



Annual Report  
08/09

**SECTRA**

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## Annual General Meeting

The Annual General Meeting in Sectra AB will be held Friday, June 26, 16:00 CET at Collegium, Teknikringen 7 in Linköping, Sweden.

## Dividend

A dividend of SEK 0 per share is proposed for the 2008/2009 fiscal year.

## Financial information 2009/2010

Interim report May – July 2009: September 14, 2009

Six-month report May – October 2009: December 8, 2009

Nine-month report May 2009 – January 2010: March 16, 2010

Year-end report: May 25, 2010

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

# 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 more than 50 countries and sales are conducted directly by Sectra as well as through regional and local partners.

Sectra has 577 employees and offices in 12 countries. The company 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 since 1999.

## Medical Systems



### Products

IT-systems and products for, among other areas, radiology, mammography and orthopedic departments as well as modality equipment for mammography departments.

### Customers

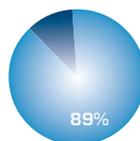
Public and private hospitals and healthcare providers.

### Market

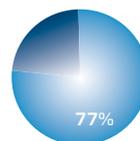
Global sales with focus on Europe, North America, Australia/New Zealand and Japan.

### Share of the Group (■ Parent Company)

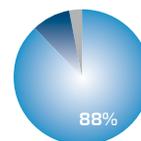
Net sales  
SEK 810.1 M



Operating profit  
SEK 44.7 M



Employees  
508



## Secure Communication Systems



### Products

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

### Customers

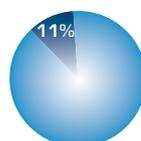
Government authorities and defense organizations.

### Market

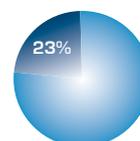
Sales on the European market.

### Share of the Group (■ Parent Company)

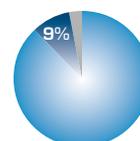
Net sales  
SEK 90.3 M



Operating profit  
SEK 13.5 M

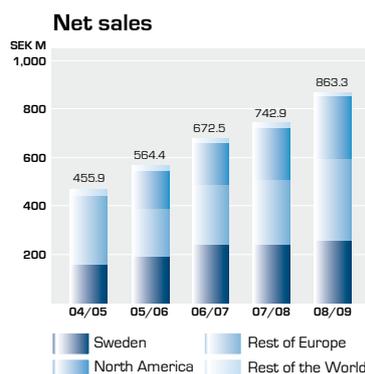
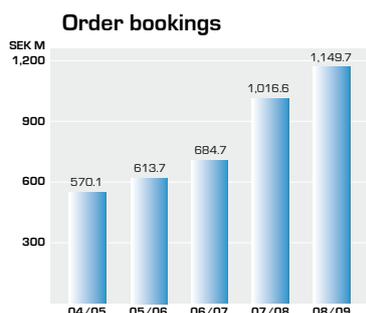


Employees  
51



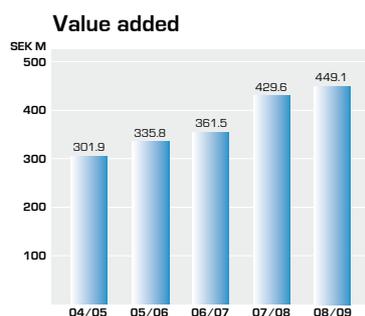
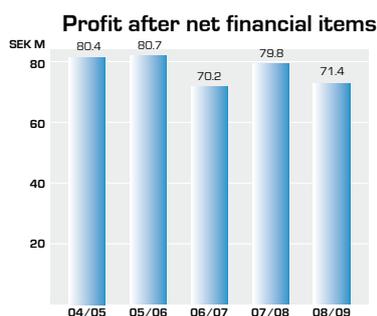
# CONTINUED GROWTH IN ORDER BOOKINGS AND SALES

The Group's order bookings rose 13.1%. This is the result of a number of individual large transactions with customers within medical image management systems, continued trust within service and support and transactions with more and new Tiger XS customers.



Consolidated net sales rose 16.2%. The increase compared with the preceding fiscal year is a result of increased deliveries on international markets. Income from markets outside Sweden represent 70.2% of the Group's total net sales.

During the past year, Sectra was impacted by long-term customer financing to an extent that was greater than previously. Earnings were also affected by continued expansions in the Medical Systems business area. Profit after net financial items amounted to SEK 71.4 million.



The Group's value added was up 4.5%. High expertise and efficiency among employees contributed to value added increasing despite a sharp rise in the number of employees during the fiscal year.

## Medical Systems

The business area's net sales rose 22.8% to SEK 810.1 million (659.6).

- Intensified marketing and expansion of the sales and support organization on important markets.
- A number of individual transactions with county and regional authorities.
- Increased production capacity for the Sectra MicroDose Mammo-graphy system.

## Secure Communication Systems

The business area's operating profit amounted to SEK 13.5 million (13.8).

- Security approval from NATO.
- Success in the Netherlands for secure voice communications subscription service.
- Increased market coverage on the European government market.

### Key figures <sup>1)</sup>

	08/09	07/08
Order bookings, SEK M	1,149.7	1,016.6
Net sales, SEK M	863.3	742.9
Profit after net financial items, SEK M	71.4	79.8
Profit after tax, SEK M	50.5	50.5
Value added, SEK M	449.1	429.6
Profit margin, %	8.3	10.7
Equity/assets ratio, %	59.4	56.9
Return on shareholders' equity, %	8.7	9.3
Earnings per share, SEK <sup>2)</sup>	1.37	1.37
Dividend per share, SEK <sup>3)</sup>	0.0	0.5
Number of employees at year-end	577	506

<sup>1)</sup> Definitions of key figures are available in Note 31.  
<sup>2)</sup> Before dilution.  
<sup>3)</sup> Proposed dividend for 2008/2009.

# TEN LISTED YEARS WITH GROWTH AND PROFITABILITY

This year, Sectra's shares have been listed on the NASDAQ OMX Nordic Exchange in Stockholm for ten years. A period characterized by expansion and good growth, with profitability the entire time.

I venture to state that the basis of Sectra's success is that we live up to our business concepts to increase efficiency within healthcare with retained or improved care quality and that we have succeeded in becoming the leading supplier in Europe of encrypted telephony to government authorities and defense forces within the EU.

## **Strong growth for Medical Systems**

Our expansion in markets for Medical Systems continued during the past fiscal year. The number of hospitals that use our medical systems has increased during the year from 900 to more than 1,000 worldwide. One of our new customers is Northern Ireland's health department, where we secured our largest order ever in October 2008, initially valued at GBP 30 million. Medical Systems is our largest business area and represents 89% of the Group's sales.

We operate in markets in which fewer children are born and the average life expectancy is increasing, demographic changes that place significant pressure on the healthcare system. Less resources and increasing care needs, primarily pertaining to age-related illnesses, are driving demands for products that can increase efficiency and facilitate cooperation locally, regionally and globally. Our most outstanding product, PACS (picture archiving and communication system) is one such product and our new, enhanced product generation was very positively received on the market.

## **Stronger mammography sales**

Our largest investment ever, the Sectra MicroDose Mammography system, resulted in a 50% increase in sales during the year due to major resources being spent on expanding distribution channels and increasing production capacity. The investments contribute to making us well-equipped when the global economy rebounds and demand for mammography systems increases.



### **Continued international expansion**

Our expansion can be measured in several different ways. Our net sales increased during the year by 16.2% and order bookings by 13.1%. The number of employees increased from 506 to 577, primarily due to the continuous expansion of our international sales and support organizations.

Revenues from markets outside Sweden represent 70.2% of the Group's total net sales. The strongest expansion took place in the European market, outside Sweden. In North America, where we are marketed under our own name since 2005, we have established a significantly larger market presence and become more visible to US customers.

### **Financial crisis**

The market for our radiology IT systems grew during the year despite weaker economic trends worldwide. We grew faster than the market and have thus captured market shares. Nevertheless, the year was marked by the economic unrest and our markets were naturally affected as well. Many in the industry were impacted by a changed business climate, particularly our major competitors, who experienced that the market for their systems in the US declined sharply. We have also noted that the number of bankruptcies is increasing among smaller clinics in the US. However, Sectra has little exposure in this segment. Naturally, we are somewhat concerned and are continuously adapting our operations to the changed conditions. We are focusing on our long-term expansion goals and enlarging our sales channels to be well-equipped when the market turns upward again. At the same time, we are continuing to work on our internal efficiency.

### **Tiger leading within the EU**

The Secure Communication Systems business area today stands on stable ground as the leading supplier of encrypted telephony within the EU. The increased cooperation in Europe benefits our sales. The business area has healthy profitability and accounts for 11% of the Group's sales. We are focusing on increasing the market coverage for our Tiger products, which are currently used by government authorities and defense organizations in more than half of the 27 EU member states. I anticipate that we will be able to add new custo-

mers in new countries and our objective is to also gain more users in the countries that already use our personal voice encryptor Tiger XS for secure telephony.

### **Profit and growth goals**

The past year was impacted by long-term customer financing. Consequently, this year we will not achieve our profit goal, to have a profit margin of more than 10%. The operating margin was also impacted by the major expansions in our medical business activities.

We have not achieved our strategic goal to grow an average of 30% per year under a seven-year period. The average growth rate during the past seven-year period is 11.8%.

### **Future**

We are currently one of the leading global suppliers of niched medical IT systems within radiology and we are leading in Europe in encrypted telephony. Already several years ago, we achieved a market-leading position in Scandinavia and we continue to strengthen our presence in the international market by establishing new offices in selected markets and through partners.

Our successful cooperation with research institutions in several parts of the world and our own investment in product development guarantee that we will be able to offer our customers products with innovative technology in the future. Consequently, we will be able to additionally strengthen our competitiveness in selected niche markets.

The need for increased efficiency within healthcare will remain and increase in the future, as will the need for secure communication systems. This creates the basis for continued expansion. With world-class employees, who with great personal commitment focus on the customer, I consider that we have favorable possibilities to continue our growth.

Linköping, May 2009

Jan-Olof Brüer  
President and CEO



# VISIONS, GOALS AND STRATEGIES

Sectra aims to be the leader in selected niche markets. By continuously developing and delivering products and systems with innovative technology, Sectra will contribute to long-term success for its customers.

Working from a strong position in Scandinavia, Sectra has expanded its operations internationally. The growth strategy has been to focus on expanding niche markets and this strategy stands firm.

To achieve its goals, Sectra prioritizes profitable growth, close and long-term cooperation with customers and partners as well as innovative technology. Employees' competency, commitment and motivation are the basis for building success.

## Overall goals

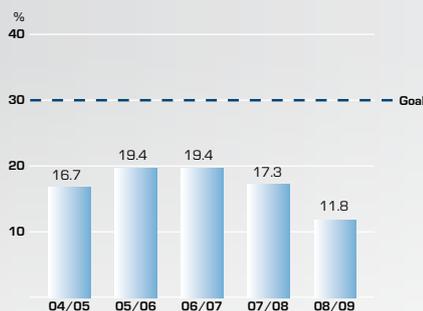
- To establish a strong global brand that stands for high-quality, innovative, cost-effective and future-proof products and systems.
- All operations shall be internationally leading and contribute to strengthening Sectra's profits and brand.
- To be as responsive and available to customers and partners as a small company.

- To offer the same long-term approach, reliability and sustainability as a major company.
- To have a positive and strong corporate culture that stimulates our employees to grow and develop as individuals.

## Overall strategies

- To work together with the most qualified customers to ensure that our products and systems meet the market's strictest requirements in terms of performance, quality and user-friendliness.
- To control development projects based on commercial, productive customer requirements.
- To work long-term with strategic and complementary partners to reach a broader geographic market and expand our product offering to customers.
- To recruit and cultivate highly qualified employees.

## Financial goals



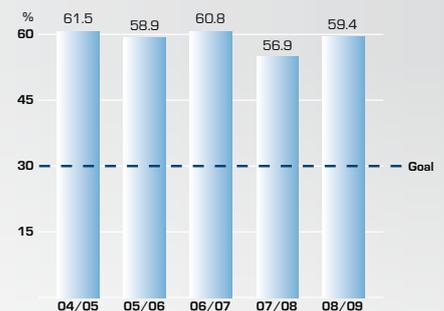
### To achieve annual average growth 30% over a seven-year period

Average growth over the past seven years was 11.8%. The transition from selling medical systems through a global partner to selling directly from the company had a negative impact on growth since 2005. The company has invested heavily in marketing, expansion of its own sales organization and investment in new production capacity within the area of mammography. However, it will require a couple of years to see the full effect of these investments.



### To achieve a profit margin of at least 10%

The profit margin in 2008/2009 amounted to 8,3%. The margin in recent years has been adversely impacted by costs for the expansion of Sectra's international sales and support organization and investments in the area of mammography. Higher portion of direct sales and sales of mammography equipment also implies a business mix with lower margins than sales of software via partners. During 2008/2009, earnings were also impacted by long-term customer financing.



### To maintain equity/assets ratio of at least 30%

Sectra has a highly stable financial position. The equity/assets ratio amounted to 59.4% in 2008/2009.

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/assets ratio exceeds the strategic goal. This had a positive impact on several major customers' confidence in Sectra during the recent year's global economic downturn.

# 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 5,742 (5,574). The number of shares traded during calendar year 2008 was 8.57 million, compared with 9.5 million during calendar year 2007. This corresponds to a turnover rate of 0.25 times (0.25).

## Price trend

The last price paid at the year-end closing date was SEK 38.80 (58.80), which corresponds to a market capitalization of SEK 1,327 million (2,002). The share price declined 35% during the fiscal year. The Stockholm Exchange's Total Index during the same period declined 27%. The highest quotation for the share during the fiscal year was SEK 64.25 on May 20, 2008, while the lowest was SEK 28.10 on December 18, 2008.

## Share capital

Sectra's share capital at the year-end closing date totaled SEK 36,842,088, distributed 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 the issued 2007/2010 and 2008/2011 incentive program would increase the number of shares

by 460,500, corresponding to 1.2% of the share capital and 0.8% of the votes. The number of shares after full dilution amounts to 37,302,588. The dilution effect of the 2006/2009 incentive program in the assessment of the company is expected to be zero, since the conversion price is SEK 86.70. For further information on issued incentive programs, see Note 2.

