

Annual report

07/08

SECTRA

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Annual General Meeting

The Annual General Meeting in Sectra AB will be held Wednesday, June 25, 16:00 CET at Collegium, Teknikringen 7 in Linköping, Sweden.

Dividend

A dividend of SEK 0.50 per share is proposed for the 2007/2008 fiscal year. June 30, 2008 is proposed as the record date for the dividend. If the Annual General Meeting adopts the proposal, the dividend will be paid on July 3, 2008.

Financial information 2008/2009

Interim report May – July 2008:	September 9, 2008
Six-month report May – October 2008:	December 10, 2008
Nine-month report May 2008 – January 2009:	March 3, 2009
Year-end report 2008/2009:	May 26, 2009

All financial reports are published on the company's website www.sectra.se. Questions can be submitted to the company by phone +46 13 23 52 00 or e-mail info.investor@sectra.se.

Interested parties can subscribe on the company's website to receive annual reports, interim reports and press releases by e-mail. Financial reports and other information can also be ordered by phone or at the e-mail address above.

Sectra Group overview

Sectra successfully develops and sells high-tech systems and products in two expanding niche markets. The company's products are used by customers in 50 countries and sales are conducted directly by Sectra as well as through regional and local partners.

Sectra has more than 500 employees and offices in 11 countries. Sectra is headquartered in Linköping, Sweden, and has its roots in research operations at Linköping University. The Sectra share is listed on the OMX Nordic Exchange in Stockholm.

Medical Systems



Share of the Group (■ Mother Company/Other)



Products

IT-systems and products for radiology, mammography and orthopedic departments as well as modalities for mammography examinations

Customers

Public and private hospitals and healthcare providers

Market

Global sales with focus on Europe, North America, Australia/New Zealand and Japan

Secure Communication Systems



Encryption products for secure voice and data communications as well as development of customer-specific products for secure communication

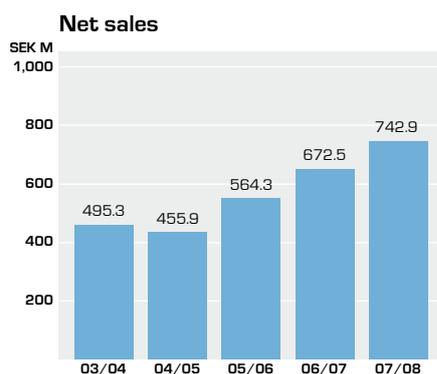
Government authorities and defense departments

Sales with focus on the European market

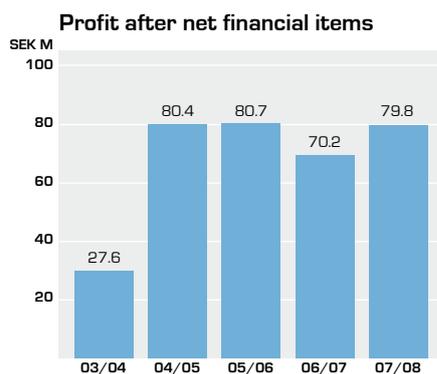
Order bookings exceed 1 billion for first time



The Group's order bookings increased 48.5%. The exceptionally high order bookings are, among others, the result of Sectra securing major service and support contracts for medical imaging systems.



Consolidated net sales rose 10.5%. The increase compared with the preceding fiscal year is a result of increased deliveries of medical systems and secure communications systems on international markets. Income from markets outside Sweden rose 15.0% to SEK 496.1 million.



The Group's profit after net financial items increased 13.7%, the improvement compared with a year earlier is attributable mainly to a strong earnings trend for the Secure Communication Systems business area.



The Group's value added was up 18.8%. High expertise and efficiency among employees contributed to value added increasing despite a rise in the number of employees during the fiscal year.



International successes

Sectra has strengthened its sales and support organization internationally. This has facilitated the successful securing of service and support agreements for medical-imaging systems. Customers include major care providers in New York and London.

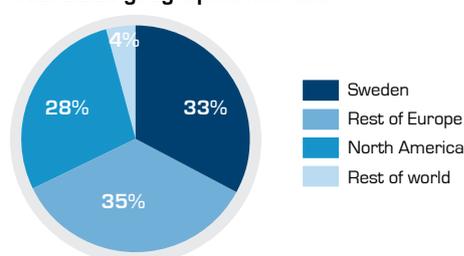
Key figures ¹⁾	07/08	06/07
Order bookings, SEK M	1,016.6	684.7
Net sales, SEK M	742.9	672.5
Profit after net financial items, SEK M	79.8	70.2
Profit after tax, SEK M	50.5	47.2
Value added, SEK M	429.6	361.5
Profit margin, %	10.7	10.4
Equity/assets ratio, %	56.9	60.8
Return on shareholders' equity, %	9.3	9.4
Earnings per share, SEK ²⁾	1.37	1.28
Dividend per share, SEK ³⁾	0.5	0.5
Number of employees at year-end	506	455

1) Definitions of key figures are available in Note 31.

2) Before dilution.

3) Proposed dividend for 2007/2008.

Net sales geographic markets



Medical Systems

The business area's net sales rose 8.0% to SEK 659.6 million (610.9).

- Intensified marketing and expansion of the sales and support organization on important markets.
- Large service and upgrade contracts were signed with US and European customers.
- Increased production capacity for the Sectra MicroDose Mammography system.

Secure Communication Systems

The business area's operating profit rose 122.6% to SEK 13.8 million (6.2).

- Increased sales and improved earnings through reorganization and focused efforts.
- Launch of subscription service for secure voice communications, Tiger service.
- Increased use of Sectra's voice crypto, Tiger XS.

Large contracts increase credibility in the market

The past year was characterized by continued higher international sales and sharply increased service and support operations. Combined, this resulted in stable sales growth, a profit margin that meets our goals and the highest order bookings ever.

For the first time in the company's history, Sectra reported order bookings exceeding SEK 1 billion. This is a result of continuous development of our products, expansion of the sales organization and increased market presence. We are constantly receiving testimonials from customers about how they perceive the benefits of our products and how confident they are in our highly skilled and committed employees.

International success

Above all, Sectra continued to strengthen its position internationally. Sales from markets outside Sweden increased by 15.0% and account for 66.8% of consolidated net sales.

In the North American market sales increased 14.8%. This was despite the fact that the US market was negatively affected by the Deficit Reduction Act (DRA), a political measure to decrease the country's budget deficit. DRA means that healthcare providers receive less compensation for various types of examinations, in part within the area of medical imaging.

Our success in the US is due to large and important customers choosing Sectra as a supplier of service and support services, which increases our credibility in the market. We have also established a significantly greater market presence in the US, in part because we have been marketing our products under our own name. An important factor is that we have become more visible for US customers through a high ranking in the KLAS¹ customer survey.

More long-term service and support contracts

Revenues from long-term service, support and upgrade contracts increased. We have installed more systems and secured service and support contracts for medical systems that were previously serviced by partners. Contracts in which the customer pays for the use of our system on an ongoing basis, instead of buying the system on day one, are also increasing. These contracts contributed to the exceptionally strong order bookings in 2007/2008, but also involve costs that affect earnings initially.

New cooperation

As a complement to our own direct sales, Sectra works with regional and local partners. This extends our market reach as our partners have established customer bases. We have partners in a total of ten countries. During the year, agreements were signed with partners in Poland and Japan, markets that are expected to show strong growth in the years ahead. Japan is currently the world's second largest market for medical technology.

Increased production capacity for mammography equipment

In addition to expanding our own organization in important markets for medical systems, one of the largest and most costly challenges with which we are working is to increase production capacity and reduce manufacturing costs for the Sectra MicroDose Mammography system. Within the Mammography product division, major investments have therefore been made in a new flow-oriented plant for final assembly and quality control in Stockholm.

Sectra's mammography system is currently used by customers in 15 countries. To obtain a permit to sell Sectra MicroDose Mammography in the US, the first parts of the application were submitted to the FDA (Food and Drug Administration) during the fiscal year. The final portion, which contains a clinical study, will be submitted during the first half of 2008. When the FDA approves Sectra MicroDose Mammography, which has the market's lowest radiation dosage, US sales can begin.

New product generation facilitates cooperation

The market for Sectra's medical systems continues to grow. More children are being born, and average life expectancy is increasing, demographic changes that are putting the medical and healthcare system under considerable pressure. Less resources and greater care requirements, particularly with respect to age-related illnesses, is driving demand for systems that can increase productivity and facilitate cooperation, locally, regionally and globally. PACS is such a product,

and Sectra's new, enhanced product generation, which meets customers' increased communication requirements, has been very well received in the market.

Increased market coverage for Tiger

Last year, the loss within the Secure Communication Systems business area was reversed and turned into a profit. This year, work to enhance the efficiency of operations contributed to even stronger earnings. We are working to increase market coverage for Tiger, which is currently used by government authorities and defense organizations in 14 of the EU's 27 member states. Increased cooperation in Europe and within the EU benefits Sectra's sales.

As of this year, we can also offer customers subscriptions for secure voice communications. We have launched a new subscription service that will increase ease of use for our customers. The first customer to subscribe for secure voice communications was the Dutch government.

Profit and growth targets

It is very gratifying to note that we also this year achieved our target of a profit margin of 10% or more. This was a result of favorable sales revenues and a cautious financial policy. We have strong control of cost trends to ensure that we do not jeopardize our long-term business development.

We have not achieved the strategic goal of average annual growth of 30% over a seven-year period. Average growth over the most recent seven-year period was 17.3%. Through investments in marketing and expanding our own sales organization, a foundation has been established for continued growth. The strengthening of production capacity for Sectra's mammography product will also contribute to volume growth. Combined with development of new products, entry into new geographic markets through distributors or on our own, and acquisition of new complementary operations, we anticipate attaining our growth goal.

Outlook

We are currently one of the leading suppliers of niche medical IT systems and products for protection of security classified information. This position is the result of long-term and focused efforts to beco-



me number one in our niche markets. We have achieved a market-leading position in Scandinavia, and our position in the international market is strengthened through the establishment of new offices in selected markets and through business partners. I believe that the niche markets in which Sectra is active will increase in volume over the next ten years and also offer opportunities for favorable growth in the future. With world-class employees who show great personal commitment and are focused on the customer, I expect that Sectra will have excellent opportunities for continuing our growth in the future.

Linköping, May 2008

Jan-Olof Brüer
President and CEO

*1) For more information on KLAS, visit www.healthcomputing.com
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Visions, goals and strategies

Sectra aims to be the world market-leader in selected niche markets. By developing and delivering systems and products with innovative technology, Sectra contributed to long-term added value for its customers.

Working from its strong position in Scandinavia, Sectra is on the way to expanding its operations internationally. Sectra's growth strategy is based on operations on expanding niche markets. All of Sectra's operations shall have the potential to become international leaders, and to contribute to strengthening Sectra's earnings and brand.

To achieve its goals, Sectra focuses on profitable growth, close and long-term cooperation with customers and partners, and innovative technology. The employees' skill, commitment and motivation are crucial to Sectra's success.

Overall goals

- To establish a strong global brand that stands for high-quality innovative, reliable and cost-effective systems and products
- To apply a customer-guided development approach in all development projects of new technical solutions
- To be as responsive and available to customers, partners and employees as a small company
- To offer the same long-term mindset and sustainability as a major company

Overall strategies

Sectra's overall strategies for achieving these goals may be summarized as follows:

- To work together with the most qualified customers to ensure that our systems and products meet the market's strictest requirements in terms of performance, quality and user-friendliness
- To offer our customers products and systems that create unique added value and contribute to increasing their productivity
- To recruit and cultivate highly qualified employees
- To focus on areas where Sectra has core competence, and to out-source anything that is not a core technology and/or an area of strategic expertise in order to make the company's deals highly flexible and scalable
- To ensure that development projects are guided by commercial value-added needs
- To work long-term with strategic and complementary partners to reach a broader geographic market and expand our product offering to customers



Future-proof solutions

Sectra's customers shall feel secure that they invest in solutions that can be adapted to future conditions. The customers' needs, combined with our knowledge of future trends, guides development and product renewal.

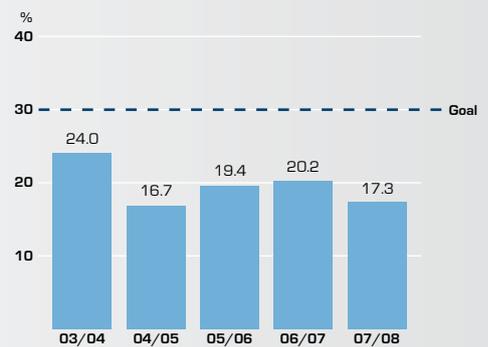
Through cooperation with universities and research centers, we benefit from new technologies that give Sectra's systems and products unique technical solutions. User groups, continuous training and personal contacts ensure that Sectra's systems meet market demands.

Financial goals

Growth: To achieve annual average growth 30 % over a seven-year period

Sectra's transition to mainly selling medical systems direct after a major global co-operation with Philips Medical Systems, which began phasing out in 2005, has had a negative impact on the rate of growth. The company has invested heavily in marketing and building out its own sales organization on strategic markets. It will, however, require another couple of years to see the full effect of these investments.

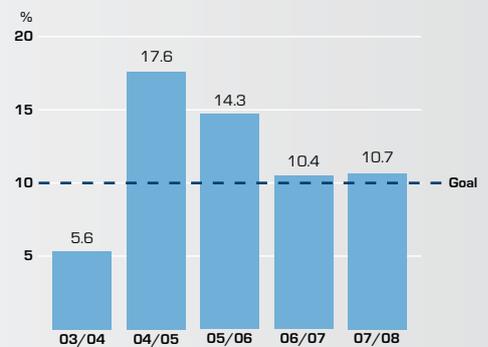
The foundation for increases in product and service sales was laid through these investments. Sectra has also invested in new production capacity for its mammography product. These factors, combined with development of new products, penetration of new geographical markets, and the acquisition of complementary operations, will contribute to future growth.



Profit: To achieve a profit margin of at least 10 %

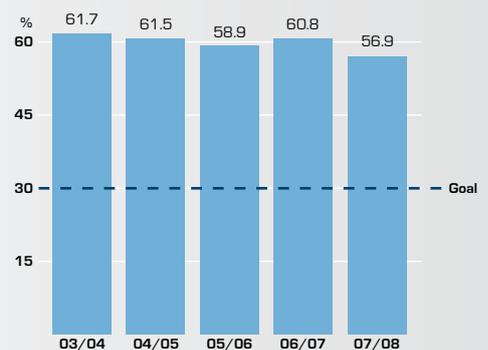
In recent years, the margin has been adversely impacted by costs for the expansion of Sectra's international sales and support organization and the launch of Sectra Microdose Mammography that involves a large element of manufacturing operations. In pace with the expansion of the internal organization and successes on the mammography market, Sectra's business mix is changing. Direct sales and sales of mammography equipment have lower margins than sales of purely software licenses via partners.

Sectra's strategy for continuing to achieve the profit goal is to have strong control on cost performance and work with structural and efficiency enhancement measures.



Equity/assets ratio: To maintain a stable financial position with an equity ratio of at least 30 %

Sectra has a highly stable financial position. During the build-up phase of the mammography operations, Sectra has accumulated the financial resources that secure the project's implementation. As a result of this, the equity ratio exceeds the strategic goal.



The Sectra share

Sectra's Series B share has been listed on the OMX Nordic Exchange in Stockholm since March 1999. A trading lot consists of 200 shares and the share is traded on the Nordic list in the Midcap segment and the Healthcare Equipment sector.

The total number of shareholders is 5,574 (5,723). The number of shares traded during calendar year 2007 was 9.5 million, compared with 18.7 million during calendar year 2006. This corresponds to a turnover rate of 0.25 times (0.55).

Price trend

The last price paid at the year-end closing date was SEK 58.50 (76.00), which corresponds to a market capitalization of SEK 2,002 million (2,596). The share price declined 23% during the fiscal year, which corresponds to the performance of the Stockholm Exchange's Total Index during the same period. The highest quotation for the share during the fiscal year was SEK 76.25 on May 7, 2007, while the lowest was SEK 53.00 on August 16, 2007.

Share capital

Sectra's share capital on April 30, 2008 totaled SEK 36,842,088, divided among 36,842,088 shares. Of these shares, 2,620,692 are Series A shares and 34,221,396 are Series B shares. All shares carry equal rights to the company's assets and earnings. One Series A share confers ten votes, while one Series B share confers one vote.

Full conversion and exercise of issued incentive programs would increase the number of shares by 717,300, corresponding to 1.9%

of the share capital and 1.2% of the votes. The number of shares after full dilution amounts to 37,559,388. For further information on issued incentive programs, see The Board of Director's report and Note 2.

