are payable in December 2018 and 2019 respectively. Convertible loans 2016/2019, SEK 21,529 thousand, and 2016/2020, SEK 3,500 thousand, are payable in December 2019 and 2020 respectively. All convertible loans 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 2016/2017 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 9.7 million (+/- 9.2)
Cost of materials	+/- 1%	+/- SEK 1.7 million (+/- 1.5)
Personnel costs	+/- 1%	+/- SEK 5.4 million (+/- 5.2)
Interest-rate levels	+/- 1%	+/- SEK 2.6 million (+/- 2.7)
Exchange-rate changes:		
USD exchange rate	+/- 1%	+/- SEK 2.4 million (+/- 1.7)
EUR exchange rate	+/- 1%	+/- SEK 2.0 million (+/- 1.6)
GBP exchange rate	+/- 1%	+/- SEK 3.2 million (+/- 3.8)

In the event that the SEK weakens by 1% against the USD, GBP or EUR, profit after net financial items would improve by SEK 7.6 million.

Note 31 Asset management

The Group's financial goals have been determined by the Board. The goal is to have a favorable and flexible capital structure so that it can be changed if the conditions for operations or for different borrowing alternatives change and maintain financial stability. The Group's equity/assets ratio goal is 30%. In the 2016/2017 fiscal year, the Group's equity/assets ratio was 47.7% (49.5).

The Group's capital is defined as total shareholders' equity less any positive unrealized value changes and amounted to SEK 554,515 thousand (545,603) at April 30, 2017. 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, 2017 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 182.3 million (172.1) and SEK 198.7 million (244.9), respectively, at the end of the 2016/2017 fiscal year.

The Annual Report states that the Group's equity/assets ratio is 47.7%. The proposed authorization to purchase and transfer the company's own Class B 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 own Class B shares.

Justification

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 own Class B 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 Proposed appropriation of profits

The following funds in the Parent Company are at the disposal of the Annual General Meeting (SEK thousand)

Share premium reserve	54 967
Loss brought forward	- 34 822
Net profit for the year	162 202
Total	182 347

The Board and President propose that the profits be appropriated so that SEK 182,347 thousand is carried forward. The Board and President propose that the Annual General Meeting resolve that SEK 4.50 per share be transferred to the 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 170,708 thousand to the company's shareholders. No ordinary dividend is proposed.

Note 34 Definitions of key figures

As of July 3, 2016, the European Securities and Markets Authority (ESMA) Guidelines on Alternative Performance Measures are applied. An alternative performance measure is a financial measure that is not defined or stipulated in applicable rules for financial reporting (such as IFRS or the Swedish Annual Accounts Act). Accordingly, alternative performance measures are to be explained in the financial reports. In accordance with these guidelines, the Group's alternative performance measures are defined below. The Group applies alternative performance measures since the company believes they provide valuable supplementary information for management and investors given that they play a central role when it comes to understanding and evaluating the Group's operations.

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 General Meeting of the shareholders of Sectra AB (publ), corporate identity number 556064-8304.

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Sectra AB (publ) for the financial year 2016-05-01–2017-04-30. The annual accounts and consolidated accounts of the company are included on pages 44-70 in this document.

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 April 30, 2017, and its financial performance and cash flow 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 April 30, 2017, and their financial performance and cash flow for the year then ended in accordance with the International Financial Reporting Standards (IFRS), 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 general meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

Basis for opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's responsibilities section.

We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Existence, completeness and valuation of revenues and accounts receivables

Our opinion is that revenues from fixed price contracts as well as product- and license revenues are a key audit matter since the revenue streams are high and the assessments of when the conditions for revenue recognition according to IFRS are met are central for the financial reports. We have particular focus on the English projects managed through the finance activity handled by the group, since the accounting of these projects are complex. Account receivables amounted to SEK 225 million as per April 30, 2017 and the valuation are dependent on the management's assessment of the customers' future capacity to pay. Information regarding accounting principles concerning revenues are included on page 57 and information regarding revenues and account receivables are included in **Note 1** and **Note 30**.

Our audit procedures included audit of routines and controls related to the accounting of projects, analytical procedures related to project accounting and audit of the accounting related to a sample of new customer contracts in order to verify that the accounting is

consistent with IFRS. Our audit has also included procedures related to management's assessment of the customers' future capacity to pay outstanding receivables.