## Dividend policy

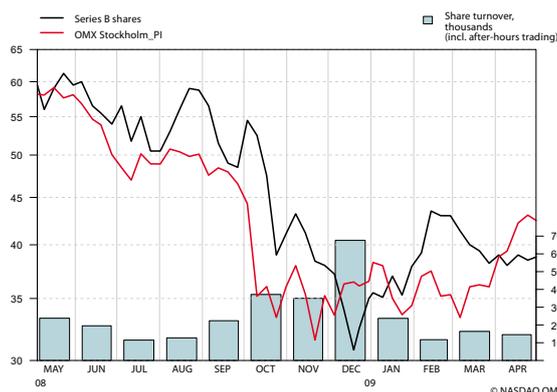
The Sectra Board of Directors' basic premise is that the dividend should represent a balance between the desire for a direct return and the company's need for capital for growth and international expansion. In the long term, the Board intends to distribute an average of 15-20% of after-tax profit to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

## Analyses

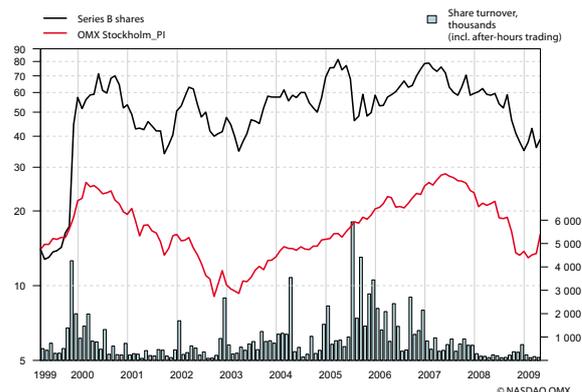
The following analysts continuously monitor Sectra's performance and publish analyses:

Carnegie, Marcus Bellander, tel: +46 (0)8 676 87 39  
 Handelsbanken Capital Markets, Hans Mähler, tel: +46 (0)8 701 81 55  
 HQ Bank, Jesper Norberg, tel: +46 (0)8 696 18 13  
 Nordea Markets, Patrik Ling, tel: +46 (0)8 614 70 00  
 Redeye, Jan Glevén, tel: +46 (0)8 545 013 35  
 SEB Enskilda, Andreas Joelsson, tel: +46 (0)8 522 295 00

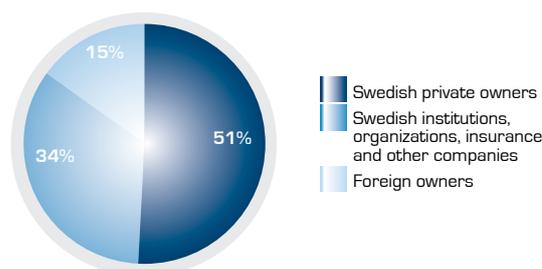
Sectra share price performance 2008/2009



Sectra share price performance since listing



## Ownership structure in relation to capital



## Share capital development

Date	Transaction	Incr. in no. of shares	Total no. of shares	Incr. 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 par SEK 2.50 to SEK 3.00	0	10,920,315	5,460,158	32,760,945
2000/2001	Split 3:1, par SEK 3.00 to SEK 1.00	21,840,630	32,760,945	0	32,760,945
2002/2003	Redemption of convertibles	315,566	33,076,511	315,566	33,076,511
2003/2004	Redemption of employee 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 convertibles	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 employee options	54,667	36,505,305	54,667	36,505,305
2004/2005	Redemption of employee options	23,333	36,528,638	23,333	36,528,638
2005/2006	Redemption of convertibles	169,550	36,698,188	169,550	36,698,188
2005/2006	Redemption of employee options	28,333	36,726,521	28,333	36,726,521
2005/2006	Redemption of employee options	20,000	36,746,521	20,000	36,746,521
2006/2007	Redemption of employee 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

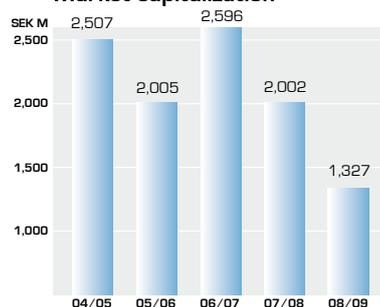
## Ownership structure at April 30, 2009

Owner	No. of A shares	No. of B shares	No. of votes	Share of capital
Jan-Olof Brüer <sup>1)</sup>	763,110	2,579,904	16.9	9.1
Torbjörn Kronander <sup>1)</sup>	763,108	2,579,901	16.9	9.1
Frithjof Qvigstad	262,866	1,902,519	7.5	5.9
If Skadeförsäkrings AB	0	4,356,300	7.2	11.8
Viiveke Fäk	221,700	1,088,150	5.5	3.6
Robert Forchheimer	202,203	1,178,104	5.3	3.7
Ingemar Ingemarsson	221,347	900,999	5.1	3.0
JP Morgan Chase N.A	0	2,848,177	4.7	7.7
Thomas Ericson	136,329	916,044	3.8	2.9
Forth AP Pension Fund	0	1,861,651	3.1	5.0
<b>Total for ten largest shareholders</b>	<b>2,570,663</b>	<b>20,212,949</b>	<b>76.0</b>	<b>61.8</b>
Other owners with more than 100,000 shares, 23	35,335	6,178,060	10.8	16.9
Owners with 10,001 – 100,000 shares, 116	9,516	3,707,677	6.3	10.1
Owners with 1,001 – 10,000 shares, 927	5,178	2,638,536	4.4	7.2
Owners with up to 1,000 shares, 4,666	0	1,484,174	2.5	4.0
<b>Totalt 5,742 shareholders</b>	<b>2,620,692</b>	<b>34,221,396</b>	<b>100%</b>	<b>100%</b>

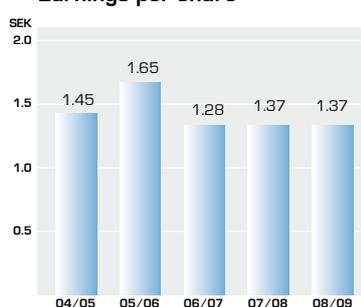
<sup>1)</sup> Number of shares comprises direct shareholdings and holdings through companies in Sectra AB.

Source: VPC Analys

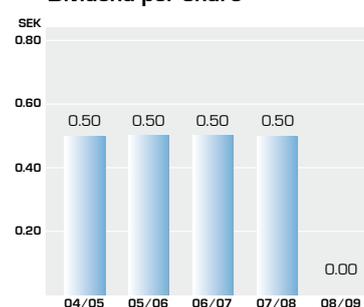
## Market capitalization



## Earnings per share



## Dividend per share



For more Key figures, see Five Year Summary page 48.

# AGEING POPULATION AND EUROPEAN COOPERATION

The niche areas in which Sectra is active are expected to increase in volume over the coming decades. A characteristic of these areas is that requirements and regulations for both medical systems and secure communication systems are so extensive that few companies are able to meet them. Despite the limited number of companies in the market, competition is intense.

## 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 life expectancy and the proportion of elderly are constantly increasing in the industrialized countries, thus increasing the need for healthcare, particularly with regard to age-related illnesses. At the same time, fewer young people must care for an increasing elderly population. Investments in efficiency-enhancing measures and systems are necessary. This demand is strengthened by political decisions that are intended to limit public spending for health and care services.

Overall, this will result in continued high demand for systems that can contribute to higher productivity. Sectra provides the market with products that contribute to increased efficiency in healthcare with retained or improved care quality in such areas as orthopedics and oncology.

### Information explosion and communication requirements

Healthcare services are facing a situation in which the shortage of specialized medical expertise is becoming increasingly evident, resulting in an increased need to be able to perform work remotely. Modern radiology equipment now produces enormous amounts of data, requiring a constantly increasing volume of image data to be examined. Properly managed, healthcare services now have new opportunities for diagnosing and following up treatments.

These factors drive investments in systems that can efficiently handle and present large data volumes. Sectra's solutions provide rapid access to radiology images and information, regardless of where the radiologist is located or the volume of data. This gives Sectra an edge over its competitors.

### Competitors and competitive advantages

Sectra's competitors are either global players with a large and broad product portfolio or regional IT companies whose primary operations are within radiology IT.

The foremost global competitors are primarily equipment or film suppliers. They have a broad product portfolio and can offer solutions that cover the customer's total needs. They also have a significant presence and a large sales force.

The foremost global competitors are AGFA (Belgium\*), General Electric and Hologic (the US\*), Philips (the Netherlands\*) and Siemens (Germany\*).

The regional IT system suppliers compete with Sectra primarily in systems for processing radiology images (PACS). The most significant are North American companies, such as AMICAS, DR Systems, McKesson and Canada's Intelrad. Their competitive advantage is that their products are adapted to the regional market, where they have good contacts with customers and relatively low installation and support costs.

Sectra currently has a large customer base and extensive experience in the radiology industry sector. Sectra's strength is being able to offer the market's most stable system solutions with extremely few operational disruptions and broad functionality in combination with ease of use. In recent years, Sectra has developed a new generation of systems for efficient communication and processing of the large data volumes with which today's digitalized radiology departments work. Sectra also offers a mammography system with the market's lowest radiation dose, corresponding to half of its competitors, with retained image quality.

\* Home market



## Secure Communication Systems

### Modern government organizations

Today we are expected to always be reachable and always able to communicate. Decision-makers, government officials and military officers that exchange security-classified information are no exception. 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 enhanced to increase usability and to function with new communication technologies.

### EU requirements and new NATO approval

Cooperation between European countries is increasing in both the government and military segments. Examples of cross-border cooperation include combating terrorism and the European Defense Agency, which was formed to promote cooperation in the procurement of defense equipment. A transition is also in progress from a national invasion-based defense to mission forces. Mission forces act jointly with other countries, for example in peacekeeping missions in various locations around the world.

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

The personal voice encryptor Tiger XS was also certified in autumn 2008 for communications at the NATO SECRET security level. Sectra is currently the only supplier to offer a product certified by both the EU and NATO, which further strengthens its position in the European market.

### Reduced defense budgets

Many European countries continue to reduce their defense budgets. The result is that defense organizations are increasingly purchasing existing products instead of developing their own. It is thus increasingly important to be able to offer products that are approved for use in the entire EU market and the defense organization NATO, such as Sectra's personal voice encryptor Tiger XS. Security certifications from the EU Council and NATO's Military Committee have actively contributed to a majority of EU member countries now choosing Sectra's Tiger system.

### Competitors and competitive advantages

Sectra's business in Secure Communication Systems is conducted in the European market. Competitors include Rohde & Schwarz in Germany, Selex Communications in the UK and Thales in France, all of which have established brands. These companies also have a strong service and support offering. In certain countries, there are also companies whose main focus is encryption. These companies often work closely with security authorities in their countries.

Global US defense companies are also represented in the European market with a broad product portfolio developed with the US domestic market as the base. These companies include General Dynamics, Harris Corporation and L-3 Communications. They are well established in the European defense market but are not as strong competitors in encryption.

Sectra's greatest competitive advantages are the security certifications from the EU and NATO, established cooperation with leading European security authorities and, above all, products that are easy to use. Today, Sectra has customers in more than half of the EU member states, and the demand is increasing.



# MEDICAL SYSTEMS

## 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

Digital radiology equipment for mammography examinations.

### Orthopedics

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

## Service and support

Service, upgrades and customer training are an important part of Sectra's product offering. Customers are offered service and upgrade contracts. Sectra provides 24-hour service from its offices or at the customer site as required.

## Distribution channels

Sales take place through our own sales organization and via about ten local partners. Sectra's own sales organization accounts for the major share of sales, but the number of business partners is increasing in pace with continued international expansion.

## Customers

Customers are public and private hospitals and care providers, ranging from large university hospitals to medium-sized radiology clinics. Sectra focuses on customers that place high demands on cost efficiency and high productivity and that need efficient communication of images and patient information within and between units.

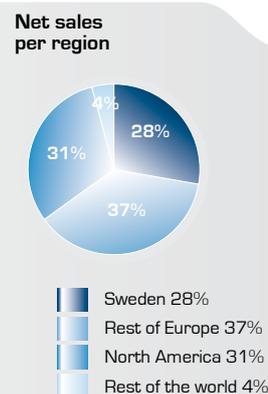
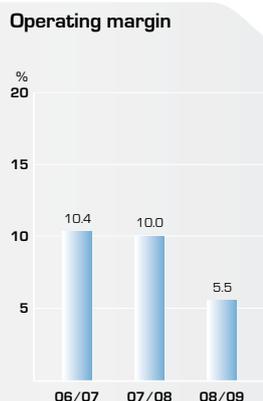
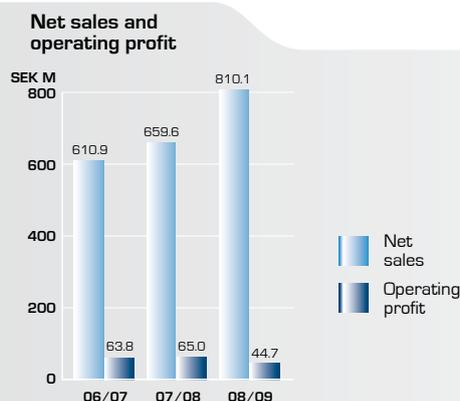
## Geographic markets

Sectra's medical systems are sold globally with a focus on Europe, North America, Australia/New Zealand and Japan.

## Market position

Sectra's systems handle more than 50 million radiology examinations each year, which makes Sectra one of the world's leading suppliers of systems for managing digital radiology images. In Scandinavia, Sectra is the market leader with a market share of more than 50%.

## Financial development



For further information regarding the business area's financial development, refer to the Board of Directors' report on page 24.

# Communication makes healthcare more efficient

During the year, Sectra secured a number of major orders as a result of the build-up of the sales and support organization over recent years. With more customers, employees and partners, Sectra continues to expand globally.

For more than 20 years, Sectra has developed medical systems with very high availability that can be easily adapted to and integrated with other systems. With its focus on efficiency, high productivity and communication of clinical information, Sectra's products contribute to cost savings within healthcare. Skilled employees and future-proof products make Sectra a competitive supplier.

## **BUSINESS DEVELOPMENT 2008/2009**

Sectra continued to grow, despite the market for medical systems not being unaffected by global economic conditions. Sectra primarily strengthened its position in existing markets, but also expanded its presence in the North American market with a Canadian office in Montreal and entered the Greek market through a contract with a

local business partner. Order bookings in 2008/2009 were the highest ever and a result of increased marketing efforts, a number of major individual contracts and the build-out of the sales and support organization in recent years.

### **Efficient communication in demand**

Major orders signed by Sectra during the fiscal year include contracts with the Northern Ireland Health Department and Region Skåne. The Northern Ireland contract, with an order value of GBP 30 million over ten years, is Sectra's largest to date.

These patient-focused and technically interested customers are excellent examples of care providers that are driving development in the industry. Together with Sectra, they take a comprehensive



approach to linking management of radiology images and patient information in large regions. Interest in improving efficiency and reducing costs in this manner is increasing around the world. Read more under the heading Sectra technology increases healthcare efficiency on page 15.

### **Focus on safe mammography**

Increased production capacity and an increased focus on sales of the digital mammography system Sectra MicroDose Mammography are prioritized areas within Medical Systems. As a result of implemented investments, the number of deliveries of Sectra MicroDose Mammography increased by 50%, compared with the preceding year. A total of 52 units (35) were installed during the year.

During the year, [www.microdosemammography.com](http://www.microdosemammography.com) was launched by Sectra with information for women regarding the importance of mammography screening and low radiation doses and actively supported activities to benefit breast cancer research.

## **QUALITY**

During the fiscal year, Sectra increased its efforts to make internal processes efficient. This included implementation of a certification program for Sectra's employees and distributors to ensure and improve quality in system installations.

### **Satisfied customers**

Satisfied customers are a prerequisite for successful business. Through long-term and close relations, Sectra increases its knowledge of its customers' operations and can therefore offer future-proof solutions to the challenges that customers face.

In the US market, the analysis company KLAS Enterprises, LCC, conducts annual analyses of customer satisfaction based on assessment by thousands of decision makers and specialists within healthcare in the US. In the KLAS' Community Hospital PACS Report 2008, customers ranked Sectra number two for the second consecutive year in the category medium-sized hospitals. In other markets where Sectra has subsidiaries, the company has also worked systematically with customer satisfaction surveys that generally show very good results.

## **RESEARCH AND PRODUCT DEVELOPMENT**

Customer needs and Sectra's knowledge of market trends guide the company's investments in development and product renewal. Sectra works with customers, universities and research centers to develop technical solutions that give its products unique characteristics.

### **World-class research partners**

One of Sectra's most important research partners is the Center for Medical Image Science and Visualization (CMIV). CMIV is an interdisciplinary research institution in Linköping, Sweden ([www.cmiv.liu.se](http://www.cmiv.liu.se)) that Sectra helped to found. CMIV is very advanced in medical image technology, and through a close partnership, Sectra ensures that its products are on the front line of research. As part of this partnership, Sectra worked with CMIV in the development of the company's new generation of PACS products.

### **Major investments in radiology IT systems**

Sectra is constantly enhancing existing products and services. During the year, significant development resources were devoted to Sectra's new generation of PACS products for efficient distribution of images and patient information. This work included development of several new workstations. Through partnerships with other companies, as well as its own development work, Sectra supplemented its offering to end customers with additional clinical functionality, in part by introducing a new product that increases the efficiency of clinical and administrative processes for various types of examinations performed in departments for functional diagnosis, such as nuclear medicine and cardiology. Another example is software that increases the efficiency of MR examinations and contributes to increased patient flows and patient comfort.

*1) For further information about KLAS; see [www.KLASresearch.com](http://www.KLASresearch.com).*

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# Sectra's solutions make healthcare more efficient

*Sectra's solutions reduce waiting times for patients*



Sectra has installed systems in hundreds of small and medium-sized hospitals, and the company's products are used by more than 1,000 customers around the world. One of these customers is Telemedicine Clinic (TMC), which reviews more than 100,000 radiology examinations each year on assignment from European health and medical care organizations.