Dividend policy

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

Analyses

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

Carnegie, Marcus Bellander, tel: +46 8 676 87 39

Handelsbanken Capital Markets, Hans Mähler, tel: +46 8 701 81 55

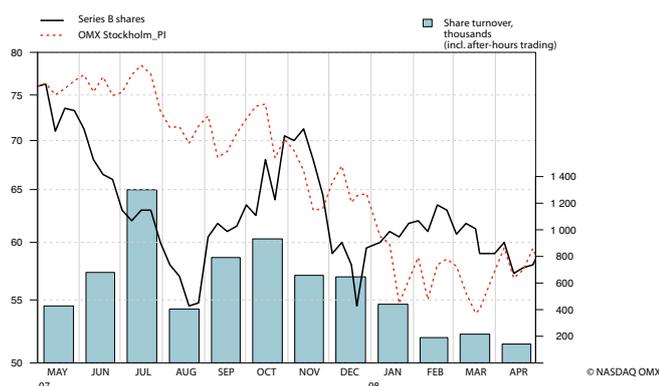
HQ Bank, Jesper Norberg, tel: +46 8 696 18 13

Nordea Markets, Patrik Ling, tel: +46 8 614 70 00

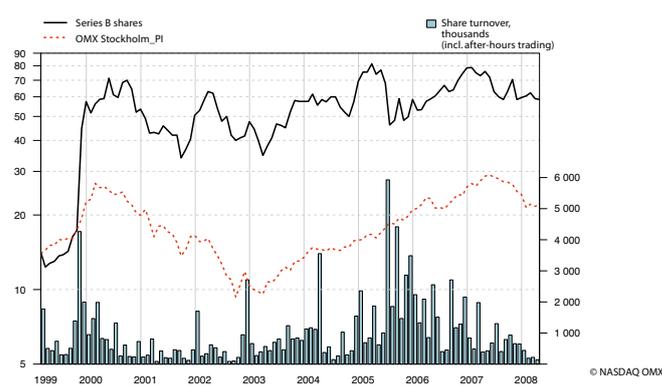
Redeye, Jan Glevén, tel: +46 8 545 013 35

SEB Enskilda, Andreas Joelsson, tel: +46 8 522 295 00

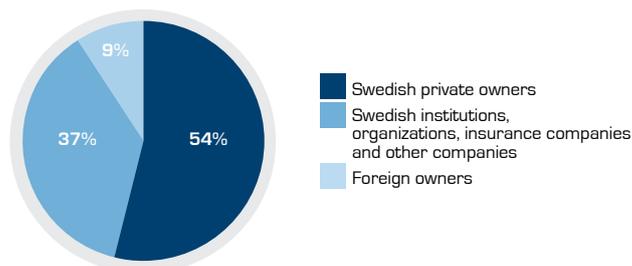
Sectra share price development 2006/2007



Sectra share price development since listing



Ownership structure in relation to capital



Progress of share capital

Date	Transaction	Increase in no. of shares	Total no. of shares	Increase in share capital	Total share capital
1998/1999	New issue at listing	500,000	10,500,000	1,250,000	26,250,000
1999/2000	New issue	420,315	10,920,315	1,050,787	27,300,787
2000/2001	Bonus issue	0	10,920,315	5,460,158	32,760,945
2000/2001	Split 3:1	21,840,630	32,760,945	0	32,760,945
2002/2003	Redemption of conv. debentures	315,566	33,076,511	315,566	33,076,511
2003/2004	Redemption of empl. options	75,000	33,151,511	75,000	33,151,511
2003/2004	New issue	2,700,000	35,851,511	2,700,000	35,851,511
2004/2005	New issue	540,540	36,392,051	540,540	36,392,051
2004/2005	Redemption of conv. debentures	11,200	36,403,251	11,200	36,403,251
2004/2005	New issue	47,387	36,450,638	47,387	36,450,638
2004/2005	Redemption of empl. options	54,667	36,505,305	54,667	36,505,305
2004/2005	Redemption of empl. options	23,333	36,528,638	23,333	36,528,638
2005/2006	Redemption of conv. debentures	169,550	36,698,188	169,550	36,698,188
2005/2006	Redemption of empl. options	28,333	36,726,521	28,333	36,726,521
2005/2006	Redemption of empl. options	20,000	36,746,521	20,000	36,746,521
2006/2007	Redemption of empl. options	36,667	36,783,188	36,667	36,783,188
2007/2008	New issue	58,900	36,842,088	58,900	36,842,088

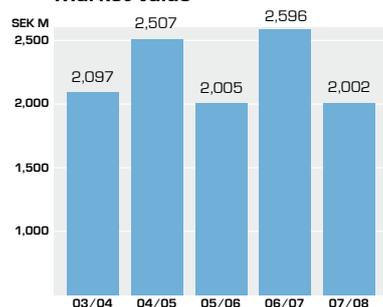
Sectra's largest shareholders at April 30, 2008

Shareholder	No. of A shares	No. of B shares	Share of votes	Share of capital
Jan-Olof Brüer ¹⁾	733,110	2,879,904	16.9	9.8
Torbjörn Kronander ¹⁾	733,108	2,879,901	16.9	9.8
Frithjof Qvigstad	262,866	2,020,569	7.7	6.2
If Skadeförsäkrings AB	0	4,394,300	7.3	11.9
Viiveke Fåk	221,700	1,138,150	5.6	3.7
Robert Forchheimer	202,203	1,178,104	5.3	3.7
Ingemar Ingemarsson	221,347	990,999	5.3	3.3
Thomas Ericson	196,329	1,056,044	5.0	3.4
Lannebo fonder	0	2,766,200	4.6	7.5
Fjärde AP-fonden	0	2,421,500	4.0	6.6
Total for 10 largest shareholders	2,570,663	21,725,671	78.6	65.9
Other shareholders with more than 100,000 shares (24)	35,298	4,536,412	8.0	12.4
Shareholders with 10,001 – 100,000 shares (109)	9,516	3,708,586	6.3	10.1
Shareholders with 1,001 – 10,000 shares (962)	5,215	2,765,173	4.7	7.6
Shareholders with up to 1,000 shares (4,469)	0	1,485,554	2.4	4.0
Total: 5,574 shareholders	2,620,692	34,221,396	100%	100%

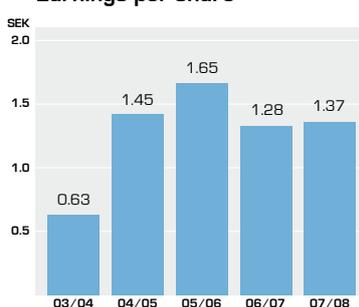
¹⁾ Number of shares comprises direct shareholdings and holdings through companies in Sectra AB.

Source: VPC

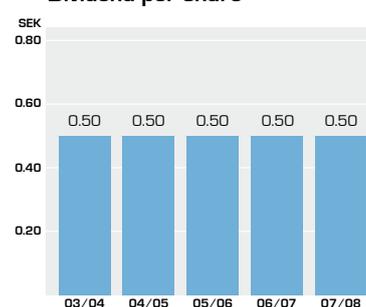
Market value



Earnings per share



Dividend per share



For additional key figures, see Five-year overview on page 50.

Ageing population and European cooperation

Common to the niche markets in which Sectra is active is that they are expected to grow in volume for at least the next ten years and are characterized by introduction barriers for new players in the form of stringent regulatory systems and requirements. Below, the most important factors influencing Sectra's markets are presented.

Medical Systems

More efficient care at lower cost

Society's costs for health and medical care are expected to increase dramatically as a result of demographic changes. Average lifetimes and the percentage of elderly are rising in the entire industrialized world, which increases the need for health and medical care, particularly with regard to age-related illnesses. At the same time, there are increasingly fewer young to care for increasingly more elderly. This requires investments in efficiency enhancement systems. A need that is being amplified by political decisions aimed at limiting public spending for treatment and care.

This means continued high demand for systems that can contribute to higher productivity. Sectra provides the market with products that promote increased efficiency in healthcare, with retained or improved care quality, in such areas as orthopedics and oncology, which to a great extent involve age-related diseases.

Data explosion and communications need

Healthcare is facing a situation in which the shortage of specialized medical expertise is becoming increasingly apparent, which results in an increased need to be able to operate remotely. At the same time, modern radiology equipment produces enormous amounts of data. Managed properly, technical advances in healthcare provide new possibilities for diagnosing and following up treatment, but the growing data volumes place an enormous burden on today's medical IT systems.

These factors drive the investments in systems that can efficiently handle and communicate large data volumes. Sectra's solutions provide rapid access to information and radiology images regardless of the size of the data volume, which gives Sectra a leading-edge over its competitors.

Market players

Medical Systems

	Suppliers of radiology equipment	IT system suppliers
Categories	Global players that are large and have broad-based operations. A number of players in this category have their origins in the X-ray film industry. Compete with Sectra in certain of its product areas.	Local or regional players whose main operations are in radiology IT. Compete with Sectra's operations in systems for processing of radiology images.
Examples of competitors (home market)	AGFA (Belgium) General Electric (US) Hologic (US)	Philips (Netherlands) Siemens (Germany)
Competitors' strengths in each category, examples	<ul style="list-style-type: none"> Broad product range covering both radiology equipment and IT systems and, consequently, can offer solutions that cover the customer's total needs. Extensive experience of medical image processing. Large sales force and well-established customer contacts. 	<ul style="list-style-type: none"> Products adapted to the markets in which they are active. Good contact with customers in their region. In many cases, low costs for installation and support.
Sectra's strengths in each category, examples	<ul style="list-style-type: none"> One of the market's most stable system solutions, with extremely few operational disruptions. Satisfied customers and highly competent and customer-oriented personnel. Mammography system that has the lowest radiation dose, up to 50% lower than competing systems, with the same image quality. Systems that are particularly efficient for communications and handling large data volumes. 	<ul style="list-style-type: none"> One of the market's most stable system solutions, with extremely few operational disruptions. Broad functionality. Large installed base and extensive experience in the radiology industry. Financially strong company that has reported profits during the past 30 years.

Rapid and efficient communication

At the Europe-wide competence network Telemedicine Clinic, some 80 radiologists are reviewing more than 100,000 radiology examinations annually, on behalf of European care providers.

“We work in an extremely distributed environment, with examinations containing vast data volumes. We recently changed PACS supplier and are using Sectra’s latest workstation. We can now work more efficiently and undertake larger assignments than before,” says Hans Billing, radiologist at Telemedicine Clinic.



Secure Communication Systems

Modern government organizations

Today, we are expected to always be contactable and to always be able to communicate. Decision-makers, officials and the military that exchange security classified information are not exceptions. Combined with increased mobility, these expectations are driving the development of crypto equipment that follows with the user and functions in a variety of environments. For Sectra, this means that products are continuously developed to function with new communication technologies.

EU standards

The EU countries are cooperating increasingly more, both the government and military segments. Examples of cross-border cooperation include combating terrorism and the European Defense Agency, formed to promote cooperation in the procurement of defense

equipment. There is also a transformation under way from national invasion-based defense to mission forces. Mission forces act jointly with other countries, for example, on peace-keeping missions in various locations around the world.

This means that customers prioritize the purchase of products that support international cooperation. Common standards have emerged for how EU-classified information shall be protected and Sectra is the first on the market able to deliver EU-approved products for mobile voice communications at the SECRET UE security level.

Declining defense budgets

Many EU countries are continuing to cut their defense budgets. The result is that defense organizations to an ever-increasing extent purchase existing products instead of developing their own. Accordingly, this increases the importance of being able to offer products that are approved for use in the entire EU market, such as Sectra’s Tiger products.

Market players Secure Communication Systems	Global companies with US as home market	Global companies with Europe as home market	Local security companies
Categories	Players that are large and have broad-based operations. Compete with Sectra in certain of its product areas.	Players that are large and have broad-based operations. Compete with Sectra in certain of its product areas.	Players whose main operations are in the crypto field.
Examples of competitors [home market]	General Dynamics (US) Harris Corporations (US) L-3 Communications (US)	Rohde & Schwarz (Germany) Selex Communications (UK) Thales (France)	Business Security (Sweden) Instavoice (Finland)
Competitors’ strengths in each category, examples	<ul style="list-style-type: none"> Well-established and recognized brand. Strong service and support offering. Political connections. 	<ul style="list-style-type: none"> Well-established and recognized brand Strong service and support offering. Broad security approval within EU and/or NATO. 	<ul style="list-style-type: none"> Close cooperation with national security authorities
Sectra’s strengths in each category, examples	<ul style="list-style-type: none"> Strong security approval within EU. Accorded high confidence on markets due to being a Swedish company. European player 	<ul style="list-style-type: none"> Established cooperation with leading European security authorities. Niche player with EU-approved products for customers with the highest security standards. 	<ul style="list-style-type: none"> Long tradition of cooperating with Swedish defense. Political weight through international cooperation with leading security authorities.



With the focus on efficiency, productivity, and communications, the company's products contribute to cost savings within healthcare. Highly skilled employees and future-proof products make Sectra a competitive supplier.

Business concept

To contribute to increased healthcare efficiency, with sustained or improved care quality.

Product Divisions

Radiology IT

IT solutions for processing and archiving of radiology images (PACS) and patient information (RIS).

Mammography

System for digital mammography consisting of radiology equipment and IT solutions for processing and archiving of mammography images.

Orthopedics

IT solutions adapted for orthopedic needs, such as PACS and systems for pre-operative planning.

Service and support

Service, upgrades and customer training are vital parts of the Sectra offering to ensure that customers gain maximum, long-term benefit from their investment and the opportunity to further develop operations. For example, customers are offered complete service- and upgrade-agreements, with Sectra providing round-the-clock service from its offices, or as required by customers. The high level of Sectra employee expertise ensures the quality of the service offering.

Market position

Sectra's systems handle 45 million radiology examinations annually, making Sectra one of the world's leading suppliers of systems for processing of radiology images. In Scandinavia, Sectra is the market leader, with a market share exceeding 50%.

Customers

Customers are public and private sector hospitals and care providers, from major university hospitals to small and medium-size radiology clinics. Sectra focuses on production-oriented radiology units, in which cost-efficiency, high production and communications are central requirements.

Among Sectra's larger customers are the Karolinska University Hospital in Stockholm, British Telecommunications plc covering 25 hospitals in London, and New York City Health and Hospital Corporation in the US, involving five major hospitals in Manhattan.

Distribution channels

Sectra's medical services systems are sold globally, focusing on Europe, North America, Australia/New Zealand and Japan. Sales are direct and through some ten local partners. Although the proprietary sales organization accounts for the majority of sales, cooperation with local partners is growing.

Market size and rate of growth

Sectra's radiological IT systems

According to the analysis company Frost & Sullivan, the global market for radiology IT systems was valued at USD 2,467 million in 2007.

The market is expected to grow by about 6-8% annually through 2012. Certain markets, for example southern Europe, and Japan, are expected to grow more rapidly, while markets in which penetration of digital systems is high, the rate of growth is projected to be lower. The latter pertains, for example, to Scandinavia and the Netherlands.

Sectra's mammography products

The European market for digital screening mammography in 2007 was valued at USD 90.6 million according to Frost & Sullivan. Compound annual growth rate (2006-2013) was estimated to 14.5% annually.

The North American market for digital screening mammography in 2007 was valued at USD 459.6 million according to Frost & Sullivan. Compound annual growth rate (2006-2013) was estimated to 11.4% annually.

Sectra's orthopedic products

The use of PACS at orthopedic clinics can be expected to grow in pace with the digitization of radiology clinics, that is, about 6-8% annually through 2012.

The single largest market for Sectra's orthopedic products is the US. There, Sectra's target market is about 4,000 orthopedic clinics. About 20% of these clinics have installed digital systems, and the US market is projected to grow by 10-15% annually.

Sectra expands with customers' increasing communications needs

Sectra has further strengthened its sales and support organization, resulting in increased direct sales. With added marketing investments, and with innovative products that aid customers in enhancing the efficiency of their operations, Sectra continues to expand globally.

Sectra's operations within Medical Systems are conducted through the wholly owned subsidiary, Sectra Imtec AB. For more than 20 years, Sectra has developed operations-critical medical IT solutions, with very high availability, which can be readily adapted to and integrated with other systems in hospital environments.

Trend of operations, 2007/2008

During the year, Sectra added significant market resources; marketing was intensified and the sales and support organization was strengthened in key markets. These measures generated orders from new customers, strengthening Sectra's position. In addition, Sectra reached major service and upgrade agreements with many hospitals and clinics.

Strong demand for Sectra's service and support services

The operating year was characterized by very strong order bookings. This consists largely of added sales to the existing customer base. At the same time, more than 50 new customers, mostly in the US, selected Sectra systems for their radiology, mammography and orthopedic clinics.

Sectra has successfully concluded service and upgrade agreements with former Philips customers, which contributed to the business area's increased order bookings. Customers include two of the US's largest care providers, New York City Health and Hospitals Corporation, and ProMedica Health System. In the European market, British Telecommunications plc, which provides IT solutions for 25 public-sector hospitals in London, is one of the customers that elected to change to Sectra as its service provider.

Cooperation in new markets

To broaden market coverage, Sectra is increasing cooperation with local partners. During the year, Sectra signed agreements with a Japanese partner and opened its own office in Japan, the world's second largest market for medical technology. The penetration of systems for digital processing of radiology images, PACS, in Japan is relatively low and is expected to expand rapidly.

Sectra also reached a distribution agreement with a partner in Poland concerning Sectra PACS. Since the country's entry into the EU, major investments have been made to modernize medical care, with demand for solutions in the area of medical-image processing growing strongly.

Philips Medical Systems formerly distributed Sectra's PACS. Since 2005, a phasing-out of this cooperation has been under way, the primary agreement regulating cooperation expired in fall 2007. At present, the relationship encompasses service and support.

Satisfied customers strengthen sales in North America

The US market's share of sales has grown as a consequence the market investments made in recent years. The market accounted in



2007/2008 for 31% of Medical System's sales, compared with 29% in the preceding year.

Satisfied customers are a prerequisite for successful sales. In the annual assessment by the analysis company, KLAS Enterprises¹, US customers placed Sectra within the top three suppliers in both the KLAS Community Hospital PACS 2007 report and the KLAS Ambulatory/Imaging Center PACS 2007 Report. The KLAS reports are based on evaluations made by thousands of decision-makers and specialists within healthcare in the US, and constitute a key basis for care-providers that evaluate various PACS.

More resources being provided to assure the health of women

Increasingly, mammography clinics are choosing to emphasize safer women's healthcare. To meet the demand for Sectra's new-model of the Sectra MicroDose Mammography system, which was unveiled in spring 2007, major investments have been made in a new, flow-oriented facility for final assembly and quality control. The first series-produced systems from the new facility were delivered during the year to customers in Scandinavia and elsewhere in Europe. These include the national program for mammography screening in Ireland, the first in the world to implement entirely digital national mammography screening.

Sectra MicroDose Mammography has the market's lowest radiation dose, providing Sectra with a strong position in the rapidly expanding mammography market. At present, the system is in use in 15 countries.

Research and Product Development

Customer needs and Sectra's know-how concerning trends in the market guide the company's development investments and product renewal. In cooperation with universities and research centers, Sectra develops technical solutions that provide products with unique properties.

Sectra solves growing communications needs

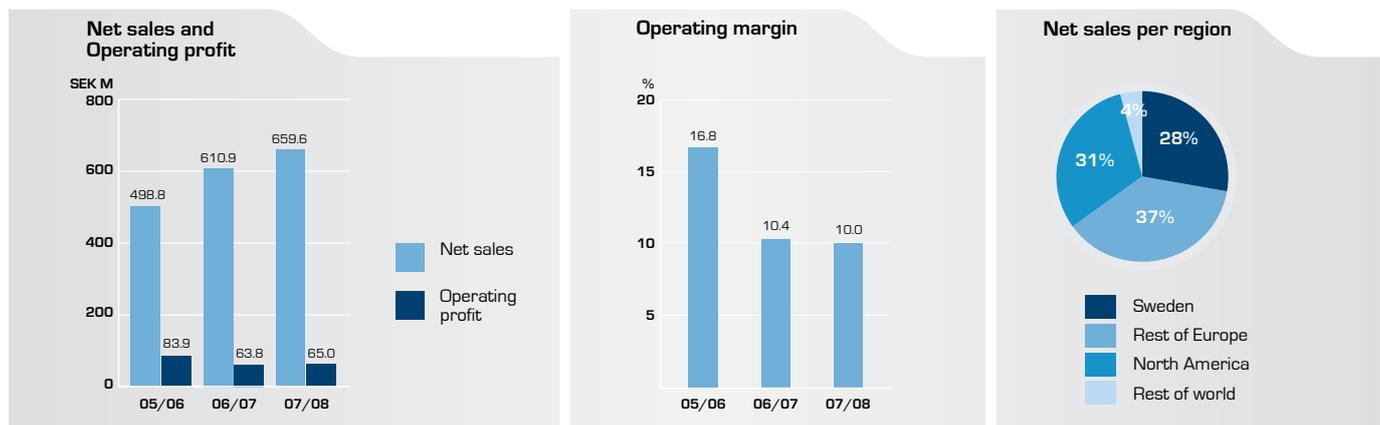
Sectra continuously develops existing products and services. During the year, one of the introductions was a new workstation for radiologists to satisfy customers' growing needs for more rapid and efficient systems for communicating radiology images within and between care units or to the radiologist's own office. The workstation is a part of Sectra's new generation of PACS products that efficiently process large data volumes.