Valuation of intangible assets

Intangible assets amounted to SEK 182 million as per April 30, 2017, whereof SEK 53 million refers to goodwill and SEK 29 million refers to customer relationships. In accordance with IFRS goodwill should annually be tested for impairment. Our opinion is that valuation of goodwill is a key audit matter since the balance sheet item is of material amount and the valuation is complex and relies on assessments related to future growth, required return as well as future market- and economic conditions. Impairment test prepared for other intangible assets, including customer relationships, when indication for impairment are identified are also complex and dependent on future development. Information regarding accounting principles and impairment tests are included on page 57 and in **Note 10**.

Our audit procedures included audit of:

- routines and controls related to accounting of intangible assets,
- management's assessment related to indication of impairment in other intangible assets such as customer relationships,
- impairment tests with support of a valuation expert. The audit procedures included audit of the model for impairment tests and audit of the assumptions especially related to forecasts of cash-flows, future growth and required return,
- sensitivity analyzes,
- the applied accounting principles related to goodwill and other intangible assets to ensure compliance with IFRS,
- disclosures in the annual report regarding the assumptions with largest impact on the impairment tests.

Existence and valuation regarding on-going development projects

Capitalized development expenditure amounted to SEK 98 million as per April 30, 2017, and includes both on-going and completed development projects. In accordance with IFRS capitalized development expenditure related to on-going projects should annually be tested for impairment. Our opinion is that capitalized development expenditure related to on-going projects is a key audit matter since the valuation is complex and relies on assessments related to future growth, required return as well as future market- and economic conditions. Information regarding accounting principles and impairment tests are included on page 57 and in **Note 10**.

Our audit procedures included audit of routines and controls related to capitalization of expenditure for new projects, audit of new project to project plans and other supporting documentation, audit of impairment tests with support of a valuation expert and audit of sensitivity analyzes. The audit of impairment tests has included audit of the model used for the impairment tests as well as audit of the assumptions especially related to forecasts of cashflows, future growth and required return.

Valuation regarding shares in subsidiaries and receivables on subsidiaries

Shares in subsidiaries amounted to SEK 36 million and receivables on subsidiaries amounted to SEK 644 million in the Parent Company accounts as per April 30, 2017. The valuation of these assets is dependent on management's assessment regarding indication for impairment and, on impairment testing, managements estimates of the subsidiaries future development. Accordingly, this area is considered to be of particular significance to our audit. Information regarding shares in subsidiaries and receivables on subsidiaries are included in **Notes 12** and **14**.

Our audit procedures included audit of supporting documentation regarding management's assessment of the subsidiaries future development, audit of sensitivity analyzes and audit of management's basis for assessment of indications of impairment in assets.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-43. The Board of Directors and the Managing director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information, and we do not express any form of assurance conclusion regarding this other information. In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure, we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of the annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, the Board of Directors and the Managing director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditors' responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate

to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the company's internal control relevant to our audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Sectra AB (publ) for the financial year of 2016-05-01–2017-04-30 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the loss be appropriated dealt with 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.

Basis for our opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

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. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditors' responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit.

The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts.

Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. 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.

Stockholm, June 27, 2017

Grant Thornton Sweden AB

Mia Rutenius

Authorized Public Accountant

Glossary

Artificial intelligence (AI)

A collective term for the scientific field that studies the creation of machines and computer programs that display intelligent behavior. AI research encompasses numerous disciplines, including everything from studying philosophical issues, to developing tangible technological solutions in such areas as medical diagnostics.

Cloud solution/the cloud

From the term cloud computing, meaning that computer power is distributed over the internet or company-specific intranets and not on individual computers.

Critical infrastructure

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

Crypto

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

Integrated diagnostics

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

Machine learning

A discipline within artificial intelligence (see above) where algorithms (computer programs) learn to solve tasks using analyzed data. One example involves allowing a program to train on a large sampling of test images, where information is provided about which images show healthy or sick patients, after which the program can also make accurate predictions regarding unfamiliar images.

Mammography

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

Microscopic image

An image traditionally viewed in a microscope. These images are so detailed that individual cells can be seen. In digital form, one pixel typically corresponds to less than one micrometer. In the healthcare sector, these images are used, for example, to examine tissue samples and as a basis for diagnosing diseases.