There is currently a great shortage of radiologists in Europe, and TMC therefore offers hospitals the ability to centralize and share resources and specialist competence. More than 65 radiologists work at TMC and remotely assess radiology examinations. The radiologists are located in seven different countries, and the hospital customers are located in four different countries. As an example, radiologists located in Sydney, Australia work with reading radiology images taken in Sweden during the night. Overall, this results in savings for all parties.

"Sectra really has a solution that is matched to how we radiologists work. Since we introduced Sectra PACS, we have been able to take on more and larger assignments," says Hans Billing, radiologist at TMC.

## A 30% reduction in reading time

Like many large care service providers, TMC's operations are dispersed over a large geographic area. This places demands on fast, secure and efficient distribution of radiology images and diagnoses, regardless of network performance and data volumes. Sectra PACS is based on a unique technology called RapidConnect™ that makes it possible for TMC to reduce reading times by 30%, compared with its previous

system. Sectra PACS also makes it possible for radiologists to perform their work efficiently, regardless of where they are located.

## Total concept to meet tough challenges

Cooperation across borders is becoming increasingly important, not only within individual hospitals, but also within and between regions. TMC is just one example of how Sectra together with the customer has developed a total solution for radiology's IT infrastructure to make cooperation more efficient, better utilize available resources and thus achieve increasingly demanding efficiency targets.

### Telemedicine Clinic in brief

100,000 examinations/year

150 PACS users

65 radiologists

7 countries

60 hospital customers



**MICRODOSE  
MAMMOGRAPHY**  
**HIGHEST IMAGE QUALITY**  
**HALF THE RADIATION**

The unique quality of the Sectra MicroDose Mammography system is that it reduces the radiation dose by 50%, compared with other systems on the market, while maintaining image quality.

## Breast cancer affects one of every nine women

With regular mammography examinations, tumors can be detected at an early stage, which increases the chance of survival. More parties have realized the importance of low radiation doses, and over the past year, Sectra increased the number of installations of mammography systems by 50%. Women in 14 countries can now choose to be examined in clinics that use Sectra MicroDose Mammography. At several of these clinics, demand increased substantially following the introduction of Sectra's system.

## Efficient mammography screening

Sectra's goal for Sectra MicroDose Mammography is to offer the world's most effective solution for mammography screening. The system shall have the market's best image quality, the highest production capacity (greatest number of possible exposures per hour) and, not least, the market's by far lowest radiation dose.

## Future-proof solution

Because Sectra MicroDose Mammography uses a technology that counts every individual photon, the radiation dose can be reduced by half, compared with other technologies, while retaining the same image quality. Sectra was the first in the world to supply a system based on photon counting for clinical use. This technology is increasingly viewed as the future technology for detection of radiation, since it results in an optimal radiation dose, while opening completely new clinical opportunities over time.

For women who demand less – [www.microdosemammography.com](http://www.microdosemammography.com)

## Healthcare challenges provide us new opportunities



### *What drives the healthcare market today?*

The market is currently driven mainly by a complicated cost and earnings situation. In many countries, remuneration received by clinics and hospitals per examination is declining, while costs and patient inflow are rising. This results in a major need for efficiency in individual workplaces, to a consolidation of clinics and that many clinics are coordinating review of images, administration and other functions.

The ongoing financial crisis has also impacted our customers. Hospitals and clinics are experiencing difficulty in financing long-term profitable investments and a reduction in customers' investment budget is leading to increased pressure on prices in the market. At the same time, the consolidating customers are placing high demands on efficient IT to fully utilize synergies in coordinating review of images, administration and other functions and demand for our products and solutions are increasing in those segments.

### *How is Sectra able to contribute to resolving the challenges within healthcare?*

Sectra's business concept within medical systems is to increase efficiency within healthcare with sustained or improved quality. The business concept was formulated about ten years ago, but is becoming more current each year due to the challenging demographic situation in the western world.

Our products improve efficiency within diagnostic image management by speeding up flows and processes. This leads to faster diagnoses, which can directly save lives and improve care, but also to healthcare with time and funds to provide more people with access to qualified diagnosis and thereby excellent quality.

### *How have sales of radiology IT systems developed?*

During the past fiscal year, sales of radiology IT systems developed highly positively. In Scandinavia, we improved our already strong position and we have also grown globally. Most of the increase in our sales derive from the European market, and in particular, the UK.

Sales have entered a new phase, in which many customers are now investing in their second system. One example is the agreement with Region Skåne in Sweden, in which Sectra is replacing the current systems for digital image management at the university hospitals in Malmö and Lund. Customers that purchase their second system are often more informed and more specific in their demands. They focus less on former relations with suppliers of film or X-ray systems and more on that the supplier is actually a competent IT supplier, which is an advantage for Sectra.

### *What has happened within the service and support area?*

Upgrades, service and support are an increasingly important part of our business operations. We see an increasing number of agreements in which the customer, instead of a non-recurring investment, chooses to purchase its IT solution with the help of a flexible financial solution, which may entail payments per month or per examination. This will expand Sectra's role from a supplier of a turnkey product to a long-term partner in the customers' organization. Several of our recent largest transactions were of that type, including the agreement with Northern Ireland. We strongly believe that this transaction trend will continue; a development that is suited to Sectra's skilled and customer-oriented employees.

### *What is the latest regarding approval to sell Sectra MicroDose Mammography in the US?*

We submitted the completed application documents in summer 2008 and hope for a decision from the Food and Drug Administration during the coming fiscal year.

### *What would an approval signify?*

The US is the world's largest market for mammography systems, so it would naturally have a highly favorable impact. However, it should be mentioned that competition is very strong in the US market and it is also our primary competitors' home market. But, an FDA approval will also have a positive impact on markets outside the US, although it is not an absolute requirement, this applies to certain countries in the Middle East.

*What will be your focus in the coming year?*

We are investing in Japan, which is the world’s second largest market within medical technology after the US. We currently have a small presence in Japan and not at all within mammography, for example. We believe that our strongest features – efficiency, product stability and low radiation for mammography – are very well suited to the Japanese market.

*What does the trend look like for the future?*

The development is increasingly characterized by the Internet. Sales of services and products, are expanding on the net, and physicians want the possibility to review images where they are, being at work or home. We also see a strongly increasing trend in which hospitals cooperate within and between countries. The hospital in Kristianstad, Sweden, for example, can have images examined during the night by a rested radiologist in Sydney. The world is shrinking, even within radiology, and our job is to assist our customers to utilize the advantages, primarily pertaining to increased production and efficiency, which is facilitated by this trend.

**Prioritized activities**

Medical Systems’ activities have a long-term focus on strengthening the market position and continuing international expansion.

2008/2009	Outcome
Continued expansion, primarily in existing markets.	We strengthened the sales organization with more employees and more partners. The strongest expansion was in Europe, where net sales increased by 43%, compared with the preceding year.
Continued work to strengthen Sectra’s brand in strategically important markets.	We worked with brand-building marketing, which gave us a higher ranking in brand surveys.
Product and service development to increase efficiency in installation and upgrading of our products.	New methods for measuring costs in conjunction with installation and upgrading were introduced. We reduced delivery times and improved and increased efficiency in the upgrade process.
Continued investment in production and sales in the mammography division.	We implemented quality improvements and significantly increased production capacity in the mammography division. The number of installed systems increased by 50%, compared with the preceding year.
Obtain FDA approval of Sectra MicroDose Mammography in the US.	Our application for market approval in the US was submitted in the summer of 2008, and we hope for approval during the 2009/2010 fiscal year.

**2009/2010**

- Continued expansion in existing markets supplemented by expansion of geographic presence in a number of new countries.
- Continued focus on increasing efficiency and minimizing disturbances in customer operations in conjunction with upgrading of existing IT systems.
- Increase sales of the Sectra MicroDose Mammography system.



# SECURE COMMUNICATION SYSTEMS

## Business concept

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

## Product Division

### Tiger

Systems, products and services that protect voice and data communications.

### Crypto

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

## Service and support

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

## Distribution channels

Sales are direct or through local partners. Sectra's own sales organization accounts for most sales.

## Customers

Customers are government and defense organizations in the EU. These range 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 governing the management of security-classified information and requirements for approved security products.

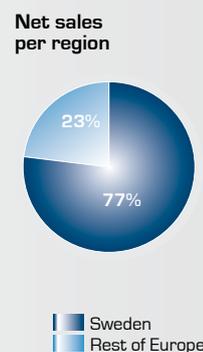
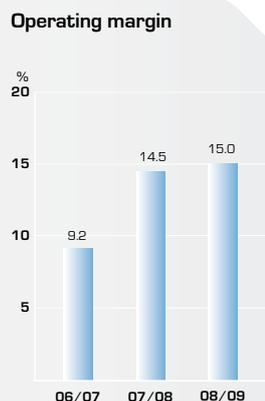
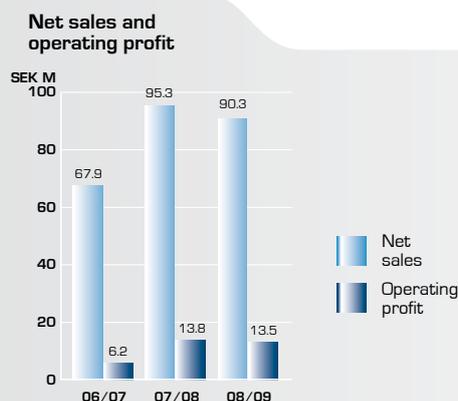
## Geographic markets

Sectra's Tiger products are sold on the European market. Sweden is Sectra's largest market for the development of customized systems and products; however, the company also develops these types of products for customers in the Netherlands and Norway.

## Market position

Sectra is the leading supplier of encryption products for the Swedish Defense Forces, and customers in more than half of all EU member states use Sectra Tiger. This makes Sectra the leading supplier of secure telephony for European government authorities and defense departments.

## Financial trend



Refer to the Board of Directors' Report on page 24 for additional information on the financial trend.

# Decision-makers choose Tiger

In every other EU country decision-makers use Sectra Tiger to protect their telephony from eavesdropping. During the year, a number of customers increased their use of the personal voice encryptor Tiger XS. Moreover, the number of users subscribing to Sectra's Tiger service increased threefold.

Since the 1980s, Sectra has developed systems and products for government authorities and defense customers. With user-friendliness in focus and strong core expertise in encryption, Sectra contributes to protecting its customers' security-classified information.

## BUSINESS DEVELOPMENT 2008/2009

NATO's approval of Sectra's personal voice encryptor Tiger XS, combined with extended market coverage, has contributed to strengthening Sectra's position as the leading supplier on the European government authorities market. To improve its presence in local markets, Sectra has signed cooperation agreements with four partners, which has already resulted in new business.

### Major success for the Tiger service

The number of subscribers for the Tiger service that Sectra offers in the Netherlands increased threefold during the year. Ministers and officials in various departments use the subscriber service, which covers Tiger XS, installation, operation and security administration, as well as support and customized training. To meet rising demand, Sectra has strengthened the workforce at its office in the Netherlands.



### Unique security approval

Decision-makers in countries that are members of the EU and NATO can now use the Tiger XS personal voice encryptor to protect all sensitive and security-classified telephone calls. During the

year, NATO's military committee certified Tiger XS for the high security level, NATO SECRET. Since it already had EU approval, this means that Sectra now has dual security approvals, giving it special status in the European market.

### Sectra protects the EU Presidency

During the Czech Presidency of the EU in the first six months of 2009, decision-makers and officials at several ministries and in the government offices have used Tiger XS. The deal was concluded in cooperation with Sectra's business partner in the Czech Republic and is the first major transaction strongly influenced by the NATO approval. To date, four countries have elected to purchase Tiger XS for telephony protection during their EU Presidency.

### Satisfied users increase the Tiger population

Sectra's focus on user-friendliness and the business development of the Tiger offering have provided dividends. A number of customers have returned with supplementary orders for Tiger XS. The single largest order was placed by the Swedish Defense Forces. This was designed to extend use of Tiger XS nationwide and to equip the Nordic Battlegroup ahead of its next peacekeeping mission in 2011.

## QUALITY

### Focus on user friendliness

Sectra's primary means of competition is to offer user-friendly crypto products. Ensuring that the system is actually used is a key security aspect, and thus Sectra focuses on user-friendliness in all its product development. The business area's internal communications policy – "everyone shall use Tiger for official calls" – makes every employee a participant in product improvement, while simultaneously protecting personal communications from eavesdropping. ►►



## Tiger in the service of ambassadors

Tiger XS is used by embassies worldwide. An ambassador is an envoy working on behalf of a government, and a key task is to convey sensitive information to decision-makers in the home country. In addition to being able to make secure phone calls with Tiger XS, there is considerable appreciation of the ability to encrypt fax messages when transmitting sensitive reports and urgent information to ministries of foreign affairs.



### 100 % on time

In recent years, a key quality-enhancement program has focused on improving delivery precision. Sectra's goal is that 100 % of deliveries are conducted in line with the contract schedule and this goal has been achieved during the past fiscal year.

### Industry-specific certification

Quality thinking is an internal part of overall operations and the company is certified according to the ISO 9001:2000 quality standard as well as TickIT. Sectra's crypto products are covered by industry rules and requirements. Tiger XS is approved by EU, NATO and several national security and accreditation bodies in Europe.

## PRODUCT DEVELOPMENT

Sectra is continuing to enhance its Tiger offering and during the year customized products were developed for secure voice communication.

### Secure voice communication for all

An ever-greater number of customers want to communicate among various types of communications systems. One development project that Sectra is conducting with the Swedish Defense Forces permits secure communication between users of Tiger XS and Sectra's tactical radio crypto systems. This development is aimed primarily at products designed for use during peacekeeping missions, for example the Nordic Battlegroup.

### Protection of society essential information

The development of the Rakel radio communications system is in progress in Sweden. The purpose of the system is to secure radio communications within and among public safety agencies such as the police, rescue services, customs and coast guard. On a commission from FMV (Swedish Defense Materiel Administration), Sectra has developed an encryption solution on SIM card for telephones currently deployed in the Rakel system. The crypto functions irrespective of telephone supplier, which means that users can select phones based on personal preferences while retaining overall security.

### Priority activities

Sectra's long-term focus is to strengthen its market position in Europe.

2008/2009	Result	2009/2010
Continued focus on increasing market coverage in the European government authorities market through sales and marketing of Tiger XS.	The number of Tiger XS users continued to increase during the year as a result of orders from new and existing customers.	Continued focus on market coverage in the European government authorities market through sales and marketing of Tiger XS.
Offer the new subscription service for secure voice communications to more customers in Europe.	The number of users of the subscription service in the Netherlands has increased threefold. Customers in other countries have tested some components of the service offering and business discussions are in progress.	Continued business development of Sectra's Tiger offering.

Michael Bertilsson, President Sectra Communications,  
about the market and the future

## Simplicity is the driving force

*What were the most significant events during the fiscal year?*

The NATO approval of the personal voice encryptor Tiger XS was highly significant. This means that we are unique worldwide in having a crypto product that is approved by both the EU and NATO at the high security level, SECRET.

We have also consolidated our position on the Swedish market and the trend in the Netherlands has been extremely positive. The Swedish Defense Forces accounted for the largest order during the year for Tiger XS as part of efforts to increase the use of the product in protecting national security and international peacekeeping missions. In cooperation with our Swedish customers, we have continued to develop the Tiger offering and have developed new crypto products.

*How has cooperation with the Netherlands progressed?*

We have a four-year agreement with the Dutch Ministry of the Interior covering a subscription service for “secure voice.” The transaction was secured in competition with domestic authorities in the Netherlands. The customer has displayed considerable confidence in us by outsourcing this type of operation, which also makes us responsible for sensitive key distribution activities.

During the year, we have gained an increasing number of Dutch subscribers, which means that all ministries are now numbered among our customers. Expansion continues constantly and we view the Netherlands as a second home market. We have an office in The Hague with a workforce that focuses on services and support and solves all practical problems on site.