EU initiative within low-dose mammography

During the year, Sectra received, jointly with clinical and industrial partners, an EU grant of SEK 33 million to develop new methods for detecting breast cancer. The methods are based on Sectra's unique photon-counting X-ray detector. The research project, conducted by Sectra, encompasses several well-known European universities and research centers.

*1) For more information on KLAS, visit www.healthcomputing.com
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Financial development



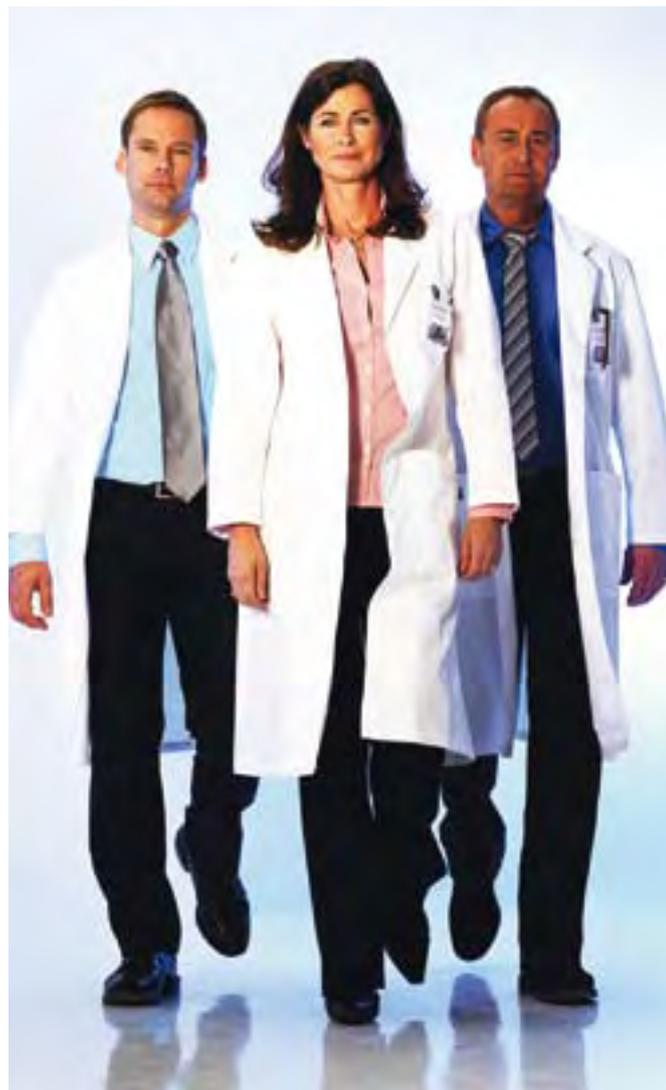
For additional information on the business area's financial performance, refer to the Board of Directors' Report.

World-class research partners



The Center for Medical Image Science and Visualization (CMIV) is working with state-of-the-art medical technology research. CMIV is a interdisciplinary research institution created by Linköping University, the Östergötland County Council and Sectra.

Sectra shall be a future-proof choice for its customers. When new technologies arrive, Sectra's systems shall already be prepared. Such know-how and future systems Sectra builds in cooperation with research centers, such as CMIV. Anders Persson, Head of CMIV and Sectra Board member, comments:



How does Sectra benefit from the CMIV cooperation?

At CMIV we focus far into the future in the area of medical imaging. To Sectra, it is crucial to always be in the forefront of research with its new products, which will truly be a benefit for medical care.

Sectra also derives a major benefit in being able to test new products in our clinical environment, where we have access to the very latest and sometimes not even unveiled equipment in the radiology field. Sectra can even test its products based on genuine patient data.

What has been the result of this cooperation for Sectra?

In our environment, Sectra has developed a system for handling radiology examinations that contain up to 20,000 images. With this system, such an examination can be handled as 3-D images in a standard PC instead of using the traditional procedure of examining images singly.

In addition, Sectra has doctoral candidates in industry who have one foot in CMIV and the other in the company. This provides know-how exchange in all directions. The most recent doctoral candidate submitted a dissertation in the area of advanced 3-D visualization of medical data, and is now working once again in full-time product development at Sectra.

A further example of our cutting-edge research is synthetic MR – a method of streamlining patient flow through magnetic resonance examinations. Based on using an image that simulates how other images must look, a single image-taking sequence can provide all the answers that now require a number of different sequences. A patent has been obtained by a newly established company, and Sectra can offer this method to its customers as a plug-in to its medical imaging system.

What advantages does CMIV derive by cooperating with Sectra?

For our part, it is vital that our research contribute to patient benefit. In practice, there is an interaction between us at CMIV and Sectra's development department, which results in products that are commercially viable.

An expanded support organization and satisfied customers clear the way for increased sales

Which were the key events during the operating year?

We have continued to grow and acquired many new, major customers, including British Telecommunications, with no less than 25 hospitals throughout London that will now be equipped with Sectra's PACS.

At the same time, we began delivering the new generation of mammography equipment, featuring improved image quality and considerably lower radiation doses than competing systems.

What was the most important event for Sectra in the PACS area?

We unveiled a new workstation. This is significant since it provides us a clear advantage over competitors. The advantage is that it handles large volumes of images more rapidly, while being effective at examining images both within and between hospitals. The Stockholm County Council in Sweden was the first customer to put the new workstation in use.

How are Sectra's prospects in the growing replacement market for radiology IT systems?

The first generations of these systems are being phased out, which means that markets, now regarded as mature, are becoming increasingly interesting. This favors Sectra since we are relatively stronger in the replacement market than in the new sales market. The customers that purchase a second time look more to the expertise of the supplier's personnel than to their old supplier relations, and we do enjoy a highly favorable reputation and score very well in customer evaluations.

How are prospects in the US Market?

In the US, we have a sales and support organization in place, and we intend to continue focusing on sales. A breakdown in operations costs money and may represent substantial risks to the patients, which is why quality, stability and a smoothly functioning support organization are prerequisites for high satisfaction among customers. Satisfied customers lead in turn to increased sales. We have the most stable system in the US market, and the KLAS quality ranking places us within the top three suppliers in both the KLAS Community Hospital PACS 2007 report and the KLAS Ambulatory/Imaging Center PACS 2007 Report. This is extremely important for us, since many procurements are influenced by the KLAS ranking¹.



What new opportunities do you see in the mammography market?

During the year, we will submit the final module to obtain approval from the Food and Drug Administration (FDA). The US market is the world's largest within the medical technology area, and an approval would mean much for us. At the same time, we recognize that this process may be a lengthy one.

Another stimulating possibility is that our new-generation mammography equipment can be used for mobile units, for example, mammography buses. This is due to the equipment having become so miniaturized and compact.

How important are orthopedic products?

Although this remains a minor product area for us, it is an area of steady growth. An integrated orthopedic solution within PACS could be decisive for procurements, which would favor us. By focusing on orthopedics within a separate product division, and by complementing our skilled IT-staff with personnel with a background in orthopedic medicine, we have devised solutions in tune with the special working situation of orthopedists. We, and many with us, assess that they are the best in the market.

What will you focus on in the coming years?

We have built up a smoothly functioning support organization in our markets, a key condition for being able to develop with sound profitability. We now want to keep on growing, in a planned manner with control over services and function. And we shall continue to be the most innovative and customer-focused supplier in the business.

1) For more information on KLAS, visit www.healthcomputing.com
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Priority activities

Investments within Medical Systems have the long-term goal of strengthening market positions and continuing growth internationally.

2007/2008	Outcome	2008/2009
<p>Continued expansion of the sales and support organization in the US and Europe.</p>	<p>The sales and support organization in the US and Europe was expanded by some 25 additional staff.</p>	<p>Continued penetration and expansion primarily in existing markets within radiology IT, mammography and orthopedics.</p>
<p>Increased focus on marketing in strategically important markets such as the US.</p>	<p>Extensive marketing campaigns, directed particularly toward the US and European markets, have been initiated. These are expected to result in an increase inflow of requests for offers and eventually increased sales.</p>	<p>Continued work with strengthening Sectra's brand in strategically important markets, such as the US.</p>
<p>Further development of Sectra's PACS products. Adaptation of Sectra's integrated RIS/PACS solution for introduction in new geographical markets.</p>	<p>A new workstation for radiologists was unveiled. The workstation is the latest advance within Sectra's new PACS generation. The RIS/PACS offering to the American market was strengthened. Analyses show potential for introduction of adapted RIS/PACS-solutions in additional markets.</p>	<p>Product and service development to reduce costs in connection with installation and upgrading of PACS and RIS.</p>
<p>Continued launch of the new model of Sectra MicroDose Mammography in Europe and Australia/New Zealand. Preparations for sales of Sectra MicroDose Mammography in the US and Asia.</p>	<p>The new model of Sectra MicroDose Mammography has been ordered by customers in more than 10 countries in Europe and Australia. The initial sections of the application for selling the system in the US have been submitted to the FDA. The final section, containing a clinical study, is projected to be submitted during the first half of 2008. While awaiting approval from the FDA, the system was demonstrated at the RSNA fair in Chicago. The system has also been demonstrated at the Japanese Radiological Congress (JRC).</p>	<p>Continued focus on production efficiency and quality, as well as growth on existing markets. Launch of Sectra MicroDose Mammography in the US when FDA grants approval.</p>



With smart encryption solutions and strong core expertise in encryption, Sectra contributes to protecting its customers' security-classified information.

Business concept

To be the leading supplier of secure communication systems to government and defense organizations within the EU.

Product Divisions

Tiger

Systems, products and services that protect voice and data communication. The products have been approved by the EU and several national security and accreditation bodies in Europe.

Crypto

Development of customer-specific systems and products. Assignments include development of everything from encryption modules to complete communication systems.

Service and support

To facilitate the customers' use of encryption systems, Sectra offers qualified assistance with start-up of operations, customized training programs and support. Customers are also offered long-term service and upgrade contracts.

Market position

Sectra is the leading supplier of encryption products to the Swedish Defense Forces. Sectra's Tiger products are used by customers in more than half of the EU's 27 member countries. This makes Sectra the leading supplier of secure voice communications to European governments and defense organizations with the highest security standards.

Customers

Customers are governments and defense organizations in the EU. Everything from officials and politicians in the various countries' governments and departments to the EU as an organization as well as national defense organizations. The common denominator for customers is that they have regulations for handling of security classified information and demands for approved security products.

Sectra's largest customers are the governments and defense organizations in Sweden, the Netherlands and Norway.

Distribution channels

Sectra's products are sold on markets in Europe. Sales are direct or through local partners. Sectra's own sales organization accounts for most sales.

Market's size

Sectra's Tiger products

Sectra estimates the size of the market based on an assessment that 0.3 per thousand of the population in a country are senior officials, who in their position handle information that is security classified up to the level SECRET. In Sweden, this is a potential of about 3,000 units and for all of Europe approximately 100,000 units.

Sectra's development assignments and customer-specified products

Sectra's largest market is Sweden. However, the company also delivers this type of products to customers in Netherlands and Norway.

The government authority and defense market for communications in Europe is characterized by the need for high-performance encryption products and crypto systems that can support international cooperation. As a result, many nationally adapted crypto systems, which often are based on 15-20 year-old technology, will need to be replaced in the years ahead. This will over time open opportunities for Sectra to broaden its operations with development assignments and customer-specific products for new countries in Europe.

Expanding circle of Tiger users in Europe

Increasingly more customers are protecting sensitive voice communication with products from Sectra. This strengthens Sectra's position as Europe's leading supplier of secure voice communications. Through increased market coverage in Europe and business development of the Tiger offering, Sectra will continue to grow.

Sectra's business within Secure Communication Systems is conducted through the wholly owned subsidiary Sectra Communications AB. Since the 1980s, the company has developed systems and products for Swedish military and government customers. In recent years, Sectra has established partnerships with security authorities in several European countries and with EU organizations.

Business Development 2007/2008

During the year, Sectra worked to develop its product offering to customers. One new development is that service and support contracts are offered for all crypto products. Cooperation with existing customers was strengthened and new customers added.

European market leader

The EU's approval of Tiger XS, Sectra's voice crypto, created opportunities for increased sales in the European market. New Tiger users include authorities and EU bodies, such as the Dutch Ministry of the Interior, the Hungarian Ministry of Foreign Affairs and high-ranking EU officials. In total, Tiger products are used in more than half of the EU's 27 member states.

New service – security subscriptions

Sectra has launched a new subscription service, the Tiger service, for secure voice communications. The service includes Tiger XS products, operation and security administration, as well as support and customized training. The first customer to sign a Tiger service contract was the Dutch Ministry of the Interior, which protects state secrets communicated between ministers, undersecretaries of state and high-ranking officials.

Nordic Battlegroup equipped with Tiger

The business area's largest customer is the Swedish Defense Forces. Sales to defense authorities during the year primarily involved pro-

ducts for the Swedish-led EU force, the Nordic Battlegroup. Sectra has supplied Tiger XS products and radio encryption to the EU force that includes units from Sweden, Finland, Norway, Iceland and Estonia. After the force's service period, the products will be used within the Swedish military.

Product development

Sectra continued to develop existing products, and new development assignments were received. Customer-specific products and development assignments accounted for most of the business area's sales in 2007/2008.

Strengthened relations with Swedish defense authorities

FMV, the Swedish Defense Material Administration, signed service and support contracts for all crypto products supplied by Sectra. FMV also placed orders for new products and development assignments. One of the major assignments is development of products to protect the information on the defense forces' telecom and data networks.

Support for satellite communications

New product development include equipping Tiger XS with support for the Iridium satellite communications system used by the military, embassies and other government organizations. In addition, support for IP-based satellite communication was included in Tiger XS in preparation for deliveries to the Nordic Battlegroup.

Swedish export products secured

In the preceding fiscal year, Sectra supplied crypto products to FMV intended for the JAS 39 Gripen aircraft. These encryption products ensure that sensitive information is protected in various types of tests. Subsequently, Sectra expanded its customer base with orders from Saab Aerosystems and Saab Bofors Dynamics for similar crypto products for installation in export products, such as JAS 39 Gripen and Robot 15.

Increased cooperation benefits Sectra

What has characterized the fiscal year?

We have improved the structure of operations. We currently have two product divisions and a market and sales division. The change facilitates focusing and increasing efficiency. The Tiger Division focuses on managing and adding value to the Tiger offering for the European market, while the Crypto Division customizes solutions for major clients, for example, the Swedish and Dutch Defense Forces.

When will the changes pay off?

We can already see the results. Today, we have surpassed our financial targets in terms of profits and growth. The work with enhancing the efficiency of the operations will continue during the coming year.

During the year, a new Tiger service was launched, what does it mean?

It is an entirely new approach within the industry. Customers purchase the “secure communication” service and we provide them with Tiger products, security administration, key management, support, training and other services. Quite simply, we solve all the practical problems, which also makes it easy for customers to procure the services since they can focus on the benefits.

You are the only company to have an EU approved product for mobile voice communication at level SECRET UE, how does this affect sales?

Being able to offer a product for this high security level opens many doors. It basically generates acceptance for our products throughout Europe. However, the fact that we are the only company to achieve the level SECRET is not only an advantage; it also means that we alone must bear the costs to mission for eavesdrop protection at this level.

How large is the market?

Within the EU, we calculate that there are approximately 100,000 high-level officials and politicians who need to communicate information at the level SECRET. They work, for example, at the agencies, government offices or within military organizations. There is still only a very small portion of voice communication equipment at the level SECRET UE. In other words, there is an extremely large market remaining, in which we intend to develop our role as market leader.

How will you reach these potential users?

We are trying to find the most qualified customers in each country. The investments that we have made, to date, have generated excellent



results and we have a very solid reputation in the market. During the year, we will continue with marketing activities to support sales of the Tiger XS in the European government market.

Which trends have the most impact on the market?

Basically, throughout Europe we see increased cooperation across borders, both between authorities and the military. This means that the need for secure communications is increasing and this is beneficial to us. The increasing number of joint EU assignments and missions in countries outside Europe also contributes to a growing demand for our products.

How does the future look for your customized solutions?

The European defense market is generally declining, but we are growing. We utilize the increased cooperation in Europe and, in addition to the Swedish military, we currently supply customized products to several major customers. We believe that there is additional potential, in the long term, when major international defense industry companies reduce their organizations.

What is the focus for the coming year?

To retain our position as market leader. We will continue to capture shares in the European market and grow through increased market coverage and business development of the Tiger offering.

New Tiger user – The Hungarian Ministry of Foreign Affairs

To prepare for the upcoming EU-Presidency in 2011, the Hungarian Ministry of Foreign Affairs has purchased Sectra's Tiger XS products. Tiger is used to protect the sensitive information exchanged between embassy officials and decision-makers in Hungary and the EU.

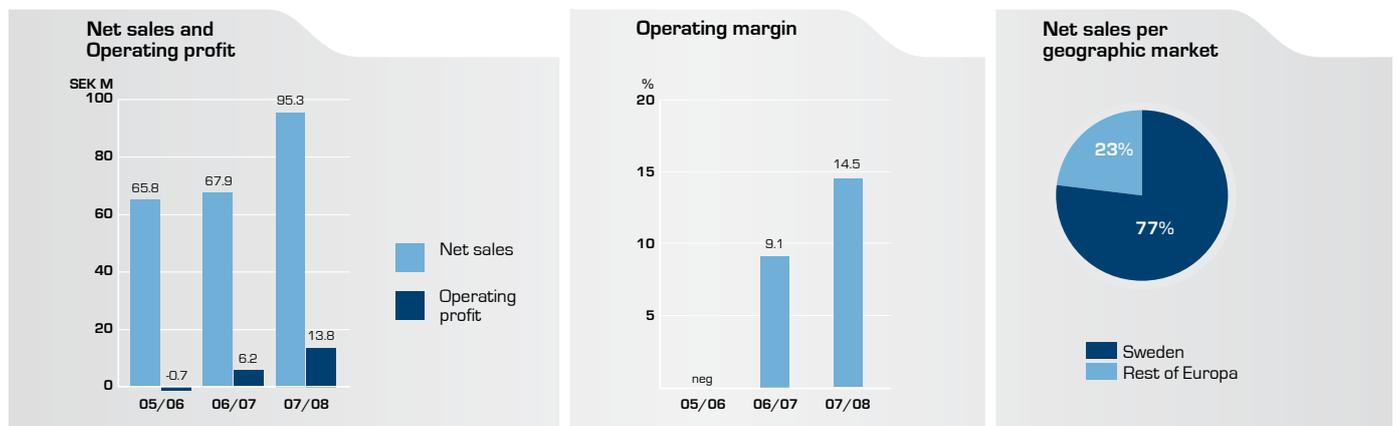


Prioritized activities

Sectra's efforts are long term focused on strengthening market positions in Europe.