Neurodegenerative diseases

Term for diseases that result in the gradual degeneration of the nervous system, such as Alzheimer's disease.

Orthopaedics

A surgical specialty for disorders affecting the musculoskeletal system, meaning the skeleton, joints, tendons, other connective tissue and peripheral nerves.

Osteoarthritis

Also referred to as arthrosis. 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.

PACS (Picture Archiving and Communication System)

A system for managing medical images, for instance, digital radiology images.

Pathology

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

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.

RIS (Radiology Information System)

An IT system for managing radiology patient data, such as appointment bookings, patient information and dictations at radiology clinics.

Trauma surgery

Medical procedure (surgery) on an individual with, for example, a bone fracture or life-threatening injury. Any type of external injury to the body is classified as a trauma in the medical sense.

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 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>

² World Health Organization, Regional Office for Europe: Data and Statistics <http://www.euro.who.int/en/health-topics/noncommunicable-diseases/cancer/data-and-statistics>

³ American Cancer Society Cancer facts and figures <https://old.cancer.org/acs/groups/content/@research/documents/document/acspc-047079.pdf>

⁴ Report Imaging IT, Archiving and Management World – 2017, Signify Research, May 2017

⁵ The Orthopaedic Industry Annual Report for year ending December 31, 2012.

⁶ The Orthopaedic Industry Annual Report 2013 by ORTHOWORLD, Inc.

⁷ Orthopedic Software Market – Global Forecasts to 2020 by MarketsandMarkets

⁸ Sectra's visualization table was developed in cooperation with researchers at the Center for Medical Image Science and Visualization (CMIV), the Interactive Institute and Visualization Center C.

⁹ Euroclear



After the AGM, shareholders are invited to visit Sectra's office in Linköping, where the company will serve light refreshments and demonstrate its products for a healthier and safer society.

Annual General Meeting and dividend 2017

Date September 13, 2017
Time 3:30 p.m.
Place Collegium, Teknikringen 7, Linköping, Sweden

Notice

Official notice will be distributed not earlier than six weeks and not later than four weeks prior to the AGM in the form of a press release and publication on the company's website. The notice will be announced in the Swedish Official Gazette (Post- och Inrikes Tidningar) and an announcement that notice has been given will be published in Svenska Dagbladet.

Dividend/share redemption program

The Board and the CEO propose that 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 not later than September 7, 2017 and notify the company by email info.investor@sectra.se, telephone +46 (0)13-23 52 00 or mail to the following address: Sectra AB, Annual General Meeting, Teknikringen 20, SE-58 330 Linköping, Sweden. The notification should include the shareholder's name, personal or corporate registration number and daytime telephone number. Where applicable, the number of advisors should be specified. If shareholders intend to be represented by proxy, a power of attorney and other authorization documents must be included with the notification.

Trustee-registered shares

Shareholders whose shares are registered with a trustee must temporarily re-register their shares in their own name with Euroclear Sweden AB. Such registration is to be carried out via the administrator and completed not later than September 7, 2017.

Documents

Complete proposals for decisions and forms for notification and authorization will be available not later than August 23, 2017 (three weeks prior to the AGM) on www.sectra.com/agm 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 email info.investor@sectra.se.

Distribution of the printed Annual Report

This Annual Report will be announced in a press release on June 29, 2017, and 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 the company's environmental impact, mail distribution will be limited to Europe; other stakeholders should refer to the digital version.

Interim Reports 2017/2018

September 12, 2017 Three-month report
December 8, 2017 Six-month report
March 6, 2018 Nine-month report
May 29, 2018 Year-end report

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

Contact for shareholders and investors

A new website for investors was launched in 2017. Visit the site here: www.sectra.com/investor

Shareholder contact

Helena Pettersson
 Chief Investor Relations Officer
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 Tel: +46 (0)13-23 52 04

Subscription

Financial reports, press releases and corporate governance information is available on the Group's website www.sectra.com/investor

To subscribe and receive information by email, visit www.sectra.com/subscribe

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.

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. Please take the time to answer nine questions in Sectra's shareholder survey. Your feedback is important to Sectra!

 www.sectra.com/irsurvey



SECTRA

Knowledge and passion