*What are your ambitions regarding entering new markets?*

We are continuing to focus on Europe where we already have customers in more than half of all EU member states. Our long-term goal is to sell products for encrypted telephony to all EU countries, with the aim of moving into a few new countries each year. In Sweden and the Netherlands, we are concentrating on reinforcing our current, leading position. In countries such as the Czech Republic, Hungary and Austria, the aim is to gain more users and raise sales volumes.

*What are the factors underlying successes in recent years?*

We have streamlined operations in Europe, and have moved from a



technology focus to a market focus. Our main concern today is not technology in itself, but the value it offers customers. Tiger XS is a unique product that is very easy to handle. Thus, we have hardly any competitors in Europe. We have also doubled the number of sales staff in the past year.

*What are the trends influencing the market?*

The European market is marked by demand for products that support international cooperation, which further supports us. The latest example is the Czech Republic, which is the fourth country to buy Tiger XS to prevent eavesdropping of voice communications ahead of their EU Presidency.

*What is the trend in product development?*

Simplicity is the driving force. We continually strive to ensure that users find our products easy to handle.

*What do you plan to focus on in the year ahead?*

The goal is to gain an even stronger position with Tiger in Europe and raise sales volumes.

# EMPLOYEES WHO DEVELOP IN THEIR ROLES CONTRIBUTE TO SATISFIED CUSTOMERS

One of Sectra Group's goals is to encourage employees to develop and grow as individuals. Within Sectra, there are excellent opportunities for employees to influence their job situation. At the same time, each employee is expected to take great responsibility for the work that he or she is employed to perform. Work should be perceived as meaningful, and it is important that employees see the link between their own efforts and success for Sectra and its customers.



Leading-edge expertise, experience and knowledge of the customers' business are prerequisites for Sectra to remain a world leader in the company's niche areas. Sectra therefore strives to employ persons who not only have solid expertise, but also are passionate about their work, have a positive attitude and a great ability to both learn from others and share their knowledge and to instil confidence in customers and colleagues.

Employees from some 30 countries work at Sectra and contribute experience from different cultures and environments. The multi-cultural environment is a prerequisite for Sectra's international recruitment. Internal rotation is also encouraged within Sectra, since collective expertise is then fully utilized and cooperation within the Group encouraged.

## Skills and development

The majority of Sectra's employees have academic training, and most have engineering degrees. A large number of employees have fulfilled graduate studies, and five professors and 22 persons with technology doctorates are linked to Sectra's operations.

Sectra places great emphasis on continued education of its employees. A review of skills development is conducted each year with employees, who then undergo continued education matched to the individual.

Within each business area, we work actively to ensure that employees in various roles have the right skills to be able to perform quality work. This takes place through courses, training programs, certification programs and instruction.

For those employees who want to develop towards a management position, there is a basic training program to which potential leader may be nominated. Sectra also has a tradition of encouraging employees to become specialists. As one example, there is an annual program in one of Sectra's business areas in which employees with unique competence that is of great importance can be nominated and appointed as seniors.

### Recruitment and employee turnover

To facilitate recruitment of future talents, Sectra offers prospective university graduates an opportunity to complete portions of their education in the company through practice periods and thesis work.

During the fiscal year, 143 new employees with leading-edge expertise in various areas were employed. This included persons with long experience, as well as new graduates. Recruitment was primarily to positions within sales, service and support.

At the end of the fiscal year, Sectra had 577 permanent employees, an increase of 14%, compared with the preceding year. About 40 additional persons were employed on a project basis.

Personnel turnover during the fiscal year amounted to 13.1% (11.7). The average employment period for employees in Sweden was 6.2 years (6.1).

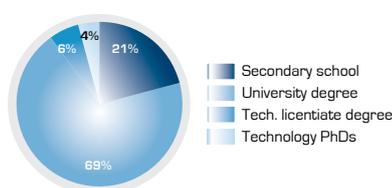
### Healthy employees

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 counselling 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 1.1% (0.9).

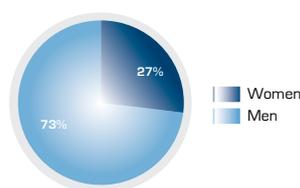
### Participation in the company's success

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.

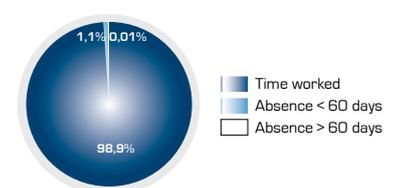
Employees' education level



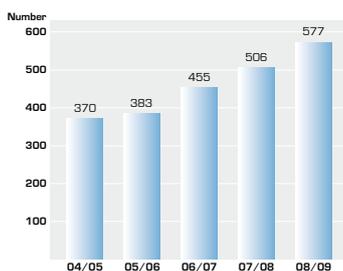
Employees per gender



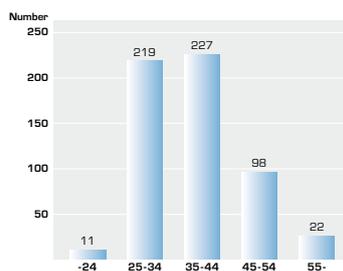
Absence due to illness



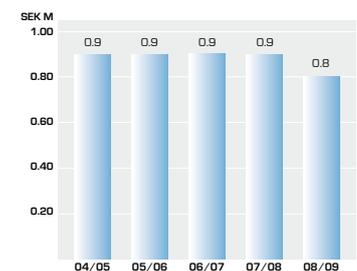
Number of employees



Age distribution



Added value 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, 2008 to April 30, 2009. The following income statements, balance sheets, statements of changes in shareholders' equity, cash-flow statements, accounting principles 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 established 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 1,149.7 million (1,016.6) in 2008/2009, an increase of 13.1% compared with the preceding fiscal year. This was due to a number of individual large transactions with customers within medical imaging systems, continued confidence within the areas of service and support as well as agreements with more and new Tiger XS customers.

The major portion of Sectra's sales is through its own organization and is supplemented by local, regional and global business partners with existing customer bases in Sectra's markets.

## Medical Systems

An increasing number of hospitals are choosing to streamline radiology services by introducing digital systems for image and information processing, and the market for medical systems is growing. Sectra has more than 1,000 customers worldwide and more than 50 million radiology examinations are conducted in the company's systems annually, which makes Sectra one of the world's leading suppliers of systems for management of digital radiology images.

As the number of installations increases, revenues from service, support and upgrade contracts also increase. The proportion of customers who pay on an ongoing basis for use of the system is also increasing. To meet market demand, Sectra continued to invest in expanding its distribution network and service organization.

The greatest number of the radiology clinics using Sectra's medical systems are in North America. Sectra's growth in this market was 16% over the past year, despite the US market being negatively impacted by the global financial crisis. 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 among EU countries is increasing both in terms of government authorities and defense. This means that customers are prioritizing purchases that support international cooperation. Common standards have been developed for how EU-classified information must be protected. Sectra was the first in the market to launch an EU-approved crypto product for mobile voice communications with the security level SECRET UE. During the 2008/2009 fiscal year, NATO's military committee certified the Tiger XS at the highest security level, NATO SECRET. Having double security approval gives Sectra a unique position in the European market.

## Sales and earnings

### Group

Net sales for the fiscal year were up 16.2% to SEK 863.3 million (742.9). The increase compared with a year earlier was a result of higher deliveries on international markets. Revenues from markets outside Sweden rose 22.1% to SEK 605.7 million (496.1) and account for 70.2% (66.8) of total consolidated net sales.

Profit after net financial items rose to SEK 71.4 million (79.8), corresponding to a profit margin of 8.3% (10.7). The decline compared with the preceding fiscal year was attributable mainly to the Group being charged with long-term customer financing to a greater extent than last year. Earnings continue to be impacted by the expansion within the Medical Systems business area. Profit after tax amounted to SEK 50.5 million (50.5). Earnings per share amounted to SEK 1.37 (1.37).

Sales in international markets are primarily in USD and EUR, which means that consolidated net financial items were impacted by fluctuations in these currencies. During the fiscal year, both the USD and EUR strengthened against SEK. These currency changes had a positive impact of SEK 41.7 million on consolidated net financial items. For further information about currency exposure, see Note 26 and 27.

### Medical Systems

Net sales of Medical Systems increased by 22.8% to SEK 810.1 million (659.6). The increase was a result of Sectra's investments in expansion in strategic markets, which resulted in several large orders and an increase in the number of deliveries and service contracts. Sectra's mammography operations account for SEK 86.3 million (54.9) of sales during the fiscal year.

Operating profit for the fiscal year amounted to SEK 44.7 million (65.0), corresponding to an operating margin of 5.5% (10.0). As in the preceding fiscal year, the operation was charged with costs for the expansion of Sectra's international sales and support organization and investments within the mammography area. An increased share of direct sales and sales of mammography equipment also implies a business mix with lower margins than software sales through partners, which were previously a significant part of the business mix. The Mammography product division posted a loss of SEK 96.6 million (loss: 68.5) for the period.

### *Secure Communication Systems*

Net sales of Secure Communication Systems amounted to SEK 90.3 million (95.3). Most sales pertained to sales of Tiger products, development assignments and customer-specific products.

Operating profit amounted to SEK 13.5 million (13.8), corresponding to an operating margin of 15.0% (14.5).

### *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 23.6 million (24.2). Profit after net financial items amounted to SEK 216.2 million (189.1).

### **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 past 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 largest contract was signed with Northern Ireland's health department and comprises a multiyear agreement to supply imaging systems to all public hospitals in Northern Ireland.
- Increased production capacity and sales of the Sectra MicroDose Mammography system. During the fiscal year, 52 mammography systems were installed, an increase of 50% compared with the preceding year.
- Sectra's PACS is ranked in second place in terms of medical imaging systems in the categories of mid-size hospitals and independent X-ray clinics in a US customer survey compiled by the analyst company KLAS.

### *Secure Communication Systems*

- Security approval from NATO at the highest security level, NATO SECRET. Combined with the current EU approval, Sectra has double security approvals and a unique position in the European market.
- The subscription service for secure voice communications in The Netherlands was additionally successful during the fiscal year and the number of subscribers has tripled.
- Increased market coverage in the European government market. Sectra's Tiger products are currently used by government authorities and defense in more than half of the 27 EU member countries.

### *After the closing date*

As of the date of the signing of this annual report, no significant events had occurred after the year-end closing date.

### **Liquidity and financial position**

Sectra has a stable financial position. The Group's equity ratio at April 30, 2009 was 59.4% (56.9), with a liquidity multiple of 2.0 (2.2). The company's interest-bearing liabilities amounted at the end of the period to SEK 46.3 million (57.6), of which SEK 45.4 million (56.6) pertains to convertible debentures.

### **Investments**

Group investments for the fiscal year totaled SEK 67.7 million (82.6). Investments in intangible assets pertained mainly to capitalized development costs, which totaled SEK 39.1 million (57.8) for the fiscal year. The capitalized development costs totaled SEK 197.6 million (186.2) at April 30, 2009. Investments in tangible assets refer mainly to customer financed projects for the fiscal year.

### **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 2008/2009, SEK 39.1 million (57.8) 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.

### **Risks, risk management and sensitivity analysis**

Through its operations, the Group is exposed to various types of operational and financial risks. See Note 27 for further information.

### **The Sectra share**

At April 30, 2009, 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 2007/2010 and 2008/2011, the number of shares will increase by 460,500, corresponding to 1.2% of the share capital and 0.8% of the voting rights. After dilution, the number of shares will amount to 37,302,588.

According to Sectra's assessment, dilution of the 2006/2009 incentive program is expected to be zero, since the conversion price amounts to SEK 86.70. See Note 2 on page 40 for information regarding outstanding incentive programs.

At April 30, 2009, Sectra had 5,742 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 8.

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. 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 the fiscal year, Sectra redeemed all convertible debentures issued to employees and external Board members in 2005/2006. In total, SEK 11.7 million was paid on the loan's maturity date of June 15, 2008.

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 90,000 Class B shares in Sectra, corresponding to 0.2% of the share capital and 0.2% of the voting rights. Employee stock options issued to employees in US operations during the 2005/2006 fiscal year corresponding to 40,000 Class B shares matured during the year. No redemption took place.

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

#### **Warrants**

In conjunction with the acquisition of Sectra Mamea AB in April 2004, the Annual General Meeting approved the issue of a maximum of 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. However, no subscription warrants had been issued as of April 30, 2009.

#### **Authorizations**

The 2008 Annual General Meeting granted authorization to the Board of Directors up until the next Annual General Meeting 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 2008 Annual General Meeting also decided that the company would have the right to repurchase up to 10% of the company's own shares up until the next Annual General Meeting. As of the closing date, the Board of Directors had not utilized this authorization.

#### **Employees**

As of the closing date, Sectra had 577 (506) employees with permanent employment, of whom 27.0% (27.0) were women. Personnel turnover was 13.6% (11.7).

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 checkups, fitness programs and training opportunities. This results in very low absence due to illness of less than 1.1%. Sectra works continuously to promote equality to achieve an equal gender distribution and diversity. Employees from some thirty 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 2008 Annual General Meeting 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 50%. The notice period for termination of employment by the employee may be at most 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 12 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 or amended after the Annual General Meeting. 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 2009 Annual General Meeting resolve regarding remuneration to senior executives according to the same principles as in the preceding year:

- 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 technology platform. The products and system solutions that Sectra develops are aimed at markets with high growth potential. The company's strong position in the home market provides a solid platform for ongoing international expansion.

Sectra's profitability target is to achieve a profit margin of more than 10% and the Board's assessment is that Sectra will continue to expand with good profitability in the long term. However, the Board of Directors believes that profitability will continue to be impacted by increased costs resulting from increased direct sales and the company's investments in the international expansion of the sales and support organization and investments in the area of mammography.

The markets for Sectra's medical systems are impacted by the global economic downturn, but it is difficult to assess how customers' demands will change in the short term.

#### Approval of financial statement

Pursuant to a Board decision made on May 25, 2009, the consolidated financial statements have been approved for publication and will be presented to the Annual General Meeting for adoption on June 26, 2009.

#### Board's statement concerning repurchase and transfer of the company's own shares

See Note 29 for the Board's statement.

#### Proposed appropriation of profits

For the 2008/2009 fiscal year, the Board of Directors proposes a dividend of SEK 0 per share. The Board of Directors and the President propose that the unappropriated earnings of SEK 218,798,783 be carried forward.

#### Board of Directors' affirmation

We believe 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 and 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 operations, financial position and earnings and describes the significant risks and uncertainty factors facing the Parent Company and the companies included in the Group.

Linköping May 28, 2009

Jan-Olof Brüer  
President and CEO

Carl-Erik Ridderstråle  
Chairman of the Board of Directors

Torbjörn Kronander  
Board member

Christer Nilsson  
Board member

Erika Söderberg Johnson  
Board member

Anders Persson  
Board member

Karin Partain  
Employee representative

Mats Björnemo  
Employee representative

Our auditor's report was submitted on June 2, 2009  
Grant Thornton Sweden AB  
Ivar Verner  
Authorized Public Accountant

# THE GROUP

## Consolidated income statements

Amounts in SEK thousands	Note	08/09	07/08
<b>Operating income</b>	1		
Net sales		863,275	742,923
Capitalized work for own use		39,059	57,847
<b>Total income</b>		<b>902,334</b>	<b>800,770</b>
<b>Operating expenses</b>			
Goods for resale		-213,746	-175,991
Personnel costs	2	-427,688	-349,929
Other external costs	3, 4	-194,382	-173,814
Depreciation of machinery and equipment	11	-11,616	-7,207
Amortization of intangible assets	10	-33,487	-14,130
<b>Total operating expenses</b>		<b>-880,919</b>	<b>-721,071</b>
<b>Operating profit</b>		<b>21,415</b>	<b>79,699</b>
<b>Financial investments</b>			
Interest income and similar items	6	51,958	12,396
Interest expenses and similar items	7	-1,979	-12,316
<b>Net financial items</b>		<b>49,979</b>	<b>80</b>
<b>Profit after financial items</b>		<b>71,394</b>	<b>79,779</b>
Tax	9	-20,938	-29,315
<b>Net profit for the year</b>		<b>50,456</b>	<b>50,464</b>
Attributable to			
Parent Company's shareholders		50,456	50,464
Minority interest		-	-
<b>Earnings per share, SEK</b>			
Before dilution		1.37	1.37
After dilution		1.35	1.34
<b>Dividend per share, SEK <sup>1</sup></b>		<b>0.00</b>	<b>0.50</b>
<b>No. of shares at year-end</b>			
Before dilution		36,842,088	36,842,088
After dilution	2	37,302,588	37,559,388
Average no. of shares, before dilution		36,842,088	36,832,271
Average no. of shares, after dilution	2	37,533,788	37,594,096

<sup>1</sup> Dividend proposed by the Board of Directors for 2008/2009.