2007/2008	Outcome	2008/2009
Sales and marketing of Tiger XS SECRET UE, the model approved by the EU.	The number of Tiger XS users has increased during the year. Sectra has delivered products to new and existing customers, such as the Hungarian Ministry of Foreign Affairs and government authorities in the Netherlands.	Continued focus on increasing market coverage in the European government market through sales and marketing of Tiger XS.
Business development of Sectra's Tiger product offering.	A new subscription service for secure voice communications, the Tiger service, was launched.	Offer the new subscription service for secure voice communications to more customers in Europe.
Provide customers the possibility to sign service and support agreements for all Sectra crypto products.	FMV has signed service and support agreement for all crypto products delivered by Sectra.	

Financial development



For further information, please refer to the Board of Directors' Report.

Skilled and dedicated personnel are the foundation for satisfied customers

The employees' solid cutting-edge expertise, experience and sound grasp of customers' operations are the prerequisites for ensuring that Sectra achieves its goal of becoming a world leader in the company's niche areas.

At year-end, Sectra had 506 permanent employees – an increase of 51 compared with the preceding year, as well as some 30 employees attached to specific projects.

Skills and education

The majority of Sectra's employees have an academic education, with most holding degrees in engineering. A large number of employees have pursued postgraduate research, and 5 professors and 20 PhDs in engineering are involved in the company's operations.

Sectra attaches great importance to the further development of employees. A review of skills development needs is conducted annually with each employee, who subsequently participates in individually tailored training on an ongoing basis.

Recruitment and diversity

During the fiscal year, Sectra recruited more than 110 new employees with a high level of expertise in different areas. Recruitment was mainly to positions in sales, service and support. The personnel turnover during the fiscal year amounted to 11.7% (11.0). Average period of employment at Sectra in Sweden is 6.1 years (6.0)

Sectra's aim is to offer a stimulating work environment that encourages creativity, innovation and personal development. To support recruitment of employees, Sectra offers university and college students

the opportunity to pursue parts of their study program at the company in the form of work experience and degree projects.

Employees from some 30 countries work at Sectra. They contribute through their experience of different cultures and environments to the multicultural environment that is a prerequisite for enabling Sectra to be successful internationally.

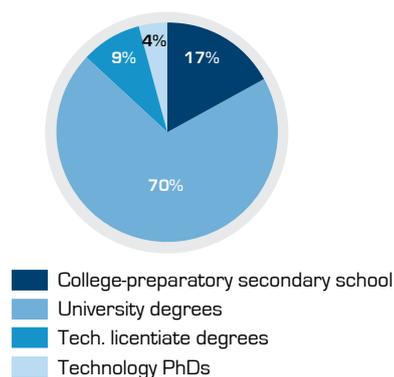
Healthy employees

The well-being of employees is of paramount importance to Sectra. The company takes a preventive approach to work-environment and health issues by offering employees regular health check-ups, fitness programs and opportunities for subsidized fitness training. Sectra's health program also includes ergonomic counseling to reduce the risk of work-related injuries. This has resulted in a very low absence due to illness, during the fiscal year amounting to 0.9% (1.0).

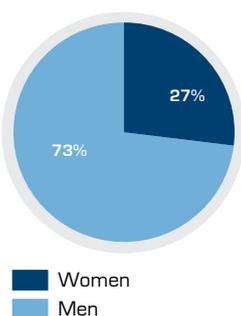
Participation in the company's success

Over the years, to strengthen employees' commitment and motivation, Sectra has offered employees the chance to share in the company's success. In addition to conventional remuneration systems, Sectra works systematically to distribute ownership to employees through options and convertibles programs. Today, as a result of such programs, many employees are also company shareholders.

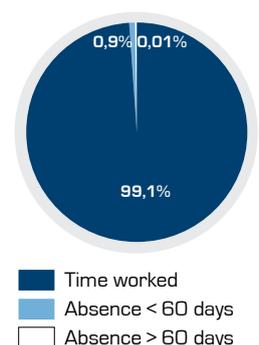
Employees' educational level



Employees per gender



Absence due to illness

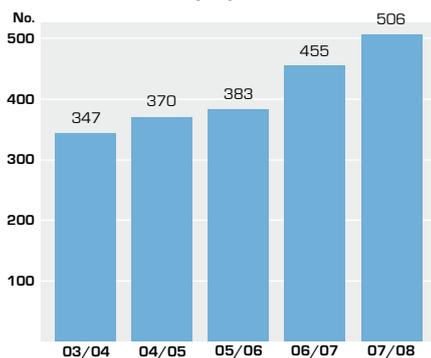




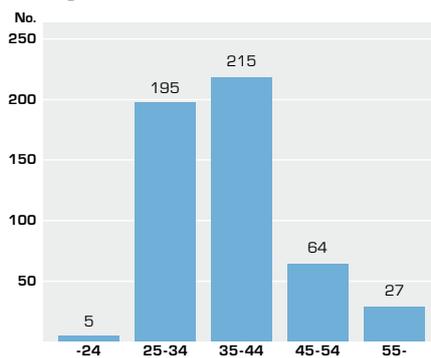
They need someone who's smart, well-educated, creative and dedicated

At Sectra, we are obsessed with the idea of giving our customers what they need. Our competitors are giants in the business world and to become market leading we must be something altogether extra. We employ only the best of the best and we are not satisfied with high formal expertise. At Sectra, you must be able to share your know-how and create trust with customers and colleagues. In this manner, we ensure that customers stay with us.

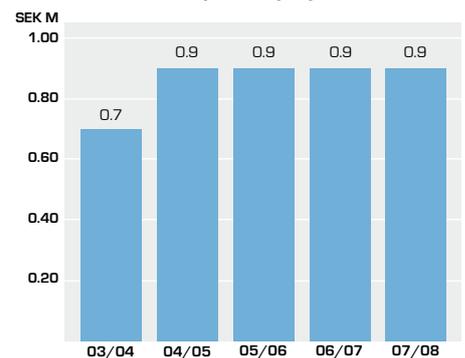
Number of employees



Age distribution



Value added per employee



Board of Directors' 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 accounts for the period from May 1, 2007 to April 30, 2008. The following income statements, balance sheets, statements of changes in shareholders' equity, cash-flow statements and notes comprise an integrated part of the annual report.

Operations and Group structure

Sectra conducts development and sales of high-tech products in expansive niche markets. Operations comprise medical systems and secure communication systems.

The Group's structure is built up around the Parent Company Sectra AB, which comprises Group-wide functions and capital management, and the operating subsidiaries Sectra Communications AB (secure communication systems) and Sectra Imtec AB (medical systems). These companies have a number of subsidiaries with offices around the world. See Note 12 for further information.

Market

Demand for Sectra's products remained strong, and consolidated order bookings amounted to SEK 1,016.6 million (684.7) in 2007/2008, an increase of 48.5% compared with the preceding fiscal year. This was in part a consequence of Sectra winning major service and support orders relating to medical imaging systems.

The major portion of Sectra's sales is through its own organization, which is supplemented by business partners in about ten countries. During the fiscal year, Sectra expanded its market coverage through cooperation with new partners in Poland and Japan, markets that are expected to show strong growth over the coming years. Since 2005, a phasing out has been in progress of Sectra's extensive cooperation with Philips Medical Systems, which currently consists primarily of service and support.

Medical Systems

An increasing number of hospitals are choosing to rationalize radiology services by introducing digital systems for image and information processing, and the market for medical systems is growing. To meet market demand, Sectra continued to invest in building out its distribution network and service organization. During 2007/2008, Sectra installed medical systems with some 50 customers around the world. As the number of installations increases, revenues from service, support and upgrade contracts also increase. The proportion of customers who pay regularly for use of the system is also increasing.

Most of the radiology clinics using Sectra's medical systems are in North America. Sectra's growth in this market was 14.8% over the past year, despite the US market being affected by the Deficit Reduction Act (DRA), a political measure to reduce the country's budget deficit. As a consequence of the DRA, healthcare providers receive lower compensation for various types of examinations in such areas as medical imaging. Sectra's expansion in the US was attributable to securing service and support contracts, greater market presence and the fact that the company's visibility increased among US customers.

Secure Communication Systems

Cooperation between EU countries is increasing with the result that customers are prioritizing purchases that support international cooperation. Common standards have been developed for how EU-classified information must be protected, and Sectra was the first to launch an EU-approved encryption product for mobile voice communication with the security level SECRET UE. During the year, use of Sectra's Tiger XS voice crypto increased. Products were delivered to such customers as the Dutch Ministry of the Interior, the Hungarian Ministry of Foreign Affairs, high-ranking EU officials and the Swedish-led EU force Nordic Battlegroup.

Sweden and several other European countries continue to reduce defense spending with the result that defense organizations increasingly purchase existing products instead of developing their own. Being able to offer products such as Sectra's Tiger products that are approved for use throughout the entire EU is thus increasingly important.

Sales and earnings

Group

Net sales for the fiscal year were up 10.5% to SEK 742.9 million (672.5). The increase compared with a year earlier was a result of higher deliveries of medical systems and secure communications systems on international markets. Revenues from markets outside Sweden rose 15.0% to SEK 496.1 million (431.3) and account for 66.8% of total consolidated net sales.

Profit after net financial items rose 13.7% to SEK 79.8 million (70.2), corresponding to a profit margin of 10.7% (10.4). The increase compared with the preceding fiscal year was attributable mainly to strengthened earnings for the Secure Communication Systems business area. Profit after tax rose 7.0% to SEK 50.5 million (47.2). Earnings per share amounted to SEK 1.37 (1.28).

Sales in international markets are primarily in USD and EUR. During the fiscal year, SEK strengthened against both the USD and EUR. These changes affected the consolidated operating profit negatively by approximately SEK 12.0 million, compared with the preceding year. For further information about currency exposure, see Note 28.

Medical Systems

Net sales of Medical Systems increased by 8.0% to SEK 659.6 million (610.9). The increase was a result of Sectra's investments in expansion in strategically important markets, which resulted in an increase in the number of deliveries and service contracts, compared with the corresponding period in the preceding year. Sectra's mammography products also accounted for a share of the sales increase.

Operating profit for the fiscal year increased by 1.9% to SEK 65.0 million (63.8), corresponding to an operating margin of 10.0% (10.4).

Secure Communication Systems

Net sales of Secure Communication Systems increased by 40.4% to SEK 95.3 million (67.9). Most sales consisted of development assignments and customer-specific products.

Operating profit increased by 122.6% to SEK 13.8 million (6.2), corresponding to an operating margin of 14.5% (9.1). The improvement was an effect of increased sales, reorganization and greater focus.

Parent Company

The Parent Company includes the head office functions for Group finances and data administration, as well as stock market, equity and investor-related activities.

The Parent Company's net sales for the fiscal year amounted to SEK 24.2 million (20.9). Profit after net financial items amounted to SEK 189.1 million (156.8).

Seasonal variations

Sectra's business traditionally shows seasonal variations. Most invoicing and earnings normally occur during the third and fourth quarters. This pattern also applied in the 2007/2008 fiscal year.

Significant events

Medical Systems

Strengthening of Medical System's sales and support organization internationally, which has made it possible to increase sales and secure a number of large service and support contracts. The three largest contracts are with British Telecommunications plc, covering public hospitals in London, as well as New York City Health and Hospital Corporation and ProMedica Health System, two of the largest care providers in the US.

Increased sales of the Sectra MicroDose Mammography system, with orders from customers in ten countries. Production capacity has been increased to meet demand through investments in a new facility for final assembly and quality control.

An annual assessment by the US analysis company KLAS Enterprises¹, ranks Sectra within the top three PACS suppliers in both the Community Hospital PACS 2007 report and the Ambulatory/Imaging Center PACS 2007 report.

Launch and placing in operation of Sectra's new workstation for radiologists, IDS7/dx. The workstation is optimized for distributed review and processing of large volumes of data.

Secure Communication Systems

Launch of subscription service for secure voice communications, the Tiger service. The Dutch Ministry of the Interior is the first to subscribe for the service.

Sectra introduced support for IP-based satellite communications in its products for secure voice communications.

Significant events after the closing date

As of the date of the signing of this annual report, no significant events had occurred since the reporting date.

Liquidity and financial position

Sectra has a stable financial position. The Group's equity/assets ratio at April 30, 2008 was 56.9% (60.8), with a liquidity multiple of 2.2 (2.5). The

company's interest-bearing liabilities amounted at the end of the period to SEK 57.6 million (48.0), of which SEK 56.6 million (46.1) pertains to convertible debentures.

Investments

Group investments for the fiscal year totaled SEK 82.6 million (58.6) and pertained mainly to capitalized development costs, which totaled SEK 186.2 million (138.1) at April 30, 2008.

Research and development

The Sectra Group continuously invests major resources in research and development in fields related to the company's niche markets. Research and development are conducted both in-house and in cooperation with customers and partners. During 2007/2008, SEK 57.8 million (42.6) of Sectra's development costs for standard products was capitalized as intangible assets in the balance sheet. Customer-related costs for the development of new products and functions are included in project costs and expensed in the income statement. Direct research expenditures are not tangible and, accordingly, no separate reporting of total expenditures is made.

Environmental information

Sectra primarily develops and sells software and, to a lesser extent, physical products. The Group's operations are not subject to licensing or reporting requirements under the Swedish Environmental Code. Sectra's products and in-house production produce a negligible environmental impact.

The digital radiology systems that Sectra develops offer a major benefit from an environmental standpoint, since the introduction of digital technology contributes to reducing the use of film and chemicals, which have a significant environmental impact.

Disputes

Sectra's dispute with CNS Systems AB dating from 2002 was settled through arbitration. The settlement has no significant impact on the result for the group.

Risks, risk management and sensitivity analysis

Through its operations, the Group is exposed to various types of operational and financial risks. See Note 28 for further information.

The Sectra share

At April 30, 2008, Sectra's share capital totaled SEK 36,842,088 distributed among 36,842,088 shares. Of these, 2,620,692 were Class A and 34,221,396 were Class B shares. All shares carry equal rights to the company's assets and profits. A Class A share carries ten votes, and a B share carries one vote.

At full conversion and exercise of issued incentive programs, the number of shares will increase by 717,300, corresponding to 1.9% of the share capital and 1.2% of the voting rights. After dilution, the number of shares will amount to 37,559,388. See Note 2 for information regarding outstanding incentive programs.

¹ For more information on KLAS, visit www.healthcomputing.com. ©2007 KLAS Enterprises, LLC. All rights reserved.

Sectra has 5,574 shareholders. The largest owners are Jan-Olof Brüer and Torbjörn Kronander, who with family members and through companies each represent 16.9% of the voting rights in Sectra. For further information about the ownership structure, see the section on the Sectra share on page 10.

The company's Articles of Association contain a clause on right of first refusal for Class A shares. No other agreements between shareholders entailing restrictions on the transfer of shares are known to the company. Neither are there any agreements to which the company is a party that would take effect if control of the company was to change through a public purchase offer.

According to the Articles of Association, members of the Board of Directors are elected annually by the Annual General Meeting (AGM). The Articles of Association do not contain any restrictions regarding appointment or dismissal of Board members or changes in the Articles of Association. Decisions must be taken in accordance with the Swedish Companies Act.

Incentive programs

During 2007/2008, Sectra issued convertible debentures to employees and external Board members with a total nominal value of SEK 22.3 million. At full conversion, 270,500 Class B shares will be added, corresponding to 0.7% of the share capital and 0.5% of the voting rights. During the fiscal year, all convertible debentures issued to employees and external Board members in 2004/2005 were redeemed. In total, SEK 11.5 million was paid on the loan's maturity date of September 30, 2007.

Sectra's employees in the US subscribed for additional employee stock options during the year. If these options are fully exercised, the employees will acquire 100,000 Class B shares in Sectra, corresponding to 0.3% of the share capital and 0.2% of the voting rights. Employee stock options issued to employees in US operations during the 2004/2005 fiscal year corresponding to 40,000 Class B shares matured during the year. No exercise took place.

Similar option and convertible debenture programs existed previously. See Note 2 for further information.

Subscription warrants

In conjunction with the acquisition of Sectra Mamea AB in April 2004, the AGM approved the issue of at most 900,000 subscription warrants as future payment of the purchase price in the purchase agreement with the company's founders. The warrants can be exercised up until May 31, 2015. No subscription warrants had been issued as of April 30, 2008, however.

Authorizations

Based on the authorization granted to the Board of Directors by the 2006 AGM, a new issue of 58,900 Class B shares was implemented at the beginning of the fiscal year. The newly issued shares were used as payment for shares in the subsidiary Sectra Mamea AB to employees who redeemed their employee stock options during the spring.

The 2007 AGM granted authorization to the Board of Directors up until the next AGM to issue new shares corresponding to at most 10% of the

share capital. The objective was to enable a new share issue to finance market investments and the acquisition of companies or operations, to guarantee the costs arising as a result of the company's incentive programs and to be able to constantly adapt the company's capital structure. As of the closing date, the Board of Directors had not utilized this authorization.

The 2007 AGM also decided that the company would have the right to repurchase up to 10% of the company's own shares up until the next AGM. As of the closing date, the Board of Directors had not utilized this authorization.

Employees

As of the closing date, Sectra had 506 (455) employees with permanent employment, of whom 27.0% (27.0) were women. Personnel turnover was 11.7% (11.0).

Leading-edge expertise, commitment and well-being among employees are prerequisites for achieving success. Sectra's motto is "to employ based on attitude and ability and train for skills," meaning that considerable importance is placed on skills enhancement. The company works proactively with the work environment and health issues by offering medical check-ups, fitness programs and training opportunities. This results in low absence due to illness of less than 1%. Sectra works continuously to promote equality to achieve a favorable gender distribution and diversity. Employees from some 30 countries work at Sectra and contribute experience from different cultures and environments. For further information, see Note 2.

Guidelines for compensation to senior executives

The 2007 AGM adopted principles according to the guidelines developed by the Board of Directors for remuneration and other terms of employment for company management. Company management comprises the President and other members of Group management. Remuneration to company management shall be based on market terms while at the same time supporting shareholders' interests. Remuneration shall primarily consist of fixed salary, variable salary, pension benefits and other benefits, such as a company car. Pension benefits shall be defined-contribution.