## Group cash-flow statements

Amounts in SEK thousands	Note	08/09	07/08
<b>CURRENT OPERATIONS</b>			
Operating profit		21,415	79,699
Adjustment for items not included in cash flow	24	85,488	19,733
Interest received		10,271	11,468
Interest paid		-1,979	-2,292
Income tax paid		-21,158	-24,831
<b>Cash flow from current operations before changes in working capital</b>		<b>94,037</b>	<b>83,777</b>
<b>Changes in working capital</b>			
Change in inventories		-17,099	-16,827
Change in receivables		-59,431	-126,158
Change in current liabilities		-2,423	67,885
<b>Cash flow from current operations</b>		<b>15,084</b>	<b>8,677</b>
<b>INVESTMENT ACTIVITY</b>			
Acquisitions of fixed assets		-67,714	-82,633
Sales of equipment		-	481
<b>Cash flow from investment activity</b>		<b>-67,714</b>	<b>-82,152</b>
<b>FINANCING ACTIVITY</b>			
Sales of shares		-	1,974
Change in convertibles		-11,745	10,697
Change in long-term receivables		23,028	-24,430
Change in long-term liabilities		-18,437	126
Dividend to shareholders		-18,421	-18,421
<b>Cash flow from financing activity</b>		<b>-25,575</b>	<b>-30,054</b>
<b>Cash flow for the year</b>		<b>-78,205</b>	<b>-103,529</b>
Cash and cash equivalents at start of year		288,358	385,150
Exchange rate diff. in cash and cash equivalents		-25,871	6,737
Cash and cash equivalents at year-end	17	184,282	288,358
Unutilized credit facilities		15,000	15,000

## Consolidated balance sheets

Amounts in SEK thousands	Note	30 April 09	30 April 08	Amounts in SEK thousands	Note	30 April 09	30 April 08
<b>ASSETS</b>				<b>EQUITY AND LIABILITIES</b>			
<b>Fixed assets</b>				<b>Shareholders' equity</b>			
Intangible assets	10	227,216	217,637	Share capital		36,842	36,842
Machinery and equipment	11	44,941	24,060	Other capital supplied		296,526	296,526
Long-term investments	13, 26	24,614	45,515	Reserves		18,664	11,562
<b>Total fixed assets</b>		<b>296,771</b>	<b>287,212</b>	Retained earnings incl. profit for the year		247,082	215,740
<b>Current assets</b>				<b>Total shareholders' equity</b>			
Inventories	14	84,794	60,055			<b>599,114</b>	<b>560,670</b>
Accounts receivable	15, 27	228,117	231,817	<b>Long-term liabilities</b>			
Current tax assets		11,837	11,103	Provisions	19	6,491	17,718
Other receivables		8,307	12,889	Deferred tax liability	19	23,984	28,659
Prepaid expenses and accrued income	16	173,047	72,206	Debts to financial institutions	20	95	112
Short-term investments	13, 26	21,000	22,300	Other long-term liabilities	21	23,067	51,747
Cash and cash equivalents	17	184,282	288,358	<b>Total long-term liabilities</b>		<b>53,637</b>	<b>98,236</b>
<b>Total current assets</b>		<b>711,384</b>	<b>698,728</b>	<b>Current liabilities</b>			
<b>TOTAL ASSETS</b>		<b>1,008,155</b>	<b>985,940</b>	Accounts payable		47,262	41,255
				Current tax liability		19,130	14,437
				Other current liabilities	21	45,489	32,934
				Accrued expenses and deferred income	22	243,523	238,408
				<b>Total current liabilities</b>		<b>355,404</b>	<b>327,034</b>
				<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,008,155</b>	<b>985,940</b>

Pledged assets and contingent liabilities, see Note 23.

## Changes in Group equity

Amounts in SEK thousands	Share capital	Other contributed capital	Reserves		Retained earnings incl. profit for the year	Total equity
			Translation reserve	Other reserves		
Equity as of May 1, 2007	36,783	292,388	-418	6,955	183,698	519,406
Exchange rate differences	-	-	1,370	-	-	1,370
Present value difference	-	-	-	213	-	213
<b>Total changes in capital recognized directly in equity, excl. transactions with the company's owner</b>	<b>0</b>	<b>0</b>	<b>1,370</b>	<b>213</b>	<b>0</b>	<b>1,583</b>
Net earnings for the year	-	-	-	-	50,463	50,463
<b>Total changes in capital excl. transactions with the company's owner</b>	<b>0</b>	<b>0</b>	<b>1,370</b>	<b>213</b>	<b>50,463</b>	<b>52,046</b>
New issues of shares	59	4,138	-	-	-	4,197
Share-based payments	-	-	-	3,442	-	3,442
Dividend	-	-	-	-	-18,421	-18,421
<b>Equity as of April 30, 2008</b>	<b>36,842</b>	<b>296,526</b>	<b>952</b>	<b>10,610</b>	<b>215,740</b>	<b>560,670</b>
Exchange rate differences	-	-	760	4,563	-154	5,169
Present value difference	-	-	-	-	-539	-539
<b>Total changes in capital recognized directly in equity, excl. transactions with the company's owner</b>	<b>0</b>	<b>0</b>	<b>760</b>	<b>4,563</b>	<b>-693</b>	<b>4,630</b>
Net earnings for the year	-	-	-	-	50,456	50,456
<b>Total changes in capital excl. transactions with the company's owner</b>	<b>0</b>	<b>0</b>	<b>760</b>	<b>4,563</b>	<b>49,763</b>	<b>55,086</b>
Share-based payments	-	-	-	1,779	-	1,779
Dividend	-	-	-	-	-18,421	-18,421
<b>Equity as of April 30, 2009</b>	<b>36,842</b>	<b>296,526</b>	<b>1,712</b>	<b>16,952</b>	<b>247,082</b>	<b>599,114</b>

There are no minority interests within the Sectra Group.

# PARENT COMPANY

## Income statements

Amounts in SEK thousands	Note	08/09	07/08
<b>Operating income</b>	1		
Net sales		23,643	24,175
<b>Operating expenses</b>			
Personnel costs	2	-11,080	-8,859
Other external costs		-21,501	-11,873
Depreciation of tangible assets	11	-470	-517
<b>Operating profit</b>		<b>-9,408</b>	<b>2,926</b>
<b>Result from financial investments</b>			
Income from participations in Group comp.	5	213,039	181,695
Interest income and similar items	6	14,503	9,176
Interest expenses and similar items	7	-1,907	-4,671
<b>Profit after financial items</b>		<b>216,227</b>	<b>189,126</b>
Appropriations	8	-10,677	-10,221
<b>Profit before tax</b>		<b>205,550</b>	<b>178,905</b>
Tax on income for the year	9	-58,112	-49,986
<b>Net profit for the year</b>		<b>147,438</b>	<b>128,919</b>

## Cash-flow statements

Amounts in SEK thousands	Note	08/09	07/08
<b>CURRENT OPERATIONS</b>			
Operating profit		-9,408	2,925
Adjustment for items not included in cash flow	24	6,815	-2,084
Interest received		43,304	41,263
Interest paid		-16,252	-15,390
Income tax paid		-15,375	-13,025
<b>Cash flow from current operations before changes in working capital</b>		<b>9,084</b>	<b>13,689</b>
<b>Changes in working capital</b>			
Change in receivables		380,243	-211,040
Change in current liabilities		150,443	99,966
<b>Cash flow from current operations</b>		<b>539,770</b>	<b>-97,385</b>
<b>INVESTMENT ACTIVITY</b>			
Acquisitions of fixed assets		-842	-514
<b>Cash flow from investment activity</b>		<b>-842</b>	<b>-514</b>
<b>FINANCING ACTIVITY</b>			
Sales of shares		-	4,196
Change in convertibles		-11,745	10,697
Change in long-term receivables		23,002	15,176
Change in long-term liabilities		-76,675	-24,694
Dividend to shareholders		-18,421	-18,421
Received Group contributions		64,960	57,000
<b>Cash flow from financing activity</b>		<b>-18,879</b>	<b>43,954</b>
<b>Cash flow for the year</b>		<b>520,049</b>	<b>-53,945</b>
Cash and cash equivalents at start of year		202,823	256,768
Cash and cash equivalents at year-end		722,872	202,823
Unutilized credit facilities		15,000	15,000

## Balance sheets

Amounts in SEK thousands	Note	30 April 09	30 April 08	Amounts in SEK thousands	Note	30 April 09	30 April 08
<b>ASSETS</b>				<b>EQUITY AND LIABILITIES</b>			
<b>Fixed assets</b>				<b>Shareholders' equity</b>			
Machinery and equipment	11	1,915	1,543	<i>Restricted equity</i>			
Participations in Group companies	12	13,978	13,978	Share capital		36,842	36,842
Long-term investments	13	22,039	43,039	Share premium reserve		226,456	226,456
<b>Total fixed assets</b>		<b>37,932</b>	<b>58,560</b>	<b>Total restricted equity</b>		<b>263,298</b>	<b>263,298</b>
<b>Current assets</b>				<i>Unrestricted equity</i>			
Accounts receivable from Group companies		398,030	718,046	Retained earnings		71,360	52,655
Other receivables		2,467	2,693	Profit for the year		147,438	128,919
Prepaid expenses and accrued income	16	2,863	3,391	<b>Total unrestricted equity</b>		<b>218,798</b>	<b>181,574</b>
Short-term investments	13	21,000	22,300	<b>Total shareholders' equity</b>		<b>482,096</b>	<b>444,872</b>
<b>Cash and cash equivalents</b>	17	<b>722,872</b>	<b>202,823</b>	<b>Untaxed reserves</b>	18	<b>113,536</b>	<b>102,859</b>
<b>Total current assets</b>		<b>1,147,232</b>	<b>949,253</b>	<b>Long-term liabilities</b>			
<b>TOTAL ASSETS</b>		<b>1,185,164</b>	<b>1,007,813</b>	Other long-term liabilities	21	22,262	44,854
<b>Pledged assets and contingent liabilities</b>				<b>Total long-term liabilities</b>		<b>22,262</b>	<b>44,854</b>
		<b>090430</b>	<b>080430</b>	<b>Current liabilities</b>			
Pledged assets		11,000	11,000	Accounts payable		604	1,071
<b>Total pledged assets</b>		<b>11,000</b>	<b>11,000</b>	Liabilities to Group companies		526,736	393,965
Guarantees on behalf of group companies		368,396	-	Current tax liability		12,783	5,533
<b>Total contingent liabilities</b>		<b>368,396</b>	<b>-</b>	Other current liabilities	21	23,523	12,168
				Accrued expenses and deferred income	22	3,624	2,491
				<b>Total current liabilities</b>		<b>567,270</b>	<b>415,228</b>
				<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,185,164</b>	<b>1,007,813</b>

## Changes in Parent Company equity

Amounts in SEK thousands	Share capital	Statutory reserve	Unrestricted equity	Total equity
Equity as of May 1, 2007	36,783	226,456	142,326	405,565
Group contributions paid	-	-	-105,000	-105,000
Tax effect	-	-	29,400	29,400
Present value difference	-	-	212	212
<b>Total changes in capital recognized directly in equity, excl. transactions with the company's owner</b>	<b>0</b>	<b>0</b>	<b>-75,388</b>	<b>-75,388</b>
Net earnings for the year	-	-	128,919	128,919
<b>Total changes in capital excl. transactions with the company's owner</b>	<b>0</b>	<b>0</b>	<b>53,531</b>	<b>53,531</b>
New issues of shares	59	-	4,138	4,197
Dividend	-	-	-18,421	-18,421
<b>Equity as of April 30, 2008</b>	<b>36,842</b>	<b>226,456</b>	<b>181,574</b>	<b>444,872</b>
Group contributions paid	-	-	-126,740	-126,740
Tax effect	-	-	35,487	35,487
Present value difference	-	-	-540	-540
<b>Total changes in capital recognized directly in equity, excl. transactions with the company's owner</b>	<b>0</b>	<b>0</b>	<b>-91,793</b>	<b>-91,793</b>
Net earnings for the year	-	-	147,438	147,438
<b>Total changes in capital excl. transactions with the company's owner</b>	<b>0</b>	<b>0</b>	<b>55,645</b>	<b>55,645</b>
Dividend	-	-	-18,421	-18,421
<b>Equity as of April 30, 2009</b>	<b>36,842</b>	<b>226,456</b>	<b>218,798</b>	<b>482,096</b>

# 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 RFR 1.1 "Supplemental accounting rules for groups" has been applied.

During the year, IFRIC 12 "Service Concession Arrangements" and IFRIC 14/IAS 19 "The Limit on a Defined- Benefit Asset, Minimum Funding Requirements and their Interaction" came into effect. Amendments in accordance with IAS 39 and IFRS 7 "Reclassification of financial assets" also came into effect. These changes had no impact on the Group's financial reports.

IFRS 8 "Operating Segments" will be effective from fiscal year 2009/2010. The application of the standard will have no impact on the allocation of operating segments in the Group's financial reports. Changes in accordance with IAS 1 "Presentation of Financial Statements" entail changes in the presentation of financial statements and will be effective from fiscal year 2009/2010.

Changes in IAS 23 "Borrowing Costs" stipulate that borrowing costs directly attributable to assets that require substantial time to prepare for their intended use must be capitalized. The changes currently have no impact on the Group's financial statements.

The Parent Company applies the same accounting principles as the Group, as well as Swedish law and recommendation RFR 2.2 "Accounting 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 judgments are presented in Note 25.

## Consolidated Financial Statements

The Consolidated Financial Statements have been prepared using the acquisition method, and cover those companies in which the Parent Com-

pany, 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 determined 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." As per balance sheet date Sectra had no minority interests or shares in 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 medical 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 a subsidiary's shares 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.

Leasing agreements comprising less significant amounts are classified as operational. At year-end 2008/2009, the Group had no financial leasing agreements.

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* pertain 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 fiscal 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 <sup>1</sup>		Secure Communication Systems		Other operations <sup>2</sup>		Eliminations <sup>3</sup>		Total	
	08/09	07/08	08/09	07/08	08/09	07/08	08/09	07/08	08/09	07/08
Net sales	810,113	659,608	90,253	95,308	36,071	22,936	-73,162	-34,929	863,275	742,923
Depreciation	40,491	19,201	256	244	4,356	1,893	-	-	45,103	21,337
Operating profit	44,721	65,050	13,492	13,779	-8,047	4,256	-28,751	-3,386	21,415	79,699
Assets	722,264	1,084,735	54,800	69,747	1,204,372	1,081,162	-973,281	-1,249,704	1,008,155	985,940
Liabilities	670,594	1,042,068	49,572	65,866	628,749	551,716	-939,874	-1,234,380	409,041	425,270
Investments	38,715	81,182	3,946	1,237	25,053	514	-	-	67,714	82,634

### Secondary segments – geographic areas

	Sweden		Rest of Europe		North America		Rest of world		Total	
	08/09	07/08	08/09	07/08	08/09	07/08	08/09	07/08	08/09	07/08
Net sales	257,625	246,808	348,931	263,623	236,905	204,165	19,814	28,327	863,275	742,923
Assets	761,058	737,838	171,035	193,031	64,048	38,448	12,014	16,623	1,008,155	985,940
Investments	42,789	65,574	4,016	3,534	20,809	13,520	100	6	67,714	82,634

<sup>1</sup> Sectra's mammography operations account for SEK 86.3 million (54.9) of sales and a loss of SEK 96.6 million (loss: 68.5) of operating profit during the fiscal year.

<sup>2</sup> Other operations pertain to 65,6% (100) of the Parent Company's billing of Group-wide services and asset management.

<sup>3</sup> 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

	08/09		07/08	
	Total	of whom women	Total	of whom women
<b>Parent Company</b>				
Sweden	16	9	14	8
<b>Group</b>				
Australia	13	3	9	2
Denmark	4	0	4	1
Germany	25	9	20	8
Italy	0	0	1	0
Netherlands	15	1	15	1
New Zealand	2	0	1	0
Norway	11	4	10	3
Spain	10	5	9	5
Sweden	335	93	315	84
UK	33	10	17	6
US	90	18	77	16
<b>Group total</b>	<b>538</b>	<b>143</b>	<b>478</b>	<b>126</b>

The proportion of women Board members including employee representatives on the Boards of Directors of all Group companies amounted to 17% (12), and on the Parent Company's Board of Directors to 25% (29). The proportion of women in the Group's management groups, including company presidents, amounted to 21% (21), and in Group management to 20% (20).

### Salaries and other remuneration

	08/09		07/08	
	Board of Directors and President	Other employees	Board of Dir. and Pres.	Other employees
<b>Parent Company</b>				
Sweden	1,924	4,930	1,509	3,968
<b>Group</b>				
Australia	1,089	8,271	1,118	4,616
Denmark	1,052	2,291	752	2,452
Germany	1,353	12,912	1,136	9,972
Italy	-	-	1,592	-
Netherlands	1,720	7,631	1,378	6,006
New Zealand	-	814	-	557
Norway	830	7,453	963	7,590
Spain	1,048	3,358	838	2,821
Sweden	6,269	144,332	4,271	131,419
UK	1,773	19,539	1,449	8,902
US	3,180	84,640	2,397	60,693
<b>Group total</b>	<b>18,314</b>	<b>291,241</b>	<b>15,894</b>	<b>235,028</b>

## Social costs

	08/09				07/08			
	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
<b>Parent Company</b>								
Sweden	857	263	2,165	467	666	194	1,780	413
<b>Group</b>								
Australia	100	100	686	553	119	119	414	414
Denmark	199	115	274	247	80	77	154	132
Germany	265	244	2,656	1,170	102	56	2,346	1,257
Italy	-	-	-	-	549	549	-	-
Netherlands	275	101	1,180	173	251	94	1,025	187
New Zealand	-	-	13	-	-	-	-	-
Norway	179	63	1,331	243	138	51	1,024	662
Spain	193	-	621	-	102	-	503	-
Sweden	3,266	1,080	64,743	15,100	2,317	803	60,182	13,583
UK	288	72	2,875	683	52	52	427	323
US	198	103	14,888	1,949	225	64	10,611	1,523
<b>Group total</b>	<b>4,963</b>	<b>1,878</b>	<b>89,267</b>	<b>20,118</b>	<b>3,935</b>	<b>1,865</b>	<b>76,686</b>	<b>18,081</b>

## Absence due to illness

% of regular work hours

	Group		Parent Company	
	08/09	07/08	08/09	07/08
<b>Total</b>				
All employees	1.1	0.9	1.5	0.6
Of which, proportion of absences 60 days or longer	10.9	1.5	0.0	0.0
<b>By group</b>				
Women	1.5	1.2	1.6	1.0
Men	1.0	0.8	1.4	0.0
Empl. 29 years and younger	1.5	1.1	4.5	1.1
Empl. 30-49 years	1.1	0.9	0.9	0.4
Empl. 50 years and older	0.1	0.1	0.0	0.0

## Remuneration to the Board, President and other senior executives 2008/2009

	Board fee	Basic salary	Variable remuneration	Other benefits	Pension premiums	Total
Carl-Erik Ridderstråle, Board Chairman	250	-	-	-	-	250
Erika Söderberg Johnson	150	-	-	-	-	150
Torbjörn Kronander	-	1,277	-	-	257	1,534
Anders Persson	150	-	-	-	-	150
Christer Nilsson	150	-	-	-	-	150
<b>Total remuneration to the Board</b>	<b>700</b>	<b>1,277</b>	<b>-</b>	<b>-</b>	<b>257</b>	<b>2,234</b>
President/CEO	-	1,244	-	-	263	1,507
Other senior executives (4 persons)	-	2,397	-	-	410	2,807
<b>Total remuneration to President and other senior executives</b>	<b>-</b>	<b>3,641</b>	<b>-</b>	<b>-</b>	<b>643</b>	<b>4,314</b>
<b>Total</b>	<b>700</b>	<b>4,918</b>	<b>-</b>	<b>-</b>	<b>930</b>	<b>6,548</b>

### 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. Remuneration to the President/CEO was considered by the remuneration committee and decided by the Board of Directors. The President/CEO considered and decided on the remuneration 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. Internal Board members are not paid a fee. SEK 150,000 was paid in fees to external Board members in 2008/2009 and SEK 250,000 to the Chairman.

### 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 taking into account competence, areas of responsibility and performance. The variable salary is performance-based and maximized to a percentage of the fixed annual salary, which is a maximum of 50 percent. "Other senior executives" refers to the four 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 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 2,584 thousands (2,635), of which SEK 906 thousands (980) 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

Convertibles programs	2006/2009	2007/2010
Number of underlying Series B-shares	266,800	270,500
Conversion rate, SEK	86.70	82.30
Exercise period	May 26-29, 2009	May 24-28, 2010
Time to expiration	June 15, 2009	June 15, 2010
Interest rate during time to expiration	4%	4%
Dilution upon full conversion, capital	0.7%	0.7%

Employee stock option programs	2006/2009	2007/2010	2008/2011
Number of underlying Series B-shares	80,000	100,000	90,000
Exercise price, SEK	86.70	82.30	78.90
Exercise period	May 26-29, 2009	May 24-28, 2010	May 23-27, 2011
Number of options exercised at April 30, 2009	0	0	0
Dilution at full exercise, capital	0.2%	0.3%	0.2%

The dilution resulting from the convertible debenture loan 2006/2009 (266,800) and the employee stock option program 2006/2009 (80,000) is expected to be zero according to the company's assessment, since the conversion rate for the debentures amounts to SEK 86.70. Accordingly, the convertible loan is calculated to be repaid at the maturity date on June 15, 2009.

### Note 3 Fees to auditors

	Group		Parent Company	
	08/09	07/08	08/09	07/08
Audit services				
Grant Thornton Sweden AB	837	751	192	142
Other audit firms	165	219	-	-
Consultation				
Grant Thornton Sweden AB	1,540	435	1,364	74
Other audit firms	375	501	-	-
<b>Total</b>	<b>2,917</b>	<b>1,906</b>	<b>1,556</b>	<b>216</b>

### Note 4 Costs for operating leases

Annual leasing fees paid for operating leases totaled SEK 7,287 thousands (4,471). Agreed future leasing fees for operating leases are payable as shown below:

	Group			
	09/10	10/11	11/12	12/13
Cars	3,573	1,941	254	-
Other	520	324	214	9
Subleased objects	876	876	876	-
<b>Total</b>	<b>4,969</b>	<b>3,141</b>	<b>1,344</b>	<b>9</b>

Total future leasing fees pertaining to non-terminable agreements for subleased objects amounted to SEK 2,628 thousands. Revenues during the financial year 2008/2009 pertaining to leasing items leased onward amounted to SEK 7,103 thousands.

### Note 5 Income from participations in Group companies

	Parent Company	
	08/09	07/08
Group contributions	191,700	162,000
Interest income	35,684	33,015
Interest expenses	-14,345	-13,320
<b>Total</b>	<b>213,039</b>	<b>181,695</b>

### Note 6 Interest income and similar items

	Group		Parent Company	
	08/09	07/08	08/09	07/08
Other interest income	10,241	12,375	7,590	9,155
Dividend	30	21	30	21
Exchange difference	41,687	-	6,883	-
<b>Total</b>	<b>51,958</b>	<b>12,396</b>	<b>14,503</b>	<b>9,176</b>

### Note 7 Interest expenses and similar items

	Group		Parent Company	
	08/09	07/08	08/09	07/08
Interest expenses	1,979	2,292	1,907	2,069
Exchange difference	-	10,024	-	2,602
<b>Total</b>	<b>1,979</b>	<b>12,316</b>	<b>1,907</b>	<b>4,671</b>

### Note 8 Appropriations

	Parent Company	
	08/09	07/08
Change in accrual fund	-10,700	-10,381
Change in excess depreciation	23	160
<b>Total</b>	<b>-10,677</b>	<b>-10,221</b>

## Note 9 Tax on net profit for the year

	Group		Parent Company	
	08/09	07/08	08/09	07/08
Tax expenses				
Current tax expense	-25,411	-26,323	-22,625	-20,586
Deferred tax on temporary differences	7,820	-	-35,487	-29,400
Deferred tax for untaxed reserves	-3,347	-2,992	-	-
<b>Total tax expense</b>	<b>-20,938</b>	<b>-29,315</b>	<b>-58,112</b>	<b>-49,986</b>
Relationship between Group tax and reported tax per applicable tax rate				
Earnings before tax	71,394	79,779	205,550	178,904
Tax per applicable tax rate	-19,990	-22,338	-57,554	-50,093
Adjustment of tax for previous years	-495	413	-	-
Tax effect due to amended tax rate	-	-	-	-
Tax effect of nondeductible expenses	-922	-363	-607	-785
Tax effect of nontaxable income	198	1,451	49	892
Change in temporary differences	71	-2,753	-	-
Adjustment for tax in foreign subsidiaries	200	-5,725	-	-
<b>Tax on net profit for the year</b>	<b>-20,938</b>	<b>-29,315</b>	<b>-58,112</b>	<b>-49,986</b>
Temporary differences in Sectra Group				
Deferred tax liability on untaxed reserves	31,790	28,801		
Deferred tax liability on current assets	-7,806	-142		
Deferred tax receivable on unutilized loss carryforwards	-	-		
<b>Net deferred tax liability</b>	<b>23,984</b>	<b>28,659</b>		

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

The unutilized loss carryforwards refer to foreign subsidiaries and amounted to SEK 18,823 thousands at April 30, 2009. The company's assessment is that the loss carryforwards cannot be utilized in their entirety during the next few years. There is no time limit to use the foreign loss carryforwards.

## Note 10 Intangible assets

Group	Capitalized development <sup>1</sup>	Patents	Customer relations	Brand	Total
Historical cost at start of year	234,668	23,117	12,651	4,762	275,198
Investments for the year	57,847	5,242	9,173	-	72,262
<b>Cumulative historical cost at April 30, 2008</b>	<b>292,515</b>	<b>28,359</b>	<b>21,824</b>	<b>4,762</b>	<b>347,460</b>
Incoming amortization	96,551	7,385	8,110	3,809	115,855
Translation differences	-14	-	-149	-	-163
Amortization for the year	9,811	2,476	1,355	488	14,130
<b>Cumulative amortization at April 30, 2008</b>	<b>106,348</b>	<b>9,861</b>	<b>9,316</b>	<b>4,297</b>	<b>129,822</b>
<b>Closing residual value at April 30, 2008</b>	<b>186,166</b>	<b>18,498</b>	<b>12,508</b>	<b>465</b>	<b>217,637</b>
Historical cost at start of year	292,515	28,359	21,824	4,762	347,460
Translation differences	-	1,012	2,970	-	3,982
Investments for the year	39,059	-	-	-	39,059
Write-down for the year	-7,917	-	-	-	-7,917
<b>Cumulative historical cost at April 30, 2009</b>	<b>323,657</b>	<b>29,371</b>	<b>24,794</b>	<b>4,762</b>	<b>382,584</b>
Incoming amortization	106,348	9,861	9,316	4,297	129,822
Translation differences	-	-	-4	-	-4
Amortization for the year	19,697	4,398	1,455	-	25,550
<b>Cumulative amortization at April 30, 2009</b>	<b>126,045</b>	<b>14,259</b>	<b>10,767</b>	<b>4,297</b>	<b>155,368</b>
<b>Closing residual value at April 30, 2009</b>	<b>197,612</b>	<b>15,112</b>	<b>14,027</b>	<b>465</b>	<b>227,216</b>

<sup>1</sup> Capitalized development pertains to internally generated intangible assets in proprietary software and equipment for medical imaging management and secure communications. The largest projects in capitalized development pertained to systems for digital mammography comprising X-ray equipment. The remaining amortization period on larger projects is nine years. Other intangible assets are acquired.

### Parent Company

The Parent Company held no intangible assets at April 30, 2009.

## Note 11 Machinery and equipment

	Group		Parent Company	
	30 April 09	30 April 08	30 April 09	30 April 08
Historical cost at start of year	52,102	47,508	11,731	11,645
Acquisition	4,790	-	-	-
Investments for the year	28,534	10,372	846	514
Sales/disposals for the year	-752	-5,778	-25	-428
<b>Cumulative historical cost at year-end</b>	<b>84,674</b>	<b>52,102</b>	<b>12,552</b>	<b>11,731</b>
Depreciation at start of year	28,042	25,156	10,188	10,103
Acquisition	75	-	-	-
Depreciation for the year	11,616	7,207	470	517
Sales/disposals for the year	-	-4,321	-21	-432
<b>Cumulative depreciation at year-end</b>	<b>39,733</b>	<b>28,042</b>	<b>10,637</b>	<b>10,188</b>
<b>Residual value according to plan</b>	<b>44,941</b>	<b>24,060</b>	<b>1,915</b>	<b>1,543</b>
<b>Total carrying amount</b>	<b>44,941</b>	<b>24,060</b>	<b>1,915</b>	<b>1,543</b>

## Note 12 Participations in Group companies

	Organization no.	Reg. office	No. of shares	Share of capital, %	Par value	30 April 09 Carrying amount	30 April 08 Carrying amount
<b>Parent Company</b>							
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
Ebberöd Capital Ltd	06707408	Milton Keynes, UK	1,000	100%	GBP 0.001	0	0
<b>Total carrying amount</b>						<b>13,978</b>	<b>13,978</b>
<b>Sectra Imtec AB</b>							
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	Milton Keynes, 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 <sup>1</sup>	556570-7022	Stockholm, SE	107,616	100%	183	152,161	152,161
Sectra imaXperts BV <sup>1</sup>	39069257	Almere, NL	500	100%	EUR 22.5	3,936	3,936
<b>Total carrying amount</b>						<b>182,193</b>	<b>182,193</b>
<b>Sectra Communications AB</b>							
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
<b>Total carrying amount</b>						<b>164</b>	<b>164</b>

<sup>1</sup> 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. For Sectra ImaXperts BV, the additional purchase price can become relevant in April 2011 at the earliest, and for Sectra Mamea AB, the additional purchase price can become relevant up to and including April 2015.

## Note 13 Financial investments

	Group		Parent Company	
	30 April 09	30 April 08	30 April 09	30 April 08
<b>Long-term investments</b>				
Equity and fixed-income bonds	22,000	43,000	22,000	43,000
Other shares and participations	2,614	2,515	39	39
<b>Total</b>	<b>24,614</b>	<b>45,515</b>	<b>22,039</b>	<b>43,039</b>
<b>Short-term investments</b>				
Equity and fixed-income bonds	21,000	22,300	21,000	22,300
<b>Total</b>	<b>21,000</b>	<b>22,300</b>	<b>21,000</b>	<b>22,300</b>

Securities holdings with maturities less than one year are classified as short-term. See Note 26 for valuation of securities holdings.

## Note 14 Inventories

	Group		Parent Company	
	30 April 09	30 April 08	30 April 09	30 April 08
Component stocks	59,041	34,154	-	-
Products in progress	6,268	8,028	-	-
Finished products	19,485	17,873	-	-
<b>Total book value</b>	<b>84,794</b>	<b>60,055</b>	-	-

An impairment in an amount of SEK 4,543 thousands (6,212) was reported in the income statement for 2008/2009.