Fixed salary shall be established taking into account expertise, area of responsibility and performance and must be based on market terms. Variable salary shall be based on performance and is maximized as a percentage of the fixed annual salary that is at most 100%. The notice period for termination of employment by the employee is 12 months. If employment is terminated by the company, the total termination period and the time during which severance pay is received may be at most 24 months.

Board members with special expertise that perform services for the company beyond the scope of the Board assignment shall be able to receive a fee on market terms. Decisions on such fees shall be taken by the Board of Directors. The Board member in question may not participate in consideration or approval of the fee.

The guidelines apply for new contracts signed after the AGM. The Board of Directors is authorized to deviate from the established guidelines if there are reasons for so doing in an individual case.

The Board of Directors proposes that the 2008 AGM resolve regarding remuneration to senior executives according to the same principles as in the preceding year with the following adjustments:

- that variable salary is maximized at 50% of the fixed annual salary
- that the total of the termination period and the period during which severance pay is received shall be at most 12 months when employment is terminated by the company
- that the pension premium is maximized at 25% of fixed and variable salary.

Outlook

Sectra has a strong technical platform. The products and systems solutions that Sectra develops are aimed at markets with high growth potential. The company's strong position in its home market provides a solid base for continuing international expansion.

The Board of Directors' assessment is that Sectra over the long term will continue to expand with favorable profitability.

Approval of financial statements

Pursuant to a Board decision made on May 28, 2008, the consolidated financial statements have been approved for publication and will be presented to the AGM for adoption on June 25, 2008.

Board's statement concerning the proposed dividend and proposed authorization for repurchases

See Note 30 for the Board's statement.

Proposed appropriation of profits

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

Dividend (36,842,088 shares at SEK 0.50 per share)	SEK	18,421,044
Earnings to be carried forward	SEK	163,152,793
Total		SEK 181,573,837

It is the Board of Directors' opinion that the consolidated accounts and the annual report were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and generally accepted accounting practices. They present a fair picture of the Group's and the Parent Company's financial position and earnings.

The Board of Directors' report for the Group and the Parent Company presents a fair summary of the Group's and the Parent Company's business development, financial position and earnings and describes the significant risks and uncertainty factors that the Parent Company and the companies included in the Group face.

Linköping, May 28, 2008

Jan-Olof Brüer
President and CEO

Carl-Erik Ridderstråle
Chairman of the Board of Directors

Torbjörn Kronander
Board Member

Gündor Rentsch
Board member

Erika Johnson
Board member

Anders Persson
Board member

Karin Partain
Employee representative

Mats Björnemo
Employee representative

Our auditor's report was submitted on May 30, 2008
Grant Thornton Sweden AB

Ivar Verner
Authorized Public Accountant

The Group

Consolidated income statements

Amounts in SEK thousands	Note	07/08	06/07
Operating income	1		
Net sales		742,923	672,511
Capitalized work for own use		57,847	42,581
Total income, etc.		800,770	715,092
Operating expenses			
Goods for resale		-175,991	-160,413
Personnel costs	2	-349,929	-300,305
Other external costs	3, 4	-173,814	-173,010
Depreciation of machinery and equipment	11	-7,207	-5,868
Amortization of intangible assets	10	-14,130	-13,825
Income from participation in associated co.		-	-490
Total operating expenses		-721,071	-653,911
Operating profit		79,699	61,181
Result from financial investments			
Interest income and similar items	6	12,396	12,695
Interest expenses and similar items	7	-12,316	-3,674
Net financial items		80	9,021
Profit after financial items		79,779	70,202
Tax on income for the year	9	-29,315	-22,986
Net profit for the year		50,464	47,216
Attributable to			
Parent Company's shareholders		50,464	47,216
Minority interest		-	-
Earnings per share, SEK			
Before dilution		1.37	1.28
After dilution		1.34	1.26
Dividend per share, SEK¹⁾		0.50	0.50
No. of shares at year-end			
Before dilution		36,842,088	36,783,188
After dilution	2	37,559,388	37,529,988
Average, before dilution		36,832,271	36,758,743
Average, after dilution	2	37,594,096	37,400,488

¹⁾ Dividend proposed by the Board of Directors for 2007/2008.

Group cash-flow statements

Amounts in SEK thousands	Note	07/08	06/07
CURRENT OPERATIONS			
Operating profit		79,699	61,181
Adjustment for items not included in cash flow	24	19,733	19,579
Interest received		11,468	12,620
Interest paid		-2,292	-2,065
Income tax paid		-24,831	-8,649
Cash flow from current operations before changes in working capital		83,777	82,666
Changes in working capital			
Change in inventories		-16,827	-2,800
Change in receivables		-126,158	-12,653
Change in current liabilities		67,885	4,333
Cash flow from current operations		8,677	71,546
INVESTMENT ACTIVITY			
Acquisitions of fixed assets		-82,633	-56,223
Acquisitions of subsidiaries	25	-	-2,351
Sales of equipment		481	7,579
Cash flow from investment activity		-82,152	-50,995
FINANCING ACTIVITY			
Sales of shares		1,974	1,723
Change in convertibles		10,697	2,510
Change in long-term receivables		-24,430	-32,720
Change in long-term liabilities		126	382
Dividend to shareholders		-18,421	-18,373
Cash flow from financing activity		-30,054	-46,478
Cash flow for the year		-103,529	-25,927
Cash and cash equivalents at start of year		385,150	414,297
Exchange rate difference in cash and cash equivalents		6,737	-3,220
Cash and cash equivalents at year-end	17	288,358	385,150
Unutilized credit facilities		15,000	15,000

Consolidated balance sheets

Amounts in SEK thousands	Note	30 Apr 08	30 Apr 07	Amounts in SEK thousands	Note	30 Apr 08	30 Apr 07
ASSETS				EQUITY AND LIABILITIES			
Fixed assets				Shareholders' equity			
Intangible assets	10	217,637	159,343	Share capital		36,842	36,783
Machinery and equipment	11	24,060	22,352	Other capital supplied		296,526	292,388
Long-term investments	13, 27	45,515	45,962	Reserves		11,562	6,537
Total fixed assets		287,212	227,657	Retained earnings, including profit for the year		215,740	183,698
Current assets				Total shareholders' equity			
Inventories	14	60,055	47,551			560,670	519,406
Accounts receivable	15, 28	231,817	136,450	Long-term liabilities			
Current tax assets		11,103	2,146	Provisions	19	17,718	11,135
Other receivables		12,889	2,736	Deferred tax liability	19	28,659	25,906
Prepaid expenses and accrued income	16	72,206	52,772	Debts to financial institutions	20	112	261
Short-term investments	13	22,300	-	Other long-term liabilities	21	51,747	36,178
Cash and cash equivalents	17	288,358	385,150	Total long-term liabilities		98,236	73,480
Total current assets		698,728	626,805	Current liabilities			
TOTAL ASSETS		985,940	854,462	Accounts payable		41,255	34,151
				Current tax liability		14,437	3,686
				Other current liabilities	21	32,934	20,294
				Accrued expenses and deferred income	22	238,408	203,445
				Total current liabilities		327,034	261,576
				TOTAL EQUITY AND LIABILITIES		985,940	854,462

Pledged assets and contingent liabilities, see Note 23.

Changes in Group equity

Amounts in SEK thousands	Share capital	Other contributed capital	Translation reserve	Other reserves	Retained earnings	Total equity
Equity as of May 1, 2006	36,747	290,701	216	3,974	154,857	486,495
New issues of shares	36	1,687				1,723
Exchange rate differences			-634			-634
Present value difference				106		106
Dividend					-18,373	-18,373
Shareholdings reclassified to subsidiaries				667		667
Share-based remuneration				2,208		2,208
Net earnings for the year					47,214	47,214
Equity as of April 30, 2007	36,783	292,388	-418	6,955	183,698	519,406
New issues of shares	59	4,138				4,197
Exchange rate differences			1,370			1,370
Present value difference				213		213
Dividend					-18,421	-18,421
Share-based remuneration				3,442		3,442
Net profit for the year					50,463	50,463
Equity as of April 30, 2008	36,842	296,526	952	10,610	215,740	560,670

There are no minority interests within the Sectra Group.

Parent Company

Income statements

Amounts in SEK thousands	Note	07/08	06/07
Operating income	1		
Net sales		24,175	20,924
Operating expenses			
Goods for resale		-	-41
Personnel costs	2	- 8,859	-9,097
Other external costs		- 11,873	-16,492
Depreciation according to plan	11	-517	-718
Operating profit		2,926	-5,424
Result from financial investments			
Income from participations in Group companies	5	181,695	153,451
Interest income and similar items	6	9,176	10,731
Interest expenses and similar items	7	- 4,671	-1,947
Profit after financial items		189,126	156,811
Appropriations	8	- 10,221	-9,802
Profit before tax		178,905	147,009
Tax on income for the year	9	- 49,986	-41,707
Net profit for the year		128,919	105,302

Cash-flow statements

Amounts in SEK thousands	Note	07/08	06/07
CURRENT OPERATIONS			
Operating profit		2,926	-5,424
Adjustment for items not included in cash flow	24	-2,084	1,459
Interest received		41,262	23,543
Interest paid		-15,390	-7,872
Income tax paid		-13,025	-3,508
Cash flow from current operations before changes in working capital		13,689	8,198
Changes in working capital			
Change in receivables		-211,040	-371,591
Change in current liabilities		99,966	225,405
Cash flow from current operations		-97,385	-137,988
INVESTMENT ACTIVITY			
Acquisitions of fixed assets		-514	-185
Sales of equipment		-	-
Cash flow from investment activity		-514	-185
FINANCING ACTIVITY			
Sales of shares		4,196	1,723
Change in convertibles		10,697	2,510
Change in long-term receivables		15,176	45,418
Change in long-term liabilities		-24,694	-32,000
Dividend to shareholders		-18,421	-18,373
Received Group contributions		57,000	52,000
Cash flow from financing activity		43,954	51,278
Cash flow for the year		-53,945	-86,895
Cash and cash equivalents at start of year		256,768	343,663
Cash and cash equivalents at year-end		202,823	256,768
Unutilized credit facilities		15,000	15,000

Balance sheets

Amounts in SEK thousands	Note	30 Apr 08	30 Apr 07	Amounts in SEK thousands	Note	30 Apr 08	30 Apr 07
ASSETS				EQUITY AND LIABILITIES			
Fixed assets				Shareholders' equity			
Machinery and equipment	11	1,543	1,542	<i>Restricted equity</i>			
Participations in Group companies	12	13,978	13,978	Share capital		36,842	36,783
Long-term investments	13	43,039	43,339	Share premium reserve		226,456	226,456
Total fixed assets		58,560	58,859	Total restricted equity		263,298	263,239
Current assets				<i>Unrestricted equity</i>			
Accounts receivable		-	-	Retained earnings		52,655	37,024
Accounts receivable from Group companies		718,046	522,221	Profit for the year		128,919	105,302
Current tax assets		-	2,028	Total unrestricted equity		181,574	142,326
Other receivables		2,693	-	Total shareholders' equity		444,872	405,565
Prepaid expenses and accrued income	16	3,391	2,426	Untaxed reserves	18	102,859	92,638
Short-term investments	13	22,300	-	Long-term liabilities			
Cash and cash equivalents	17	202,823	256,768	Debts to financial institutions	20	-	-
Total current assets		949,253	783,443	Other long-term liabilities	21	44,854	34,550
TOTAL ASSETS		1,007,813	842,302	Total long-term liabilities		44,854	34,550
Pledged assets and contingent liabilities				Current liabilities			
		30 Apr 08	30 Apr 07	Accounts payable		1,071	769
Pledged assets		11,000	11,000	Liabilities to Group companies		393,965	288,866
Bank balances		-	-	Current tax liability		5,533	-
Total pledged assets		11,000	11,000	Other current liabilities	21	12,168	11,945
				Accrued expenses and deferred income	22	2,491	7,969
				Total current liabilities		415,228	309,549
				TOTAL EQUITY AND LIABILITIES		1,007,813	842,302

Changes in Parent Company equity

Amounts in SEK thousands	Share capital	Statutory reserve	Unrestricted equity	Total equity
Equity as of May 1, 2006	36,747	226,456	121,283	384,486
New issues of shares	36		1,688	1,724
Group contributions paid			-94,000	-94,000
Tax effect			26,320	26,320
Present value difference			106	106
Dividend			-18,373	-18,373
Net profit for the year			105,302	105,302
Equity as of April 30, 2007	36,783	226,456	142,326	405,565
New issues of shares	59		4,138	4,197
Group contributions paid			-105,000	-105,000
Tax effect			29,400	29,400
Present value difference			212	212
Dividend			-18,421	-18,421
Net earnings for the year			128,919	128,919
Equity as of April 30, 2008	36,842	226,456	181,574	444,872

Accounting principles

General accounting principles

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and statements issued by the International Financial Reporting Interpretations Committee (IFRIC) that have been approved by the European Commission for application within the EU. Changes made to the present and new standards during the year have not been applied retroactively within the Group. In addition, the Swedish Financial Accounting Standards Council's recommendation RR30 "Supplemental accounting rules for groups" has been applied.

The Group's accounting principles are unchanged compared with the preceding year. Application of IFRS 7: Financial Instruments and related changes in IAS 1: Presentation of Financial Statements has only resulted in further disclosures regarding financial instruments and the Group's capital management and financial goals.

IFRS 8: Segment Reporting will become applicable from and including the 2009/2010 fiscal year. Application of the standard will result in a certain impact on disclosures in the Group's financial reports.

The Parent Company applies the same accounting principles as the Group, as well as Swedish law and the Swedish Financial Accounting Standards Council's Recommendation 32, "Reporting for legal entities." This means that the EU-approved IFRS rules and pronouncements are applied as far as possible within the framework of the Annual Accounts Act and Swedish taxation practice. The rules for valuation and clarification follow IFRS and are the same as those applied in 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 reported in the Parent Company in accordance with Swedish law.

All amounts in the text and tables in the Notes are in SEK thousands, unless stated otherwise.

Basis for preparation of the reports

Assets, provisions and liabilities are valued at the acquisition value or par value unless stated otherwise in the notes that follow. The preparation of financial reports in accordance with IFRS requires that the Group use accounting assumptions and estimates for the future. The most important estimates and judgements are presented in Note 26.

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 determining influence. A determining influence normally applies when more than 50% of the vote-carrying shares in a subsidiary have been acquired. When acquisitions are made, the acquired companies are absorbed into the Group as of their acquisition date. The acquisition value of the subsidiary's shares is deter-

mined by means of an acquisition analysis conducted at the time of the acquisition. The acquisition value for the Group comprises the purchase price and transaction costs directly attributable to the acquisition. 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 reported as Group goodwill. 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.

Minority interests are the portion of net assets and earnings that belong to other joint shareholders in a subsidiary. The minority share is taken up in Group earnings after tax and the share of net assets is reported in consolidated shareholders' equity.

Shareholdings in associated companies in which the Group holds not less than 20% and not more than 50% of the votes are reported using the equity method. The value of the associated company's shares is adjusted based on Sectra's share of net earnings after tax. In the consolidated income statement, the change in value is reported as "participations in the earnings of associated companies."

Translation of foreign subsidiaries

Functional currency

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

Transactions and balance-sheet items

Transactions in functional currencies are reported 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 closing date (year-end rate). Currency differences arising in payment of transactions in foreign currencies and in translation of monetary assets and liabilities at the year-end rate are reported in the income statement.

Group companies

The assets and liabilities of 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.

Segment reporting

The primary segments comprise the Group's operational divisions, i.e. Medical Systems and Secure Communication Systems. "Other operations" mainly relates to the Parent Company's debiting for Group-wide

services and asset management. Geographic regions are reported as secondary segments. Primary and secondary segments comprise services and products that are subject to risks different from those to which other operational divisions and geographic regions are subject.

Revenue recognition

The Group's revenues mainly derive from fixed-price projects, sales of products and licenses, and consulting work. Project-based income is reported based on the project's degree of completion at the balance sheet date. The degree of completion is calculated as the ratio between the expenses paid at the balance sheet date and the estimated total expenses. In cases where a loss is expected to occur on an uncompleted project, the entire anticipated loss is applied against earnings for the year. Revenues from sales of products and licenses are taken up 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 taken up as income as the work is executed.

Pensions and post-retirement benefits to employees

The Sectra Group has defined-contribution pensions only, which means that the Group makes payments to various pension institutions on an ongoing basis. These pension payments are expensed currently and constitute the Group's pension costs for the year, which are reported 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 taken up as liabilities in the balance sheet.

Intangible fixed assets

Intangible fixed assets are reported at their acquisition value, less depreciation and impairment losses. Individual assessments of value in use are conducted on an ongoing basis in order to identify any impairment need. If the reported value (carrying amount) exceeds the recoverable value, the differences are charged against earnings for the period on an ongoing basis as they arise. In the case of an asset that does not generate cash flows, the recoverable value is estimated for the cash-generating unit to which the asset belongs. The recoverable value is the higher of the asset's net selling price and its value in use. Value in use is calculated as the present value of future cash flows relating to specific assets. The amortization period for intangible fixed assets exceeds five years if the asset is expected to generate financial benefits, based on individual assessment, and has a period of use in excess of five years.

Capitalized development costs

Sectra develops proprietary software and equipment in the fields of med-

ical equipment 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 reported as intangible fixed 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 development costs are subject to straight-line amortization over the period of use per individual asset, although the maximum amortization period is 10 years.

Patents

Patent rights are reported at their acquisition value and subject to straight-line amortization over the assets' 10-year estimated period of use.

Trademarks and customer relations

Trademarks and customer relations pertain to acquisition-related assets. These rights are reported at their acquisition value and are subject to straight-line amortization over the assets' 10-year estimated period of use.

Goodwill

Group-level goodwill arises when the acquisition value of the subsidiary's share exceeds the fair value of the Group's participations in the subsidiary's net assets at the time of acquisition. Following the first reporting occasion, goodwill that has arisen is valued at the acquisition value after deduction for any impairments. Goodwill is not amortized. Instead, each cash-generating unit is individually assessed on an ongoing basis to identify impairment requirements. When the purchase price of a subsidiary at acquisition is less than the value of the net assets in the acquired company, the difference is reported in the income statement.

Tangible fixed assets

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

Office furniture	10 years
Equipment and office machines	5 years
Personnel computers	3 years

Leasing

Through operational and financial leasing agreements, the company utilizes equipment, computers, cars and items for onward leasing, such as mammography equipment. Financial lease agreements are reported in the balance sheet as fixed assets, and as current or long-term liabilities corresponding to the Group's obligation to pay leasing charge-

es in the future. In the income statement, the expenses are divided between depreciation and interest over the term of the lease agreement.

Leasing agreements valued at less than SEK 500,000 are classified as operational.