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 amounted to SEK 423 thousands (2,896) for fiscal year 2008/2009. At the closing date, the reserve for estimated credit risks amounted to SEK 7,920 thousands (5,678). The maximum credit risk for accounts receivable and loan receivables corresponds to the reported fair value. See Note 27 for an age analysis. The Parent Company's earnings were not affected by any bad debt losses.

## Note 16 Prepaid expenses and accrued income

	Group		Parent Company	
	30 April 09	30 April 08	30 April 09	30 April 08
Prepaid rent	3,627	3,252	1,222	1,143
Accrued interest income	406	1,165	367	928
Prepaid support agreements	4,677	2,407	803	813
Other items	30,765	18,199	471	507
Uninvoiced work in progress	133,572	47,183	-	-
<b>Total</b>	<b>173,047</b>	<b>72,206</b>	<b>2,863</b>	<b>3,391</b>

## Note 19 Appropriations

	Group			
	Taxes		Guarantee commitments	
	30 April 09	30 April 08	30 April 09	30 April 08
Recognized value at start of period	28,659	25,906	17,718	11,135
Provisions made during period	129	6,720	6,491	6,583
Amount appropriated	-4,804	-3,967	-17,718	-
<b>Recognized value at end of period</b>	<b>23,984</b>	<b>28,659</b>	<b>6,491</b>	<b>17,718</b>
Of which total long-term portion of provisions	16,199	24,123	-	4,408
Of which total short-term portion of provisions	7,784	4,536	6,491	13,310

## Note 17 Cash and cash equivalents

	Group		Parent Company	
	30 April 09	30 April 08	30 April 09	30 April 08
Bank balances	153,639	173,948	692,706	89,069
Short-term securities	29,640	113,241	29,640	113,241
Blocked funds				
for guarantees	1,003	1,169	526	513
<b>Total</b>	<b>184,282</b>	<b>288,358</b>	<b>722,872</b>	<b>202,823</b>

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 April 09	30 April 08	30 April 09	30 April 08
Credit limit granted	15,000	15,000	15,000	15,000
Unutilized portion	-15,000	-15,000	-15,000	-15,000
<b>Utilized credit amount</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Note 18 Untaxed reserves

	Parent Company	
	30 April 09	30 April 08
Tax allocation reserves:		
Allocated to taxes 04	-	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	24,000
Allocated to taxes 10	26,900	-
Excess depreciation	856	879
<b>Total</b>	<b>113,536</b>	<b>102,859</b>

Of total untaxed reserves, SEK 31,790 thousands (28,801) is reported as deferred Group tax.

## Note 20 Other debts to financial institutions

	Group		Parent Company	
	30 April 09	30 April 08	30 April 09	30 April 08
Due 0-5 years				
from fiscal year-end	95	112	-	-
Due more than 5 years				
from fiscal year-end	-	-	-	-
<b>Total</b>	<b>95</b>	<b>112</b>	<b>-</b>	<b>-</b>

## Note 21 Other long-term liabilities

	Group		Parent Company	
	30 April 09	30 April 08	30 April 09	30 April 08
Convertible deb. 05/08 <sup>1</sup>	-	11,738	-	11,738
Convertible deb. 06/09 <sup>2</sup>	23,132	22,944	23,132	22,944
Convertible deb. 07/10	22,262	21,917	22,262	21,917
Other liabilities	805	6,893	-	-
<b>Total</b>	<b>46,199</b>	<b>63,492</b>	<b>45,394</b>	<b>56,599</b>

<sup>1</sup> The convertible debenture loan 05/08 was recognized as a current liability in the balance sheet for 2007/2008.

<sup>2</sup> Because convertible debenture loan 06/09 will fall due for payment within one year, it has been recognized in the balance sheet for 2008/2009 as a current liability.

### 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 April 09	30 April 08	30 April 09	30 April 08
Accrued social security	24,799	22,463	1,101	905
Accrued vacation pay	33,448	28,098	1,431	1,036
Prepaid support agreements	40,829	59,486	-	-
Accrued accounts payable	4,510	4,635	1,063	493
Advances received	34,646	41,181	-	-
Accrued royalties	2	282	-	-
Other items	105,289	82,263	29	57
<b>Total</b>	<b>243,523</b>	<b>238,408</b>	<b>3,624</b>	<b>2,491</b>

## Note 23 Pledged assets and contingent liabilities

	Group		Parent Company	
	30 April 09	30 April 08	30 April 09	30 April 08
Chattel mortgages	36,250	36,250	11,000	11,000
<b>Total pledged assets</b>	<b>36,250</b>	<b>36,250</b>	<b>11,000</b>	<b>11,000</b>

Guarantees on behalf of Group companies	-	-	368,396	-
<b>Total contingent liabilities</b>	<b>-</b>	<b>-</b>	<b>368,396</b>	<b>-</b>

## Note 24 Cash flow

### Adjustment for items not included in cash flow

	Group		Parent Company	
	08/09	07/08	08/09	07/08
Depreciation/amortization	45,103	21,337	470	517
Exchange rate difference	37,854	-7,219	6,345	-2,601
Sale of fixed assets	752	1,275	-	-
Provisions for personnel costs	1,779	4,340	-	-
<b>Total</b>	<b>85,488</b>	<b>19,733</b>	<b>6,815</b>	<b>-2,084</b>

## Note 25 Important estimates and judgements

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.

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.

Currency differences arising from translation of assets, liabilities and foreign subsidiaries may involve relative large risks on the reported values in the income statement and balance sheet for the Group. See Note 27 for more detailed explanation of risks and sensitivity pertaining to currency rates.

## Note 26 Financial assets and liabilities

Financial assets and liabilities Group	30 April 09		30 April 08	
	Carrying amount	Fair value	Carrying amount	Fair value
<i>Financial assets valued at fair value via income statement</i>				
Liquid assets:				
- SEK	54,514	54,514	63,727	63,727
- USD	7,351	7,351	14,863	14,863
- EUR	29,319	29,319	26,580	26,580
- Other currencies	42,652	42,652	44,072	44,072
Short-term investments	50,446	50,446	139,116	139,116
<b>Total</b>	<b>184,282</b>	<b>184,282</b>	<b>288,358</b>	<b>288,358</b>
<i>Held-to-maturity investments</i>				
Investments in securities	43,000	43,000	43,000	43,000
Other shares and participations	2,614	2,614	2,515	2,515
<b>Total</b>	<b>45,614</b>	<b>45,614</b>	<b>45,515</b>	<b>45,515</b>
<i>Accounts receivables and loan receivables</i>				
Accounts receivable:				
- SEK	53,896	53,896	105,636	105,636
- USD	63,337	63,337	39,425	39,425
- EUR	82,398	82,398	40,921	40,921
- Other currencies	28,487	28,487	45,835	45,835
Other receivables	1,990	1,990	2,693	2,693
<b>Total</b>	<b>230,108</b>	<b>230,108</b>	<b>234,510</b>	<b>234,510</b>
<i>Other financial liabilities</i>				
Convertible debenture loans	45,394	45,394	56,600	56,600
Debts to financial institutions	95	95	112	112
Other interest-bearing debts	805	805	6,893	6,893
Accounts payable:				
- SEK	22,455	22,455	30,744	30,744
- USD	9,189	9,189	3,645	3,645
- EUR	3,906	3,906	3,560	3,560
- Other currencies	11,711	11,711	3,306	3,306
<b>Total</b>	<b>93,555</b>	<b>93,555</b>	<b>104,860</b>	<b>104,860</b>

Revaluation of accounts receivables recognized in the income statement amounted to SEK 423 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 securities held to maturity could not be calculated accurately and accordingly is 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 27 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 geographical markets, the political risks 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 24.9% (30.5) 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. Currency changes had a positive impact of SEK 1,944 thousands (loss:1,308) on the operating profit and SEK 41,687 thousands (loss:10,024) on consolidated financial items.

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 net 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 M			
Currency	Revenues	Expenses	Net exposure
SEK	281.1	-454.8	-173.7
USD	240.0	-220.9	19.1
EUR	207.5	-111.3	96.2
Other currencies	134.7	-93.9	40.8
<b>Total</b>	<b>863.3</b>	<b>-880.9</b>	<b>-17.6</b>

### 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.

SEK M	Group	
	30 April 09	30 April 08
<b>Age analysis accounts receivable</b>		
Accounts rec. not due for payment	122.5	122.7
Accounts rec. overdue 0-60 days	59.4	69.9
Accounts rec. overdue 60 days	17.3	13.5
Accounts rec. overdue 120 days	28.9	25.7
<b>Total</b>	<b>228.1</b>	<b>231.8</b>

Reserves amounted to SEK 7.9 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. 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 thousands.

The convertible loan carries an interest rate 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 2008/2009 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 6.5 M
Cost of materials	+/- 1%	+/- SEK 2.1 M
Personnel costs	+/- 1%	+/- SEK 4.3 M
Interest rate level	+/- 1%	+/- SEK 2.4 M
Exchange rate level:		
USD exchange rate	+/- 1%	+/- SEK 1.4 M
EUR exchange rate	+/- 1%	+/- SEK 1.3 M

## Note 28 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 amounted to SEK 597,335 thousands (556,985) at April 30, 2009. The Group's equity ratio at the closing date was 59.4% (56.9). 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 long-term intent is to distribute an average of 15-20% of profits after taxes to the shareholders. The Board is proposing a dividend of SEK 0.00 per share to the 2009 Annual General Meeting.

## Note 29 Board's statement concerning repurchase and transfer of the company's own shares

The Board of Directors' reasons for the authorization to repurchase and transfer the company's own Class B shares are in accordance with the provisions of Chapter 17, Section 3, paragraph 2 and 3 of the Swedish Companies Act. For further detailed information, see Notice of Annual General Meeting on the company's website.

### 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 April 30, 2009 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 dividend proposal states that the Board of Directors proposes a dividend of SEK 0.00 per share. The unrestricted equity in the Parent Company and the Group's retained profits amounted to SEK 218.8 million and SEK 247.1 million respectively at the end of the 2008/2009 fiscal year.

The Annual Report states that the debt/equity ratio is 59.4%. The proposed authorization to purchase and transfer the company's own Class B shares does not endanger the completion of any necessary investments. The company's financial position does not give rise to any other conclusion than that the company can continue its business and that the company can be expected to fulfill its obligations on both a short- and long-term basis.

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

### Justification for repurchase of own shares

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 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 placed 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.

# AUDIT REPORT

## Note 30 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.

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 President of Sectra AB (publ) for the financial year May 1, 2008 – April 30, 2009. 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 President. 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 President and significant estimates made by the Board of Directors and the President 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 President. We also examined whether any Board member or the President 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 President be discharged from liability for the financial year.

Linköping, June 2, 2009  
Grant Thornton Sweden AB  
Ivar Verner  
Authorized Public Accountant

# FIVE YEAR SUMMARY

Amounts in SEK thousands unless otherwise stated	08/09	07/08	06/07	05/06	04/05
<b>Consolidated Income Statements</b>					
Net sales	863,275	742,923	672,511	564,382	455,862
Capitalized work for own use	39,059	57,847	42,581	25,572	24,221
Operating expenses	-835,817	-699,734	-633,728	-492,961	-390,636
Depreciation/Amortization	-45,102	-21,337	-19,693	-20,757	-18,033
Income from participation in associated co.	-	-	-490	-478	-
<b>Operating profit</b>	<b>21,415</b>	<b>79,699</b>	<b>61,181</b>	<b>75,758</b>	<b>71,414</b>
Net financial items	49,979	80	9,021	4,988	9,001
<b>Profit after financial items</b>	<b>71,394</b>	<b>79,779</b>	<b>70,202</b>	<b>80,746</b>	<b>80,415</b>
Income tax	-20,938	-29,315	-22,986	-20,396	-27,871
<b>Net profit for the year</b>	<b>50,456</b>	<b>50,464</b>	<b>47,216</b>	<b>60,350</b>	<b>52,544</b>
Profit attributable to equity holders of the:					
Parent Company	50,456	50,464	47,216	60,350	52,857
Minority interests	-	-	-	-	-313
<b>Consolidated Balance Sheets</b>					
<b>Assets</b>					
Intangible assets	227,216	217,637	159,343	127,806	115,807
Tangible assets	71,545	69,575	68,314	39,741	37,254
Financial assets	184,282	288,358	385,150	414,297	320,176
Other current assets	525,112	410,370	241,655	243,725	226,488
<b>Total assets</b>	<b>1,008,155</b>	<b>985,940</b>	<b>854,462</b>	<b>825,569</b>	<b>699,725</b>
<b>Equity and liabilities</b>					
Equity	599,114	560,670	519,406	486,495	430,655
Provisions	30,474	46,377	37,041	24,937	27,057
Long-term liabilities	23,162	51,859	36,438	38,981	45,915
Current liabilities	355,405	327,034	261,577	275,156	196,098
<b>Total equity and liabilities</b>	<b>1,008,155</b>	<b>985,940</b>	<b>854,462</b>	<b>825,569</b>	<b>699,725</b>

Key figures <sup>1</sup>	08/09	07/08	06/07	05/06	04/05
<b>Financial</b>					
Working capital, SEK million	645.4	624.3	567.4	546.1	488.0
Liquidity ratio	2.0	2.2	2.5	2.4	2.9
Solvency, %	59.4	56.9	60.8	58.9	61.5
Debt ratio	0.07	0.10	0.11	0.13	0.13
Investments, SEK million	67.7	82.6	58.6	35.1	44.6
<b>Profitability</b>					
Gross margin, %	7.7	13.6	12.4	17.1	19.6
Operating margin, %	2.5	10.7	9.1	13.4	15.7
Profit margin, %	8.3	10.7	10.4	14.3	17.6
Return on total capital, %	7.4	8.9	8.6	10.9	12.6
Return on working capital, %	11.6	13.8	13.0	16.0	17.1
Return on equity, %	8.7	9.3	9.4	13.2	12.8
Value added, SEK million	449.1	429.6	361.5	335.8	301.9
<b>Employees</b>					
No. of employees, average	538	477	411	373	350
No. of employees at fiscal year-end	577	506	455	383	370
Sales per employee, SEK million	1.6	1.6	1.6	1.5	1.3
Value added per employee, SEK million	0.8	0.9	0.9	0.9	0.9
<b>Data per share</b>					
No. of shares at fiscal year-end <sup>2</sup>	36,842,088	36,842,088	36,783,188	36,746,521	36,528,638
Average number of shares	37,302,588	36,832,271	36,758,743	36,733,188	36,415,995
Equity per share, SEK	16.26	15.22	14.12	13.24	11.79
Equity per share after full dilution <sup>3</sup> , SEK	16.06	14.93	13.84	12.97	11.54
Cash flow per share, SEK	2.55	2.31	2.24	2.01	1.81
Cash flow per share after dilution <sup>3</sup> , SEK	2.52	2.26	2.19	1.97	1.77
Earnings per share, SEK	1.37	1.37	1.28	1.65	1.45
Earnings per share after dilution <sup>3</sup> , SEK	1.35	1.34	1.26	1.61	1.42
Dividend per share <sup>4</sup> , SEK	-	0.50	0.50	0.50	0.50
Direktavkastning, %	-	0.9	0.7	0.9	0.7
P/E ratio, times	28.3	42.7	59.2	35.7	49.7
Share price at fiscal year-end, SEK	38.8	58.5	76.0	58.75	74.0
The shares annual turnover rate <sup>5</sup>	0.25	0.25	0.55	0.80	0.31

<sup>1</sup> Definition of key figures, see Note 30.

<sup>2</sup> Adjusted for stock splits and bonus issues.

<sup>3</sup> Dilution is based on the convertible debenture loan 2007/2010 (270,000) and the employee stock option program 2007/2010 (100,000) and 2008/2011 (90,000). The dilution resulting from the convertible debenture loan 2006/2009 (266,800) and the employee stock option program 2006/2009 (80,000) is expected to be zero according to the company's assessment, since the conversion rate for the debentures amounts to SEK 86.70. Accordingly, the convertible loan is calculated to be repaid at the maturity date on June 15, 2009.

<sup>4</sup> Dividend proposed by the Board of Directors for 2008/2009.

<sup>5</sup> Refers to calendar year.

# CORPORATE GOVERNANCE REPORT

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 NASDAQ OMX Nordic Exchange Stockholm (the Exchange), and generally accepted principles in the securities market.

## Swedish Code of Corporate Governance

In practice, Sectra has been applying essential elements of the Swedish Code of Corporate Governance (the Code) since 2005, when the Exchange implemented the Code in its regulations. Since July 1, 2008, when a revised version of the Code was enacted, the application of the Code is part of the generally accepted principles in the securities market. This Corporate Governance Report complies with the rules of the Code and its application instructions. The Code is built on the *comply or explain* principle. In the cases in which Sectra's work method or information disclosure in 2008/2009 has deviated from the Code's rules, explanations are presented in conjunction with each section below. This Corporate Governance Report was not reviewed by the auditors.

## Annual General Meeting

The Annual General Meeting is the highest decision-making body in a limited liability company that appoints the Board and auditors for the company and makes decisions regarding changes in the Articles of Association, changes in share capital and share-related incentive programs. The 2008 Annual General Meeting was held on June 25 in Linköping, Sweden with 77 shareholders attending, representing 50.43% of the voting rights and 33.3% of the shares outstanding.

The minutes from the Annual General Meeting are available at [www.sectra.se](http://www.sectra.se) under the heading Investor and Annual General Meeting.

## Nomination Committee

The 2008 Annual General Meeting (AGM) resolved to appoint a Nomination Committee comprising the Chairman of the Board and one representative for each of the company's three largest shareholders at October 31, 2008. After consultations with the company's major shareholders, a Nomination Committee was appointed in accordance with the AGM's decision. The Chairman of the Committee is the re-

presentative 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-Erik Ridderstråle, Board Chairman (convener)
- Jan-Olof Brüer, CEO of Sectra AB and the company's largest owner (Chairman)
- Gündor Rentsch, representative for Frithjof Qvigstad
- Thomas Ehlin, representative for Nordea funds

In accordance with the Code, the President or other member of company management may not be a member of the Nomination Committee. In this respect, Sectra deviated from the Code since the company's President is also the principle shareholder.

The Nomination Committee has the task of preparing and submitting proposals to the AGM for the:

- Election of the Chairman and other members of the Board of Directors.
- Allocation of Board fee payments to the Chairman and other member of the Board and potential remuneration for committee work.
- Election of and payment of fees to auditors.
- Decisions regarding principles concerning the composition of the Nomination Committee.
- Chairman of the AGM.

The Nomination Committee's proposals were presented in the notification of the 2009 Annual General Meeting.

## The composition of the Board of Directors

The Board's members are elected annually at the AGM for the period until the next AGM. At the 2008 AGM, Anders Persson, Carl-Erik Ridderstråle, Erika Söderberg Johnson and Torbjörn Kronander were reelected to the Board. Board member Christer Nilsson was newly elected. Carl-Erik Ridderstråle was reelected Chairman of the Board. In addition to the members elected by the AGM, the

## Board's independence, attendance etc.

AGM elected members	Elected	Committee work	Present	Independence <sup>1</sup>
Erika Söderberg Johnson	2007	Audit Committee	11/11	Yes
Torbjörn Kronander	1988		11/11	No
Gündor Rentsch <sup>2</sup>	1994	Remuneration,	2/2	Yes
Christer Nilsson <sup>2</sup>	2008	Audit Committee	9/9	Yes
Anders Persson	2004	Audit Committee	11/11	Yes
Carl-Erik Ridderstråle, Chairman	2001	Remuneration Committee	11/11	Yes
Employee representatives				
Mats Björnemo	2005		8/11	
Karin Partain	2003		6/11	
Deputy employee representatives				
Olof Andersson	2007		1/11	
Ann-Sofi Mikaelsson	2007		5/11	

<sup>1</sup> Independence refers to being independent in relation to the company and its management as well as major shareholders.

<sup>2</sup> Gündor Rentsch was replaced by Christer Nilsson at the AGM, thus the deviation in attendance statistics.

For further information regarding the members of the Board see pages 54-55.

The Board of Directors includes two employee representatives with two deputies appointed by local employer organizations. Information regarding the Board members' backgrounds, other assignments and holdings of shares and other securities in Sectra is available on pages 54-55 in Sectra's 2008/2009 Annual Report and at [www.sectra.se](http://www.sectra.se) under the header About Us and Sectra in Brief.

### Activities of the Board of Directors

During the 2008/2009 financial year, the Board held eleven minuted meetings, three of which were per capsulam. Four of the meetings

Regular meetings 2008/2009	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 the AGM

were coordinated with financial reporting. One two-day meeting was devoted to long-term strategic planning. The Board's work has followed an annual presentation plan with a theme and fixed agenda items including establishing an agenda governing the activities of the Board and instructions for the President and the Group's budget, year-end report and the framework for financial reporting.

During the financial year, the Board paid particular attention to major investments, the assessment of acquisitions and other structural matters. In addition, the Board established an information policy, and insider policy and a policy for the procurement of services other than auditing from an auditing company.

The company's President and CFO regularly participate in Board meetings. Other executives take part in the Board meetings as needed.

The Board conducts an annual assessment of its work, which forms the basis for the planning of the Board's activities for the coming year. The Nomination Committee was informed about the content of the 2008 assessment.

### Internal control procedures

Sectra's Board of Directors bases its work on the business concept, goals and strategies in the Group and business areas. Under the

Board, CEO and Group management, responsibility for operational activities is decentralized to two business areas. Responsibility for the coordination of certain functions such as economy and finance, human resources, information and IT administration lies with the Group staff functions.

The Group uses annual budgets, forecasts and plans for control of current operations. Earnings and resolved actions are followed up through continuous financial reporting and supplemented follow-ups.

#### **Remuneration Committee**

The Board has elected a remuneration committee comprising Carl-Erik Ridderstråle and Christer Nilsson. The committee held three meetings during the year at which matters regarding the remuneration and other employment terms and conditions for the President were prepared and submitted to the Board for resolution.

Remuneration and other employment terms and conditions for executives directly subordinate to the President are decided on by the President in accordance with the salary policy established by the Board and the guidelines established by the AGM, see Note 2. This Note also contains information regarding the AGM's resolutions concerning the remuneration of Board members.

#### **Audit Committee**

The Board elected an Audit Committee comprising Erika Söderberg Johnson, Anders Persson and Christer Nilsson. The Audit Committee's primary task is to support the Board in ensuring the quality of financial reporting. The Committee held three meetings during the year at which matters regarding interim reports, annual reports, internal procedures, accounting and the auditors' other tasks were discussed. The company's auditor and CFO regularly participate in the Audit Committee's meetings to engage in current issues noted during auditing and continuous reporting.

#### **External auditing**

External auditors are appointed by the AGM for a term of four years. At the 2007 AGM, Grant Thornton Sweden AB, which has been the company's auditor since 2002, was reelected as the company's auditor until the 2011 AGM. Grant Thornton then appointed Ivar Verner as senior auditor.

Sectra's interim report for the nine-month period from May to January is subjected to the auditors' review. The auditors' examination and audit of the year-end report and annual report are conducted in the period from April to June.

The Company's auditor participated in the meeting at which the Year-end report was 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.

In addition to the auditing assignment, Sectra has consulted Grant Thornton in the area of taxes and auditing matters. Auditors' fees are paid based on invoices received, in accordance with the AGM's resolution. The full remuneration to the auditors is presented in Note 3 on page 38.

#### **Internal auditing**

The Board evaluated the need for an internal auditing function and concluded that this is currently unjustified at Sectra considering the scope of the business and the existing internal control structures. The Board will reexamine this need when changes occur that may warrant a reexamination and at least once annually.

#### **Internal control and risk management regarding financial reporting**

The overall aim of internal control is to ensure that the shareholders' investments and the Group's assets are protected, that the appropriate accounting documents are prepared and to make certain that the financial information used in the operation and when publishing is reliable.

The procedures are designed to ensure efficiency in the operation and compliance with laws and regulations. The company has implemented specific control activities to continuously monitor and control the risks associated with the business. 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 and Note 27 for information about the Group's risks.

#### **Control activities**

The primary objective of control activities is to prevent and iden-

tify problems as early as possible so that potential deficiencies may be resolved. Procedures and activities have been designed to detect and handle the most essential risks related to financial reporting. The business areas and Group companies are followed up by the President, Executive Vice President and CFO through regular reports and personal meetings with the respective management team of companies included in the Sectra Group. The Board receives monthly reports in which the President and CFO present Group's business areas' earnings and financial position for the preceding period. Monthly accounts and auditing work is well defined and reporting is conducted in accordance with standardized reporting templates including comments regarding all significant income statement and balance sheet items. Financial managers and controllers with functional responsibility for auditing, reporting and analysis are found centrally and at the unit level. Several controls of the company's financial reports transpire in this manner, which reduces the risk of mistakes.

### **Information and communication**

Financial information from the Sectra Group shall be accurate and current and provide comprehensive information to all stakeholder groups regarding the Group's operations and financial development. This information is governed by internal guidelines and instructions for financial reporting. All press releases are posted on the website and published simultaneously. The Board is responsible for the Annual Report, year-end report and six-month interim reports and for charging the President with presenting the interim reports for the first and third quarter. The CFO is responsible for informing financial managers and controllers regarding joint-Group accounting principles and other matters pertaining to financial reporting. Financial managers and controllers in the Group are responsible for ensuring a high level of quality in the internal reports and that reporting to the Parent Company transpires at the agreed time for financial reporting.

### **Follow-up**

Follow-up of the internal control is carried out continuously through monthly and quarterly reports to the Board with the financial outcome including comments from Group management. In addition, follow-ups take place through reports from the Audit Committee and the company's auditors. At the company level, follow-up is performed

through weekly and monthly reports to the Parent Company and by personal visits to subsidiaries by the CFO or controller. During the visits, there is a review of essential procedures and compliance with joint-Group policies and guidelines.

# BOARD OF DIRECTORS, GROUP EXECUTIVE MANAGEMENT AND AUDITOR



Erika Söderberg Johnson



Torbjörn Kronander



Christer Nilsson



Anders Persson

Carl-Erik Ridderstråle

## Board of Directors

**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 and BE Group AB. Board member of Seco Tools AB and DIAB International AB.

Sectra holdings: 16,500 B shares and convertible debentures corresponding to 43,800 B shares.

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

Sectra holdings: Convertible debentures corresponding to 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 Image Science and Visualization (CMIV), Cellavision AB, et al. and member

of the Royal Swedish Academy of Engineering Sciences.

Sectra holdings: 763,108 A shares, 2,579,901 B shares and convertible debentures corresponding to 62,000 B shares.

**Christer Nilsson** M.Sc. Eng. Born 1952. Elected 2008. Director and advisor to 3i Group plc.

Other posts: Board member of HTC Sweden AB and Atle Industri AB, et al.

Sectra holdings: 0.

**Anders Persson** MD, PhD, Associate Professor and senior physician. Born 1953. Elected 2004. Director of Center for Medical Image Science and Visualization and senior physician in radiology.

Other posts: Board member of Center for Medical Image Science and Visualization and National Supercomputer Center at Linköping University, Sweden.

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



Jan-Olof Brüer



Simo Pykälistö



Helena Pettersson



Michael Bertilsson



Erik Persson



Karin Partain



Mats Björnemo

### Group Executive Board

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

Sectra holdings: 763,110 A shares, 2,579,904 B shares and convertible debentures corresponding to 62,000 B shares.

**Torbjörn Kronander** President Sectra Imtec AB and Executive Vice President Sectra AB. See also “Board of Directors.”

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

Sectra holdings: 600 B shares and convertible debentures corresponding to 12,000 B shares.

**Helena Pettersson** Born 1970. Chief Investor and Press Relations Officer Sectra AB. Employee since 1993.

Sectra holdings: 9,239 B shares.

**Michael Bertilsson** PhD. Born 1962. Employee since 1989. President of Sectra Communications AB since 2008.

Sectra holdings: 6,000 B shares and convertible debentures corresponding to 3,600 B shares.

**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.

### Employee representatives

**Karin Partain** M.Sc. Born 1964. Elected 2003. Aftersales 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. Sales 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. Customer Project Manager Sectra Skandinavien AB.

Sectra holdings: 3,009 B shares.

# FROM CONSULTING TO WORLD-LEADING PRODUCTS

Sectra completed its first consulting project in the late 1970s. Today, the company's products are used by more than 1,000 customers in over 50 countries. 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 doctoral students, Viiveke Fåk, Rolf Blom and Robert Forchheimer, to take on the assignment.

## From 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 proposed new ideas about how to transform Sectra into a "proper" company.

*"We 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 from consulting to developing and selling products and system solutions in the areas of data security 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.*

## Defence 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 1990s, and today the company's products are used by government authorities and defense forces in most of the EU member countries.

## Medical technology

Dr. Torbjörn Kronander came to the Linköping Institute of Technology to earn his doctorate in the 1980s, bringing with him a strong interest in medical technology and a vision of digital radiology, and was soon recruited to Sectra. An expansion towards digital image management systems for radiology departments began in 1988 and Dr. Kronander is currently the President of Sectra Imtec, which is the business area for medical technology.

*"When Dr. Kronander started, we still had only ten people working at Sectra. Medical technology currently constitutes our largest business area and Sectra's digital image system for radiology departments is one of the leading in the world," continues Professor Ingemarsson.*

Swedish healthcare adopted the new digital technology early on. Sectra developed the systems for Sweden's first entirely film-free radiology department, which was dedicated in Mjölby in 1993. Today, Sectra's medical products are used by more than 1,000 hospitals worldwide and approximately 50 million X-rays are diagnosed in Sectra's systems each year.

## 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 and the first office outside Sweden was opened in Norway in 1995. Sectra currently has offices in 12 countries; the most recent was opened in Canada during the past fiscal year.

## Listing

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 and the first office outside Sweden was opened in Norway in 1995. Sectra currently has offices in 12 countries; the most recent was opened in Canada during the past fiscal year.



## Sectra moves forward

### Strategic acquisitions

Sectra's operations have grown both organically and through strategic acquisitions. The first acquisition was in 1995, when Sectra purchased Imtec, a Swedish company which, similar to Sectra, developed digital image management systems for healthcare applications. During 2006, 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 provide complementary markets for our products," 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 and to become market-leading Sectra must offer something extra.

*"We strive to perform as the customer expects and then also a 'wow.' Consequently, Sectra employs not only those with high expertise but also those who are passionate about their work. When I listen to our 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.*



### 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 1,000 hospitals use Sectra's system.

### 1999

Sectra is first out with digitized prosthesis modeling for orthopedists. The solutions are world leading with thousands of users in hospitals and orthopedic clinics.

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 more than half of the EU's 27 member countries.

### 2002

Sectra launches the mammography system, Sectra MicroDose Mammography. Based on the photon-counting technology, the system has the lowest radiation dose on the market.

### 2005

Sectra launches image processing methods for extremely large image volumes. Sectra's workstations for reviewing radiology images were installed in the European expertise network, TeleMedicine Clinic.

### 2007

A new generation of Sectra MicroDose Mammography was launched, adapted for clinical mammography and screening operations with large image volumes.

Ireland's program for mammography screening orders Sectra MicroDose Mammography.

The Council of the European Union approves Sectra's new Tiger XS for communication at the highest security level, SECRET UE.

### 2008

Sectra's mammography system, Sectra MicroDose Mammography, receives the Medical Design Excellence Award.

Sectra's largest order to date; a ten-year contract with North Ireland's health department to use Sectra's RIS/PACS system for public health-care in the country.

Sectra opens offices in Japan. The agreement was signed with a Japanese distributor for investment in the second largest medical market after the US.

Sectra's Tiger system is certified by NATO's military committee for communication at NATO Secret level. With the prior EU approval, the Tiger has a unique position in the European market.

### 2009

Sectra's products are used by more than 1,000 customers worldwide.

# 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.

## **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 mammography examinations regularly.

## **MR (Magnetic Resonance)**

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

## **Nordic Battlegroup**

The EU always has two ready reaction forces on alert. The Nordic Battlegroup is one of these during the first six months of 2011.

## **Oncology**

The branch of medicine dealing with tumors.

## **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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