Costs of operating leases are charged against net earnings for the year. These costs are reported as ongoing operating expenses in the income statement, and are spread over the entire term of the lease.

Borrowing costs

Borrowing costs are reported in the income statement during the period to which they pertain. Costs arising from the raising of a loan are distributed over the term of the loan if the costs are significant in relation to the amount borrowed.

Inventories

Inventories are reported at the lower of historical cost according to the FIFO method or fair market value. 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 reported at the amount expected to be collected, based upon individual assessment.

Reporting of tax

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 reported only if it is likely that future profits will arise that will entail lower tax in the future.

Financial instruments

The company classifies its financial assets and liabilities in the following categories: financial assets or liabilities at fair value in the income statement, investments held to maturity, accounts receivable and loan receivables and other financial liabilities.

Financial assets

Financial assets are recognized in the balance sheet when the company becomes party to the agreement, and removed when the agreement expires or the company loses control over the assets. Securities transactions are reported on the settlement date at their accrued historical cost. An impairment loss is reported in the event of a long-term decrease in the value of a security.

Financial assets valued at fair value in the income statement pertain to cash and cash equivalents and investments of surplus funds held for sale. Financial assets are classified in this category when they are acquired for the purpose of selling them in the short term. These assets are valued continuously at fair value, and changes in value are reported in the income statement.

Investments held to maturity pertains to investments in securities and other participations that all have fixed terms or fixed cash receipts or payments, and which the company intends and is able to hold to maturity. These financial assets are valued at their amortized cost. Surpluses or deficits are distributed over the lifetime of the instrument and any impairments are reported in the income statement.

Accounts receivables and loan receivables pertain to assets that are not derivatives or quantifiable payments and are not listed on an active market. These receivables are reported at accrued acquisition value. Any impairments are reported in the income statement.

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 removed from the balance sheet when the obligation specified is discharged and all liability expires. Loan debts are initially reported at par value after subtracting transaction costs. Adjustments are subsequently made for any over/undervaluation, with interest accrued over the term of the loan. Interest expenses are reported directly in the income statement.

Financial liabilities valued at fair value in the income statement pertain to liabilities held for sale and derivatives not classified for hedge accounting. The Group did not have any financial liabilities in this category during the financial year.

Other financial liabilities are valued at acquisition value and pertain to liabilities incurred for trading in and issuing convertible debentures. Convertible debentures are reported as combined financial instruments divided into a liability and an equity portion. The loan portion of convertible debenture loans is valued 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.

Derivative instruments

Derivative instruments in the form of futures contracts are used within the Group to reduce risks associated with changes in exchange rates. The change in the value to adjust the underlying asset or liability is offset by the change in the value of the futures contract. These flows are offsetting and are not posted to the balance sheet. Futures premiums accrue over the term of the contract. There are no currency forwards or derivative instruments within the Sectra Group on the balance sheet date.

Notes

Note 1 Segment reporting

Primary segments – operations

	Medical Systems		Secure Communication Systems		Other operations ¹		Eliminations ²		Total	
	07/08	06/07	07/08	06/07	07/08	06/07	07/08	06/07	07/08	06/07
Net sales	659,608	610,884	95,308	67,932	22,936	21,031	-34,929	-27,336	742,923	672,511
Depreciation	19,201	18,637	244	338	1,893	718	-	-	21,337	19,693
Operating profit	65,050	63,816	13,779	6,191	4,256	-5,892	-3,386	-2,934	79,699	61,181
Assets	1,084,735	832,929	69,747	42,206	1,081,162	901,219	-1,249,704	-921,892	985,940	854,462
Liabilities	1,042,068	779,775	65,866	38,842	551,716	422,223	-1,234,380	-905,783	425,270	335,057
Investments	81,182	52,243	1,237	318	514	6,013	-	-	82,634	58,574

Secondary segments – geographic areas

	Sweden		Rest of Europe		North America		Rest of world		Total	
	07/08	06/07	07/08	06/07	07/08	06/07	07/08	06/07	07/08	06/07
Net sales	246,808	241,241	263,623	235,336	204,165	177,806	28,327	18,128	742,923	672,511
Assets	737,838	686,576	193,031	133,820	38,448	29,457	16,623	4,609	985,940	854,462
Investments	65,574	48,150	3,534	2,857	13,520	7,478	6	89	82,634	58,574

¹ Other operations pertain to 99% of the Parent Company's billing of Group-wide services and asset management.

² 100% of the Parent Company's total sales are referable to other companies within the group of companies to which the company belongs. Purchases from Group companies total 0 %.

Note 2 Employees and personnel costs

Average number of employees and percentage of women

	07/08		06/07	
	Total	of whom women	Total	of whom women
Parent Company				
Sweden	14	8	14	8
Group				
Australia	9	2	9	2
Denmark	4	1	5	1
Germany	20	8	17	6
Italy	1	0	3	1
Netherlands	15	1	5	1
New Zealand	1	0	1	0
Norway	10	3	9	2
Spain	9	5	5	3
Sweden	315	84	284	71
UK	17	6	15	5
US	77	16	58	11
Group total	478	126	411	103

Salaries and other remuneration

	07/08		06/07	
	Board of Directors and President	Other employees	Board of Directors and President	Other employees
Parent Company				
Sweden	1,509	3,968	1,218	4,409
Group				
Australia	1,118	4,616	1,013	4,185
Denmark	752	2,452	-	3,461
Germany	1,136	9,972	826	7,530
Italy	1,592	-	1,341	762
Netherlands	1,378	6,006	477	1,910
New Zealand	-	557	-	387
Norway	963	7,590	901	6,142
Spain	838	2,821	826	2,030
Sweden	4,271	152,798	3,840	116,843
UK	1,449	8,902	1,805	7,849
US	2,397	60,693	3,593	48,339
Group total	15,894	256,407	14,622	199,438

The proportion of women Board members including employee representative on the Boards of Directors of all Group companies amounted to 12% (8), and on the Parent Company's Board of Directors to 29% (13). The proportion of women in the Group's management groups, including company presidents, amounted to 21% (7), and in Group management to 20% (20).

Social costs

	07/08				06/07			
	Board and President	Of which, pension costs	Other employees	Of which, pension costs	Board and President	Of which, pension costs	Other employees	Of which, pension costs
Parent Company								
Sweden	666	194	1,780	413	696	243	1,872	379
Group								
Australia	119	119	414	414	91	-	445	353
Denmark	80	77	154	132	-	-	243	205
Germany	102	56	2,346	1,257	73	55	845	753
Italy	549	549	-	-	413	367	202	202
Netherlands	251	94	1,025	187	126	48	349	148
Norway	138	51	1,024	662	150	35	927	12
Spain	102	-	503	-	82	-	325	-
Sweden	2,317	803	60,182	13,583	2,217	784	53,958	12,213
UK	52	52	427	323	243	50	1,204	315
US	225	64	10,611	1,523	257	65	9,288	447
Group total	3,935	1,865	76,686	18,081	3,652	1,404	67,786	14,648

Remuneration to the Board, President and other senior executives 2007/2008

	Board-fee	Basic salary	Variable remuneration	Other benefits	Pension premiums	Total
Carl-Erik Ridderstråle, Board Chairman	164,000	-	-	-	-	164,000
Erika Johnson	123,000	-	-	-	-	123,000
Torbjörn Kronander	-	1,008,202	-	-	187,656	1,195,858
Anders Persson	123,000	-	-	-	-	123,000
Gündor Rentsch	123,000	-	-	-	-	123,000
Total remuneration to the Board	533,000	1,008,202	-	-	187,656	1,728,858
President/CEO	-	975,920	-	-	193,656	1,169,576
Other senior executives (3 persons)	-	1,507,946	12,000	-	228,232	1,748,178
Total remuneration to President and other senior executives	-	2,483,866	12,000	-	421,888	2,917,754
Total	533,000	3,492,068	12,000	-	609,544	4,646,612

Preparation and decision-making process

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

Remuneration to the Board of Directors

Fees are paid to the Board Chairman and other external members in accordance with the decision of the Annual General Meeting. The remuneration paid to the members of the Board in 2007/2008 consisted of three price base amounts to external members and four price base amounts to the Chairman of the Board. Internal members received no Board remuneration. One price base amount for 2008 equals SEK 41,000.

Remuneration to the President and other senior executives

Remuneration to 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 taken 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 100 percent. "Other senior executives" refers to the three individuals

who, together with the President/CEO and vice President/President Medical systems comprised the 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 12 to three months on the part of the company, and from six to three months on the part of the executives. There are no special agreements regarding severance pay.

Pension

The retirement age for the President and other senior executives is 65 years. Pension benefits for the President/CEO and other senior executives are paid within the framework of the pension plan that applies to all employees, and which comprises defined-contribution and vested pensions.

Share-based remuneration

During the fiscal year, share-based remuneration was expensed in an amount of SEK 2,635 thousands (1,927), of which SEK 980 thousands (674) pertained to senior executives, including the President/CEO. Convertibles and options are valued at market rates based on the Black & Scholes calculation method.

Issued incentive programs

Convertible programs	2005/2008	2006/2009	2007/2010
Number of underlying Series B shares	165,200	266,800	270,500
Conversion rate, SEK	71.10	86.70	82.30
Exercise period	26-30 maj 2008	26-29 maj 2009	24-28 maj 2010
Time to expiration	15 jun 2008	15 jun 2009	15 juni 2010
Interest rate during time to expiration	4%	4%	4%
Dilution upon full conversion, capital	0.4%	0.7%	0.7%

Employee stock option programs	2005/2008	2006/2009	2007/2010
Number of underlying Series B shares	40,000	80,000	100,000
Exercise price, SEK	71.10	86.70	82.30
Exercise period	26-30 maj 2008	26-29 maj 2009	24-28 maj 2010
Number of options exercised at April 30, 2008	0	0	0
Dilution at full exercise, capital	0.1%	0.2%	0.3%

The dilution resulting from the convertible debenture loan 2005/2008 (165,200) and the employee stock option program 2005/2008 (40,000) is expected to be zero according to the company's assessment, since the conversion rate for the debentures amounts to SEK 71.10. Accordingly, the convertible loan is calculated to be repaid at the maturity date on June 15, 2008.

Absence due to illness

% of regular work hours

	Group		Parent Company	
	07/08	06/07	07/08	06/07
Total				
All employees	0.9	1.0	0.6	1.1
Of which, proportion of absences lasting 60 days or longer	1.5	19.3	0.0	55.8
By group				
Women	1.2	1.8	1.0	0.8
Men	0.8	0.7	0.0	1.4
Employees 29 years and younger	1.1	0.8	1.1	0.0
Employees 30–49 years	0.9	1.0	0.4	0.9
Employees 50 years and older	0.1	0.9	0.0	4.1

Note 3 Fees to auditors

	Group		Parent Company	
	07/08	06/07	07/08	06/07
Audit services				
Grant Thornton	751	594	142	125
Other auditfirms	219	170	-	-
Consultation				
Grant Thornton	435	390	74	146
Other auditfirms	501	406	-	-
Total	1,906	1,560	216	271

Note 4 Costs for operating leases

Annual leasing fees paid for operating leases totaled SEK 4,471 thousands (3,768). Agreed future leasing fees for operating leases are payable as shown below:

Group	08/09	09/10	10/11	11/12
Cars	1,571	905	153	-
Other	162	91	39	-
Subleased objects	2,162	-	-	-
Total	3,895	996	192	-

Total future leasing fees pertaining to non-terminable agreements for subleased objects amounted to SEK 2,162 thousands. Revenues during the financial year pertaining to leasing items leased further amount to SEK 1,652 thousands in the 2007/2008 fiscal year.

Note 5 Income from participations in Group companies

	Parent Company	
	07/08	06/07
Group contributions	162,000	146,000
Interest income	33,015	13,377
Interest expenses	-13,320	-5,926
Total	181,695	153,451

Note 6 Interest income and similar profit/loss items

	Group		Parent Company	
	07/08	06/07	07/08	06/07
Other interest income	12,375	12,506	9,155	9,976
Dividend	21	13	21	13
Earnings from sales of securities	-	176	-	176
Exchange difference	-	-	-	566
Total	12,396	12,695	9,176	10,731

Note 7 Interest expenses and similar items

	Group		Parent Company	
	07/08	06/07	07/08	06/07
Interest expenses	2,292	2,064	2,069	1,947
Exchange difference	10,024	1,610	2,602	-
Total	12,316	3,674	4,671	1,947

Note 8 Appropriations

	Parent Company	
	07/08	06/07
Change in accrual fund	-10,381	-9,976
Change in excess depreciation	160	174
Total	-10,221	-9,802

Note 9 Tax on net profit for the year

	07/08	Group 06/07	Parent Company 07/08	06/07
Tax expenses				
Current tax expense	-26,323	-21,012	-20,586	-15,387
Deferred tax on temporary differences	-	-	-29,400	-26,320
Deferred tax for untaxed reserves	-2,992	-1,975	-	-
Total tax expense	-29,315	-22,987	-49,986	-41,707
Relationship between Group tax and reported tax per applicable tax rate				
Earnings before tax	79,779	70,200	178,904	147,008
Tax per applicable tax rate	-22,338	-19,656	-50,093	-41,162
Adjustment of tax for previous years	413	-	-	-
Tax effect of nondeductible expenses	-363	-1,504	-785	-621
Tax effect of nontaxable income	1,451	1,482	892	76
Change in temporary differences	-2,753	-2,295	-	-
Adjustment for tax in foreign subsidiaries	-5,725	-1,014	-	-
Tax on net profit for the year	-29,315	-22,987	-49,986	-41,707
Temporary differences in Sectra Group				
Deferred tax liability on untaxed reserves	28,801	25,906		
Deferred tax liability on current assets	-142	-		
Deferred tax receivable on unused loss-carryforward	-	-		
Net deferred tax liability	28,659	25,906		

The applicable tax rate for the Group is the tax rate that applies to the Parent Company, that is, 28%.

The unutilized loss-carryforward refers to foreign subsidiaries and amounted to SEK 17,234 thousands at April 30, 2008. The company's assessment is that the loss carry forwards cannot be utilized in their entirety during the next few years.

Note 10 Intangible assets

Group	Capitalized development ¹	Patents	Customer relations	Brand	Total
Historical cost at start of year	192,087	25,093	10,000	4,762	231,942
Translations differences	-	-52	-	-	-52
Disposal for the year	-	-1,924	-	-	-1,924
Investments for the year	42,581	-	2,651	-	45,232
Cumulative historical cost at April 30, 2007	234,668	23,117	12,651	4,762	275,198
Incoming amortization	86,773	7,030	7,000	3,333	104,136
Translation differences	-	-50	-	-	-50
Disposal for the year	-	-2,056	-	-	-2,056
Amortization and write-down for the year	9,778	2,461	1,110	476	13,825
Cumulative amortization at April 30, 2007	96,551	7,385	8,110	3,809	115,855
Closing residual value at April 30, 2007	138,117	15,732	4,541	953	159,343
Historical cost at start of year	234,668	23,117	12,651	4,762	275,198
Translation differences	-	-	-	-	-
Disposal for the year	-	-	-	-	-
Investments for the year	57,847	5,242	9,173	-	72,262
Cumulative historical cost at April 30, 2008	292,515	28,359	21,824	4,762	347,460
Incoming amortization	96,551	7,385	8,110	3,809	115,855
Translation differences	-13	-	-149	-	-162
Disposal for the year	-	-	-	-	-
Amortization and write-down for the year	9,811	2,476	1,355	488	14,130
Cumulative amortization at April 30, 2008	106,348	9,861	9,316	4,297	129,822
Closing residual value at April 30, 2008	186,166	18,498	12,508	465	217,637

¹ Capitalized development pertains to internally generated intangible assets. Other intangible assets are acquired.

The Parent Company held no intangible assets at April 30, 2008.

Note 11 Machinery and equipment

	Group		Parent Company	
	30 Apr 08	30 Apr 07	30 Apr 08	30 Apr 07
Historical cost at start of year	47,508	44,330	11,645	12,044
Acquisition	-	1,990	-	-
Investments for the year	10,372	13,642	514	185
Sales/Disposals for the year	-5,778	-12,454	-428	-584
Cumulative historical cost at year-end	52,102	47,508	11,731	11,645
Depreciation at start of year	25,156	25,595	10,103	9,969
Acquisition	-	312	-	-
Depreciation for the year	7,207	5,868	517	718
Sales/disposals for the year	-4,321	-6,619	-432	-584
Cumulative depreciation at year-end	28,042	25,156	10,188	10,103
Residual value according to plan	24,060	22,352	1,543	1,542
Total carrying amount	24,060	22,352	1,543	1,542

Note 12 Participations in Group companies

	Organization no.	Reg. office	No. of shares	Share of capital, %	Par value	30 Apr 08 Carrying amount	30 Apr 07 Carrying amount
Parent Company							
Sectra Imtec AB	556250-8241	Linköping, SE	300,000	100%	3,000	2,883	2,883
Sectra Communications AB	556291-3300	Linköping, SE	3,000,000	100%	3,000	3,000	3,000
Sectra Wireless Technologies AB	556570-9325	Linköping, SE	3,000,000	100%	3,000	8,000	8,000
Sectra Secure Transmission AB	556247-1283	Linköping, SE	100,000	100%	100	95	95
Ebberöd Capital, Inc.	20-8912327	Shelton, US	1,000	100%	0	0	0
Total carrying amount						13,978	13,978
Sectra Imtec AB							
Sectra Skandinavien AB	556483-9479	Linköping, SE	40,350	100%	100	21,016	21,016
Paxlink AB	556572-3292	Linköping, SE	700	70%	100	811	811
Sectra Norge AS	975 353 265	Oslo, NO	5,000	100%	NOK 500	283	283
Sectra NA, Inc.	06-1473851	Shelton, US	500	100%	USD 50	384	384
Sectra GmbH	HR B 8546	Aachen, DE	500	100%	EUR 26	219	219
Sectra Italia S.r.l.	03185950965	Milano, IT	500	100%	EUR 50	453	453
Sectra A/S	26121361	Herlev, DK	5,000	100%	DKK 100	639	639
Sectra Ltd	4571654	London, UK	1	100%	GBP 0.001	0	0
Sectra Pty Ltd	105 376 190	Sydney, AU	1	100%	AUD 0.1	1	1
Sectra New Zealand Ltd	1539744	Auckland, NZ	1	100%	NZD 0.1	0	0
Sectra Medical Systems SL	B84352749	Madrid, ES	500	100%	EUR 253	2,290	2,290
Sectra Mamea AB ¹	556570-7022	Stockholm, SE	107,616	100%	183	152,161	148,867
Sectra imaXperts BV ¹	39069257	Almere, NL	500	100%	EUR 22.5	3,936	3,936
Total carrying amount						182,193	178,899
Sectra Communications AB							
Sectra Communications Ltd	4884887	London, UK	1	100%	GBP 0.001	0	0
Sectra Communications BV	27264295	The Hague, NL	1.800	100%	EUR 18	164	164
Total carrying amount						164	164

¹ Any additional purchase price pertaining to the acquisition of Sectra Mamea AB on April 30, 2004 and Sectra imaXperts BV (formerly imaXperts BV) on December 1, 2006 cannot be reliably calculated, and is therefore not taken up in the acquisition analysis and the value reported above. Sectra Pronosco A/S, a subsidiary of Sectra A/S, was liquidated during the year and from 2007/2008 is included in Sectra A/S.

Note 13 Financial investments

	Group		Parent Company	
	30 Apr 08	30 Apr 07	30 Apr 08	30 Apr 07
Long-term investments				
Equity and fixed-income bonds	43,000	43,300	43,000	43,300
Other shares and participations	2,515	2,662	39	39
Total	45,515	45,962	43,039	43,339
Short-term investments				
Equity and fixed-income bonds	22,300	-	22,300	-
Total	22,300	-	22,300	-

Securities holdings with maturities less than one year are classified as short term. See note 27 for valuation of securities holdings.

Note 14 Inventories

	Group		Parent Company	
	30 Apr 08	30 Apr 07	30 Apr 08	30 Apr 07
Component stocks	34,154	22,876	-	-
Products in progress	8,028	13,400	-	-
Finished products	17,873	11,275	-	-
Total book value	60,055	47,551	-	-

An impairment in an amount of SEK 6,212 thousands (2,894) was reported in the income statement for 2007/2008.

Equipment and components mainly used for development were reclassified as inventories or expensed in the income statement, depending on the estimated lifetime of the stock items in question.

Note 15 Accounts receivable

Revaluation of accounts receivable recognized in the income statement amounts to SEK 2,896 thousands (1,698) for fiscal year 2007/2008. At the closing date, the reserve for estimated credit risks amounts to SEK 5,678 thousands (8,330). The maximum credit risk for accounts receivable and loan receivables corresponds to the reported fair value. See Note 28, for an age analysis. The Parent Company's earnings were not affected by any bad debt losses during the year.

Note 16 Prepaid expenses and accrued income

	Group		Parent Company	
	30 Apr 08	30 Apr 07	30 Apr 08	30 Apr 07
Prepaid rent	3,252	2,088	1,143	1,128
Accrued interest income	1,165	868	928	737
Prepaid support agreements	2,407	1,914	813	325
Other items	18,199	12,755	507	236
Uninvoiced work in progress	47,183	35,147	-	-
Total	72,206	52,772	3,391	2,426

Note 17 Cash and cash equivalents

	Group		Parent Company	
	30 Apr 08	30 Apr 07	30 Apr 08	30 Apr 07
Bank balances	173,948	340,235	89,069	212,124
Short-term securities	113,241	44,644	113,241	44,644
Blocked funds for guarantees	1,169	271	513	-
Total	288,358	385,150	202,823	256,768

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

Bank overdraft facilities

	Group		Parent Company	
	30 Apr 08	30 Apr 07	30 Apr 08	30 Apr 07
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 18 Untaxed reserves

	Parent Company	
	30 Apr 08	30 Apr 07
Tax allocation reserves:		
Allocated to taxes 03	-	13,619
Allocated to taxes 04	16,200	16,200
Allocated to taxes 05	26,312	26,312
Allocated to taxes 06	1,649	1,649
Allocated to taxes 07	15,515	15,515
Allocated to taxes 08	18,304	18,304
Allocated to taxes 09	24,000	-
Excess depreciation	879	1,039
Total	102,859	92,638

Of total untaxed reserves, SEK 28,801 thousands (25,939) is reported as deferred Group tax.

Note 19 Appropriations

	Group	
	30 Apr 08	30 Apr 07
Deferred tax liabilities/receivables referable to:		
Untaxed reserves	28,801	25,906
Current assets	-142	-
Unused loss carryforwards	-	-
Other appropriations	17,718	11,135
Total	46,377	37,041

Note 20 Other debts to financial institutions

	Group		Parent Company	
	30 Apr 08	30 Apr 07	30 Apr 08	30 Apr 07
Due 0-5 years				
from fiscal year-end	112	261	-	-
Due more than 5 years				
from fiscal year-end	-	-	-	-
Total	112	261	-	-

Note 21 Other long-term liabilities

	Group		Parent Company	
	30 Apr 08	30 Apr 07	30 Apr 08	30 Apr 07
Convertible debentures 04/07 ²	-	11,540	-	11,540
Convertible debentures 05/08 ¹	11,738	11,682	11,738	11,682
Convertible debentures 06/09	22,944	22,892	22,944	22,892
Convertible debentures 07/10	21,917	-	21,917	-
Other liabilities	6,893	1,627	-	-
Total	63,492	47,741	56,599	46,114

¹ Because convertible debenture loan 05/08 will fall due for payment within one year, it has been recognized in the balance sheet for 2007/2008 as a current liability.

² The convertible debenture loan 04/07 was recognized as a current liability in the balance sheet for 2006/2007.

Conditions

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

Present value difference

The present value difference is calculated as the difference between interest on convertible debentures and the market rate.

Note 22 Accrued expenses and deferred income

	Group		Parent Company	
	30 Apr 08	30 Apr 07	30 Apr 08	30 Apr 07
Accrued social security	22,463	19,202	905	1,000
Accrued vacation pay	28,098	24,425	1,036	1,164
Prepaid support agreements	59,486	66,112	-	-
Accrued accounts payable	4,635	2,696	493	483
Advances received	41,181	11,958	-	-
Accrued royalties	282	3,980	-	1,081
Other items	82,263	75,072	57	4,241
Total	238,408	203,445	2,491	7,969

The item Accrued expenses and deferred income includes SEK 28,839 (37,278) pertaining to anticipated expenses in conjunction with the termination of certain relationships with distributors. Since the outcome of the termination process currently in progress is uncertain, detailed information cannot be given, since this could have an adverse effect on the result. Provision has been made based on the information that has become known up until the issuance of the Annual Report.

Note 23 Pledged assets and contingent liabilities

	Group		Parent Company	
	30 Apr 08	30 Apr 07	30 Apr 08	30 Apr 07
Chattel mortgages	36,250	36,250	11,000	11,000
Total pledged assets	36,250	36,250	11,000	11,000

Note 24 Cash flow

Adjustment for items not included in cash flow

	Group		Parent Company	
	30 Apr 08	30 Apr 07	30 Apr 08	30 Apr 07
Depreciation/amortization	21,337	19,693	517	717
Exchange rate difference	-7,219	462	-2,601	567
Gain/loss of securities	-	181	-	181
Sale of fixed assets	1,275	-3,174	-	-4
Provisions for personnel costs	4,340	1,927	-	-
Share in earnings of associated companies	-	490	-	-
Total	19,733	19,579	-2,084	1,461

Note 25 Company acquisitions

During comparison year 2006/2007 acquired Sectra the Dutch company imaXperts BV on Dec 1, 2006 by increasing its shareholding from 20 to 100 %. After the acquisition date, the acquired company contributed SEK 0.0 million to consolidated earnings after tax. If the acquisition had occurred on May 1, 2006, imaXperts' contribution to the Group would have amounted to SEK 21.9 million in net sales and SEK 1.5 million in losses after tax. The acquisition affected the Group's assets and liabilities as per April 30, 2007 as shown in the following acquisition analysis.

SEK thousands	Reported value in Sectra imaXperts BV	Adjustment fair value	Value reported in Group
Tangible assets	610	-	610
Working capital	-309	-1,571	-1,880
Cash and cash equivalents	15	-	15
Net assets and liabilities	316	-1,571	-1,255
Purchase price during the year			-1,096
Net cash flow within the Group			-2,351

Note 26 Important estimates and judgments

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

Impairment requirements relating to intangible assets 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. The calculations are based on budgeted long-term targets and anticipated growth. In the calculations, a discount rate of 12% is applied and growth is set at a level consistent with the market trend.

Testing of the reported values for deferred tax assets relates to loss carryforwards and the impairment loss on the capitalized development expenditure. The unutilized loss-carryforward refers to foreign subsidiaries and amounted to SEK 17,234 thousands at April 30, 2008. The company's assessment is that the loss carry forwards cannot be utilized in their entirety during the next few years.

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

Note 27 Valuation of financial assets and liabilities

Financial assets and liabilities

Group	30 Apr 2008		30 Apr 2007	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets valued at fair value via income statement				
Liquid assets in foreign currencies	48,610	48,610	102,635	102,635
Short-term investments	139,116	139,116	102,832	102,832
Total	187,726	187,726	205,467	205,467
Held-to-maturity investments				
Long-term investments	43,000	43,000	43,300	43,300
Other shares and participations	2,515	2,515	2,662	2,662
Total	45,515	45,515	45,962	45,962
Accounts receivables and loan receivables				
Accounts receivable	231,817	231,817	136,450	136,450
Other receivables	2,693	2,693	-	-
Total	234,510	234,510	136,450	136,450
Other financial liabilities				
Convertible debenture loans	56,600	56,600	47,628	47,628
Debts to financial institutions	112	112	261	261
Other interest-bearing debts	6,893	6,893	113	113
Total liabilities	41,255	41,255	34,151	34,151
Total	104,860	104,860	82,153	82,153

Revaluation of accounts receivables recognized in the income statement amounted to SEK 2,896 thousands. No gains or losses were recognized in any of the other categories.

Calculation of fair value

Cash, cash equivalents and short-term investments are recognized at fair value based on the listed bid price on the closing date, excluding any transaction or selling expenses.

The fair value of other investments held to maturity could not be calculated accurately and accordingly are reported at acquisition cost.

For other receivables and liabilities with shorter lifetimes, the reported value is considered to correspond to the fair value. In the event receivables or liabilities have longer maturities than one year, the reported value has been discounted and corresponds to fair value.

Note 28 Risks, risk management and sensitivity analysis

Risks related to operations

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

Customers and partners

Sectra's five largest partners and customers together account for 30.5% (40.5) of Group sales. Although sales to each customer are divided among a number of agreements, the loss of a major customer could have a significant effect on the Group's earnings and 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 incurs 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 US companies. Accordingly, the USD exchange rate has an effect on the price structure for mammography systems, for example. Other business risks, such as market risks, suppliers, technical development and dependence on individual persons, are analyzed continuously. Measures are taken as needed to reduce the Group's risk exposure.

Financial risks

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

Currency exchange risks

Exchange rate exposure within the Sectra Group occurs primarily via transactions in foreign currencies, in the form of customer and supplier payments and to a lesser extent, in translating foreign subsidiaries' income statements and balance sheets. In accordance with the Group's finance policy, subsidiary financing shall be in the local currency and currency exposure pertains mainly to USD and EUR. Operating profit for the year includes currency losses of SEK 1,308 thousands (5,195) and in net financial items SEK 10,024 thousands (1,610).

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 to be 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 thousands

Currency	Revenues	Expenses	Net exposure
SEK	257.3	-431.8	-174.5
USD	204.2	-154.6	49.6
EUR	151.4	-67.2	84.2
Other currencies	130.0	-67.6	62.4
Total	742.9	-721.2	21.7

Interest-rate risks

Interest-rate risks pertain to the impact of changes in market interest rates on 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. Interest on debts to financial institutions is locked in for periods of less than 12 months. At the closing date, the Group's interest-bearing assets exceed interest-bearing liabilities, as a result of which a decline in interest rates has an adverse impact on the Group and an increase has a positive effect.

Credit risks

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

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

Age analysis accounts receivable

SEK M	Group
	30 Apr 08
Accounts receivable not due for payment	122.7
Accounts receivable overdue 30 days	69.9
Accounts receivable overdue 60 days	13.5
Accounts receivable overdue 120 days	31.4
Total	237.5

Reserves amount to SEK 5,7 million within the group of accounts receivable overdue more than 120 days.

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

Liquidity risks

To minimize the liquidity risk, 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 to. Unutilized bank overdraft facilities are used in the event of temporarily elevated liquidity needs. The Parent Company monitors the Group's liquidity continually through compiling liquidity forecasts as a basis for investments or short- and long-term borrowing.

At the closing date, the Group's unutilized credit facilities amounted to SEK 15,000.

The convertible loan carries an interest of 4%. Other loans carry floating rates, which varied between 3-5% during the fiscal year. Financial leasing contracts and convertibles have terms of zero to three years. Liabilities to credit institutions have no specific term. See Note 2 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 fiscal year 2007/2008 and how the variables named would have affected profit/loss after net financial income/expense 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 earnings after financial items
Net sales	+/- 1%	+/- SEK 5.6 M
Cost of materials	+/- 1%	+/- SEK 1.8 M
Personnel costs	+/- 1%	+/- SEK 3.5 M
Interest rate level	+/- 1%	+/- SEK 3.1 M
Exchange rate changes:		
USD exchange rate	+/- 1%	+/- SEK 1.2 M
EUR exchange rate	+/- 1%	+/- SEK 8.9 M

Note 29 Asset management

The Group's financial goals have been determined by the Board and are described in the Group's finance policy and dividend policy. 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 ratio goal is 30%.

The Group's capital is defined as total shareholders' equity less unrealized value changes and amounts to SEK 556,985 (517,198) at April 30, 2008. The Group's equity ratio at the closing date was 56,9% (60.8). Sectra's operations have large seasonal variations during the operating year and, accordingly, it is the Board's ambition to retain a sound capital structure with a low debt/equity ratio.

In accordance with the Group's dividend policy, the dividend shall be well weighted between direct return and the company's need for capital for growth and international expansion. The intent long term is to distribute an average of 15-20% of profits after taxes to the shareholders. The Board is proposing a dividend of SEK 0,50 per share to the 2008 Annual General Meeting, corresponding to 36.5% of profit after taxes.

Note 30 Board's statement concerning proposed dividend

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

The company's objects, scope, and risks

The company's objects and scope of business are specified in the Articles of Association and the annual reports provided. The business conducted by the company does not entail any risks in excess of those that exist or may be deemed to exist in the industry or those risks that are generally associated with operating a business.

The financial position of the company and the Group

The financial position of the company and the Group as at 30 April 2007 is stated in the latest annual report. The annual report also states which accounting principles are applied in the valuation of assets, allocations and liabilities.

The proposal on dividend states that the Board of Directors proposes a dividend of SEK 0.50 per share, which corresponds to an amount less than of SEK 18.5 million. The proposed dividend constitutes 4.1% of the parent company's equity and 3.3% of the Group's equity. The non-restricted equity in the parent company and the Group's retained profits amounted to SEK 181.6 million and SEK 215.7 million respectively at the end of the 2007/2008 financial year. The Board of Directors proposes that the record day provision for the dividend is Monday 30 June 2008.

The annual report states that the debt/equity ratio is 56.9%. The proposed dividend and 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 shareholders' equity as reported in the latest 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 dividend now proposed and the authorization to repurchase the company's own Class B shares.

Justification for dividend and repurchase

With reference to the above and to what has otherwise come to the knowledge of the Board of Directors, the Board is of the opinion that after a comprehensive review of the financial position of the company and of the Group it follows that the proposed dividend and 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 objects of the business, its scope and risks place on the size of the company's and Group's equity and the company's and the Group's consolidating requirements, liquidity and financing needs in general.

Note 31 Definition of key ratios

Added value

Operating profit plus labor costs.

Added value per employee

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

Adjusted equity

Reported equity plus 72% of untaxed reserves.

Capital employed

Total assets reduced by non-interest-bearing debts.

Cash flow per share

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

Debt ratio

Interest-bearing debts divided by equity.

Earnings per share

Profit after tax divided by average number of shares.

Equity

Equity includes 72% of untaxed reserves.

Equity per share

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

Equity ratio

Equity as a percentage of total assets.

Gross margin

Operating profit before depreciation as a percentage of sales.

Liquidity ratio

Current assets divided by current liabilities.

Operating margin

Operating profit after depreciation as a percentage of sales.

P/E

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

Profit margin

Profit after net financial items as a percentage of sales.

Return on equity

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

Return on total capital

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

Return on capital employed

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

Yield

Dividend as a percentage of share price.

Audit Report

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

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of Sectra AB (publ) for the financial year May 1, 2007 – April 30, 2008. These accounts and the administration of the company and the application of the International Financial Reporting Standards IFRS endorsed by the EU and the Annual Accounts Act when preparing the annual accounts and the consolidated accounts are the responsibility of the board of directors and the managing director. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable but not absolute assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director and significant estimates made by the board of directors and the managing director when preparing the annual accounts and the consolidated accounts, as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. We also examined whether any

board member or the managing director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts and the consolidated accounts have been prepared in accordance with the International Financial Reporting Standards IFRS adopted by the EU and the Annual Accounts Act and give a true and fair view of the company's and the group's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the annual general meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Linköping, May 30, 2008
Grant Thornton Sweden AB
Ivar Verner
Authorised Public Accountant

Five year summary

Comparative figures for fiscal year 2003/2004 is not presented in accordance with IFRS. Main difference compared to IFRS is valuation of goodwill and share-based remuneration.

Amounts in SEK thousands unless otherwise stated	07/08	06/07	05/06	04/05	03/04
Consolidated Income Statements					
Net sales	742,923	672,511	564,382	455,862	495,336
Capitalized work for own use	57,847	42,581	25,572	24,221	-
Operating expenses	-699,734	-633,728	-492,961	-390,636	-398,753
Depreciation/Amortization	-21,337	-19,693	-20,757	-18,033	-6,052
Income from participation in associated co.	-	-490	-478	-	-
Items affecting comparability	-	-	-	-	-70,936
Operating profit	79,699	61,181	75,758	71,414	19,595
Net financial items	80	9,021	4,988	9,001	8,046
Profit after financial items	79,779	70,202	80,746	80,415	27,641
Income tax	-29,315	-22,986	-20,396	-27,871	-10,199
Net earnings for the year	50,464	47,216	60,350	52,544	17,442
Attributable to:					
Parent Company's shareholders	50,464	47,216	60,350	52,857	20,989
Minority interest	-	-	-	-313	-3,547
Consolidated Balance Sheets					
Assets					
Intangible assets	217,637	159,343	127,806	115,807	97,110
Tangible assets	69,575	68,314	39,741	37,254	16,681
Financial assets	288,358	385,150	414,297	320,176	332,342
Other current assets	410,370	241,655	243,725	226,488	190,896
Total assets	985,940	854,462	825,569	699,725	637,029
Equity and liabilities					
Equity	560,670	519,406	486,495	430,655	393,033
Provisions	46,377	37,041	24,937	27,057	891
Minority interests	-	-	-	-	-2,561
Long-term liabilities	51,859	36,438	38,981	45,915	71,615
Current liabilities	327,034	261,577	275,156	196,098	174,051
Total equity and liabilities	985,940	854,462	825,569	699,725	637,029

Key figures ¹⁾

Financial

	07/08	06/07	05/06	04/05	03/04
Working capital, SEK million	624.3	567.4	546.1	488.0	480.5
Liquidity ratio	2.2	2.5	2.4	2.9	3.1
Solvency, %	56.9	60.8	58.9	61.5	61.7
Debt ratio	0.10	0.11	0.13	0.13	0.22
Investments, SEK million	82.6	58.6	35.1	44.6	37.9

Profitability

Gross margin, %	13.6	12.4	17.1	19.6	19.5
Operating margin, %	10.7	9.1	13.4	15.7	4.0
Profit margin, %	10.7	10.4	14.3	17.6	5.6
Return on total capital, %	8.9	8.6	10.9	12.6	6.1
Return on working capital, %	13.8	13.0	16.0	17.1	8.8
Return on equity, %	9.3	9.4	13.2	12.8	5.8
Value added, SEK million	429.6	361.5	335.8	301.9	206.9

Employees

No. of employees, average	477	411	373	350	296
No. of employees at fiscal year-end	506	455	383	370	347
Sales per employee, SEK million	1.6	1.6	1.5	1.3	1.7
Value added per employee, SEK million	0.9	0.9	0.9	0.9	0.7

Data per share

No. of shares at fiscal year-end ²	36,842,088	36,783,188	36,746,521	36,528,638	35,851,511
Average number of shares	36,832,271	36,758,743	36,733,188	36,415,995	33,326,511
Equity per share, SEK	15.22	14.12	13.24	11.79	10.96
Equity per share after full dilution ³ , SEK	14.93	13.84	12.97	11.54	10.52
Cash flow per share, SEK	2.31	2.24	2.01	1.81	2.41
Cash flow per share after dilution ³ , SEK	2.26	2.19	1.97	1.77	2.31
Earnings per share, SEK	1.37	1.28	1.65	1.45	0.63
Earnings per share after dilution ³ , SEK	1.34	1.26	1.61	1.42	0.61
Dividend per share ⁴ , SEK	0.50	0.50	0.50	0.50	0.50
Dividend yield, %	0.9	0.7	0.9	0.7	0.9
P/E ratio, times	42.7	59.2	35.7	49.7	92.9
Share price at fiscal year-end, SEK	58.50	76.00	58.75	74.00	58.50
The shares annual turnover rate ⁵	0.25	0.55	0.80	0.31	0.27

¹ Definition of key figures, see note 31.

² Adjusted for stock splits and bonus issues.

³ Dilution is based on the convertible debenture loan 2006/2009 (266,800) and 2007/2010 (270,000) and the employee stock option program 2006/2009 (80,000) and 2007/2010 (100,000). The dilution resulting from the convertible debenture loan 2005/2008 (165,200) and the employee stock option program 2005/2008 (40,000) is expected to be zero according to the company's assessment, since the conversion rate for the debentures amounts to SEK 71.10. Accordingly, the convertible loan is calculated to be repaid at the maturity date on June 15, 2008.

⁴ Dividend proposed by the Board of Directors for 2005/2006.

⁵ Refers to calendar year.

Corporate governance

Management and control of the Sectra Group is divided between the shareholders, the Board of Directors and the President in accordance with the Swedish Companies Act, the Articles of Association, the regulations of the OMX Nordic Exchange Stockholm, and the rules and recommendations issued by the relevant organizations.

Swedish Code of Corporate Governance

Sectra is not covered by the Swedish Code of Corporate Governance (the Code), since the company does not have a market value in excess of SEK 3 billion. However, the Council for Swedish Corporate Governance has presented a revised Code adapted to all listed companies on the Stockholm exchange that becomes applicable as of July 1, 2008. In practice, Sectra already today applies the significant parts of the new Code. In those cases in which Sectra's work methods or information disclosure during 2007/2008 deviated from the rules of the revised Code, an explanation is provided in conjunction with the respective section below.

Nomination Committee

The 2007 Annual General Meeting (AGM) resolved to appoint a Nomination Committee consisting of three members – one of the members to be the Chairman of the Board of Directors and two members to be representatives of the company's major shareholders. After consultations with the company's major shareholders, a Nomination Committee was appointed in accordance with the Meeting's decision. The Chairman of the Committee is the representative of the largest shareholder of the company based on voting rights. The Nomination Committee was announced in conjunction with the six-month interim report and comprised the following members:

- Carl-Eric Ridderstråle, Board Chairman (convener)
- Jan-Olof Brüer, CEO of Sectra AB and representative of the company's largest shareholder (Chairman)
- Annika Andersson, representative of the Fourth AP Fund

The Nomination Committee has the task of preparing and submitting proposals to the AGM prior to election of the Meeting Chairman, Board Chairman and other members of the Board of Directors, and with regard to remuneration of the Board. The Nomination Committee is also responsible, when applicable, for proposing the names of auditors and the fees to be paid to auditors. The Nomination

Committee's proposals to the 2008 AGM will be submitted not later than two weeks prior to the AGM.

In accordance with the Code, the President or other persons from company management may not be a member of the Nomination Committee. In this respect, Sectra deviated from the Code since the company's President Jan-Olof Brüer is a member of the Nomination Committee in the capacity as principal shareholder.

Sectra's Board of Directors

Sectra's Board of Directors consists of five members elected by the AGM. As proposed by the Nomination Committee, the 2007 AGM reelected Board members Torbjörn Kronander, Gündor Rentsch, Carl-Erik Ridderstråle and Anders Persson. Board member Erika Johnson was newly elected. Carl-Erik Ridderstråle was elected Chairman of the Board. In addition to the members elected by the Annual General Meeting, the Board of Directors includes two employee representatives with two deputies appointed by the employee organizations. For further information about Board members, see page 54.

Activities of the Board of Directors 2007/2008

The Sectra AB Board of Directors annually establishes an agenda governing the activities of the Board and special instructions for the President. The Board's work in 2007/2008 followed an annual presentation plan, with themes and set decision points. The Board of Directors made decisions regarding the Group's budget, year-end accounts and framework for its financial reporting. In addition, the Board also established the information policy. Major investments, acquisitions and structural issues were discussed and evaluated by the Board on a regular basis. The Board also initiated work with documenting guidelines for financial reporting and ethical guidelines. In conjunction with one of the year's Board meetings, the members visited the company's new plant for final assembly and quality control of mammography equipment.

Since the 2007 AGM, the Board of Directors has held ten (9) minuted meetings of which three per capsulum. Four of the meetings were coordinated with financial reporting. The Company's President and CFO regularly participate in Board meetings. Other executives take part in the Board meetings as needed.

Internal control report

The Board of Directors has overall responsibility for ensuring that the Group has satisfactory internal control and risk management systems. There are no special remuneration or audit committees within Sectra's Board of Directors which, in its entirety, has oversight over all issues involving remuneration and employment terms for company management as well as internal control and risk management. Members who are part of company management do not participate in decisions on these issues. However, the Board has decided that both a Remuneration and an Audit Committee shall be formed.

Sectra's processes for internal control shall safeguard the shareholders' investments and the Group's assets, ensure that due and proper accounting documents are prepared, and to ensure that the financial information used within operations and for publication is reliable.

The processes are designed to ensure the efficiency of the operations and compliance with laws and regulations. Sectra uses various methods to continuously monitor and control the risks associated with its operations. Identification and assessment of the most serious risks associated with the Group's operations are conducted

on an ongoing basis. Refer to the Board of Directors' report for information about the Group's risks. In accordance with the Code, the Board shall provide a description of the most important elements in the company's systems for internal control and risk management with regard to financial reporting. To facilitate providing this description, the Board has decided that processes for evaluation of internal control shall be documented during the next fiscal year.

The company's six-month and the nine-month interim reports were unaudited. Sectra has not established any specific audit function.

External audits

External auditors are appointed by the AGM for a term of four years. Grant Thornton Sweden AB, with chief supervising auditor Ivar Verner, was reelected as the company's auditor until the 2011 AGM. Grant Thornton has been the company's auditor since 2002. The total remuneration to the auditors is shown in Note 3 to the company's financial statements.

The Company's auditor participated in the meeting at which the year-end accounts were presented, and provided the Board with views and observations from the audit he had conducted. In conjunction with the Board meeting, the auditor met with the Board without representatives of company management being present.

This Corporate Governance Report was not reviewed by the auditors.

Regular meetings 2007/2008	Theme
June	Statutory Board meeting
September	Three-month interim report
October	Contracts and insurance
December	Six-month interim report, employees and salaries
February	First draft of budget
March	Nine-month interim report
April	Budget, plans, long-term goals and strategies
May	Year-end report and proposals to AGM

AGM elected members	Present	Independent ¹⁾
Erika Johnson	9/10	Yes
Torbjörn Kronander	10/10	No
Anders Persson	9/10	Yes
Gündor Rentsch	10/10	Yes
Carl-Erik Ridderstråle, Chairman	10/10	Yes
Employee representatives		
Mats Björnemo	10/10	
Karin Partain	7/10	
Deputy employee representatives		
Olof Andersson	0/10	
Ann-Sofi Mikaelsson	3/10	

¹⁾ Independence refers to being independent in relation to the company and its management as well as major shareholders.

Board of Directors, Group Executive Board and Auditor



Erika Johnson



Gündor Rentsch



Torbjörn Kronander



Anders Persson

Carl-Erik Ridderstråle

Board of Directors

Erika Johnson M.Sc. BA. Born 1970. Elected 2007. Chief Financial Officer Karo Bio AB.

Sectra holdings: Convertible debentures corresponding 400 B shares.

Torbjörn Kronander PhD, MBA. Born 1957. Elected 1988. Employee since 1985, President Sectra Imtec AB and Vice President Sectra AB since 1997.

Other posts: Board member of Center for Medical Imaging and Visualization, Cellavision AB, et al. and member of the Royal Swedish Academy of Engineering Sciences.

Sectra holdings: 733,108 A shares, 2,879,901 B shares and convertible debentures corresponding to 93,000 B shares.

Gündor Rentsch M.Pol.Sc. Born 1941. Elected 1994.

Other posts: Chairman of the Board of ITB AB.

Sectra holdings: 75,000 B shares and convertible debentures corresponding to 11,200 B shares.

Anders Persson MD, PhD. Born 1953. Elected 2004. Director of the Center for Medical Imaging and Visualization and chief physician in radiology.

Other posts: Board member of Center for Medical Imaging and Visualization and National Supercomputer Center in Sweden.

Sectra holdings: 2,470 B shares and convertible debentures corresponding to 5,800 B shares.

Carl-Erik Ridderstråle Tech. lic. Born 1942. Elected 2001 and Chairman of the Board since 2007.

Other posts: Chairman of the Board of Hultdin System AB, BE Group AB and DIAB International AB. Board member of Seco Tools AB.

Sectra holdings: 16,500 B shares and convertible debentures corresponding to 62,000 B shares.



Simo Pykälistö



Erik Persson



Pauline Ärlebäck



Jan-Olof Brüer



Karin Partain



Mats Björnemo

Employee representatives

Karin Partain M.Sc. Born 1964. Elected 2003. After Sales Manager Sectra Communications AB.

Sectra holdings: 7,810 B shares and convertible debentures corresponding to 600 B shares.

Mats Björnemo M.Sc. Born 1976. Elected 2005. Market Area Manager Sectra Imtec AB.

Sectra holdings: 260 B shares and convertible debentures corresponding to 4,000 B shares.

Deputy employee representatives

Olof Andersson M.Sc. Born 1977. Elected 2007. Business Area Manager Sectra Skandinavien AB.

Sectra holdings: 1,000 B shares and convertible debentures corresponding to 1,200 B shares.

Ann-Sofi Mikaelsson M.Sc. BA. Born 1968. Elected 2007. Project Manager Sectra Skandinavien AB.

Sectra holdings: 3,009 B shares.

Group Executive Board

Jan-Olof Brüer PhD. Born 1951. President and Group CEO Sectra AB since 1985. Acting President Sectra Communications AB.

Sectra holdings: 733,110 A shares, 2,879,904 B shares and convertible debentures corresponding to 93,000 B shares.

Torbjörn Kronander President Sectra Imtec AB och Vice President Sectra AB.

See also "Board of Directors."

Simo Pykälistö Born 1972. Chief Financial Officer Sectra AB, employee since 2003.

Sectra holdings: 400 B shares and convertible debentures corresponding to 27,000 B shares.

Pauline Ärlebäck Born 1973. Chief Investor and Press Relations Officer Sectra AB, employee since 2000.

Sectra holdings: 0.

Erik Persson Born 1971. IT Coordinator Sectra AB, employee since 2002.

Sectra holdings: 0.

Auditor

Grant Thornton Sweden AB

Chief Coordinating Auditor, Ivar Verner, Authorized Public Accountant.

From consulting to world-leading products

Sectra completed its first consulting project in the late 1970s. Today, the company's products are used by customers in 50 countries and the Sectra brand stands for world-leading products that make healthcare more efficient and protect valuable information.

Sectra's history dates back to 1978, when a group of researchers at the Linköping Institute of Technology were assigned the task of creating a security solution for banks. Professor Ingemar Ingemarsson started Sectra (SECure TRANsmission) together with his three doctoral students, Viiveke Fåk, Rolf Blom and Robert Forchheimer, to take on the assignment.

Consulting work to product development

A few years later Jan-Olof Brüer earned his doctorate in information theory, with Professor Ingemarsson as his advisor. Dr. Brüer was recruited as Sectra's President and subsequently proposed new ideas about how to transform Sectra into a "proper" company.

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

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

"We founders were academics and researchers within the information technology field. The smartest decision we ever made was to bring in knowledgeable business-oriented people," says Professor Fåk.

Defense security

After spending its initial years working for bank customers, in the 1980s the company began focusing on the customers that have the most stringent requirements of all in terms of security.

"We succeeded in landing a defense order for a new crypto chip as early as 1987. That turned out to be the start of our focus on security products for defense and government agency customers," says Sectra's President and CEO Jan-Olof Brüer.

Sectra has been the market leader in encryption equipment for Swedish Defense since the mid-1990s, and today the company's products are used by civil authorities and defense forces in more than half of the EU member countries.

Medical technology

Dr. Torbjörn Kronander came to the Linköping Institute of Technology to earn his doctorate in the mid-1980s, bringing with him a strong interest in medical technology and a vision of digital radiology. He was recruited to Sectra and an expansion towards digital image management systems for radiology departments began in 1988. Today Dr. Kronander is the President of Sectra's medical operations.

"When Dr. Kronander started, we still had only ten people working at Sectra. Medical technology currently constitutes our biggest business area, and our radiology system is world-leading," continues Professor Ingemarsson.

Swedish healthcare adopted the new digital technology early on, and Sectra developed the systems for Sweden's first entirely film-free radiology department, which was dedicated in Mjölby in 1993. Today, Sectra's system is used by more than 950 hospitals worldwide.

Long-term growth and international expansion

The niches in which Sectra operates have been chosen from a long-term growth perspective. At an early stage, Sectra resolved to target niches with global potential. The first office outside Sweden was opened in Norway in 1995. Sectra is committed to international growth and currently has offices in eleven countries. The most recent was opened in Japan in 2008.

Initial public offering

Sectra was listed on the OMX Nordic Exchange in Stockholm in 1999. The aim with the IPO was to validate that the company had grown to become a strong player before continuing on its path toward internationalization. Listing on the stock exchange paved the way for strategic acquisitions and financing of the continued international expansion. It also gained Sectra greater legitimacy in the eyes of its customers and partners.

Sectra's mammography system, Sectra MicroDose Mammography, was the 2008 winner of Medical Design Excellence Award.



Strategic acquisitions

Sectra's operations have grown both organically and through strategic acquisitions. The first acquisition was in 1995. Sectra then purchased Imtec, a Swedish company which, like Sectra, developed digital image management systems for healthcare applications. The most recent acquisition was made in 2006, when Sectra acquired ImaXperts BV, a Dutch company that distributes medical systems in the Netherlands, Belgium and Luxembourg.

"Our strategy is to acquire companies with products that strengthen our offering to existing customers, or have similar operations in complementary markets," explains Dr. Jan-Olof Brüer.

Key to continued success

Sectra provides efficient and future-proof products to niche markets with long-term growth potential. Competitors are among the giants in the business world and to become market-leading Sectra must be something extra.

"We strive to perform as the customer expects and then also a 'wow.' We only employ the best of the best and we are not satisfied with high formal expertise. Our motto is to 'hire on attitude and ability, train for skills.' When I speak with customers, there is great confidence in our employees and I then feel we have succeeded," says Torbjörn Kronander, President of Sectra's Medical Systems business area.

Cutting-edge technology

Since its inception, Sectra has maintained close ties with the research world and has contributed to expanding the boundaries within the company's areas of technology. The company strives to lead in the roll-out of products based on new technical solutions that create value for customers.

1993

Sectra digitizes radiology operations in Mjölby, making it the first in Sweden and among the first in the world with totally film-free radiology. Today, more than 950 hospitals use Sectra's system.

1999

Sectra delivers the Tiger secure mobile telephone to the Swedish Defense Forces, which becomes the first in the world with eavesdrop-protected mobile telephone communications. Today, Tiger products are used by government authorities and defense forces in 14 of the EU's 27 member countries

Sectra is first out with digitized prosthesis modeling for orthopedists. Sectra's orthopedic solution is world-leading and has thousands of users in hospitals and orthopedic clinics.

2002

Sectra launches the unique mammography system, Sectra MicroDose Mammography. Based on revolutionary photon-counting technology, the system has the lowest radiation dose on the market. To date, the system has been sold to customers in 15 countries.

2005

Sectra launches revolutionary image processing methods for extremely large image volumes. Sectra's new workstations for review of radiology images, which among other customers is used by the European expertise network Telemedicine Clinic, is based on these methods.

Glossary

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 so that the data can be reconverted into its original clear-text form.

IP (Internet Protocol)

A network protocol that facilitates data communications over the Internet.

Mammography screening

Mammography is an examination procedure used to detect breast cancer at an early stage in asymptomatic women. Screening means that all women of certain ages are called for examinations regularly.

MR (Magnetic Resonance)

An imaging examination that does not use ionizing radiation – an alternative to radiology examinations. The method is particularly applicable in examination of soft tissues of the body.

Orthopedics

A surgical specialty for disorders affecting the skeleton and the locomotor system.

PACS (Picture Archiving and Communication System)

A system for managing and archiving digital radiology images.

Photon

An elementary particle responsible for electromagnetic phenomena, such as light and X-rays.

RIS (Radiology Information System)

System for managing radiology patient data, such as appointment bookings, patient information and dictation.

SECRET UE

Classification level for a high level of security within the EU. UE is the abbreviation for the European Union in French, Union Européenne.

Where to find Sectra

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