

Annual Report 2009/2010

RESPONSIVENESS

FUTURE PROOF

TRUST SIMPLICITY COOPERATION  
EFFECTIVENESS

CUSTOMER OBSESSION

PROFITABILITY

FUTURE PROOF

EFFECTIVENESS BEST PEOPLE COOPERATION TRUST  
SIMPLICITY

CUSTOMER OBSESSION

INNOVATION COMPETENCE  
SMART PEOPLE

PROFITABILITY

BEST PEOPLE LONG-TERM

CUSTOMER

EFFECTIVENESS

IT

IT

BEST PEOPLE

RE PROOF

TRUST SIMPLICITY COOPERATION INNOVATION

OBSESSION

**SECTRA**

Sectra successfully develops and sells high-tech products and systems in the two expanding niche markets Medical Systems and Secure Communication Systems. The company's products are used by customers in some 50 countries and sales are conducted directly by Sectra, as well as through regional and local partners. Sectra's Series B share is listed on NASDAQ OMX Stockholm AB.

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# INCREASED OPERATING PROFIT

Key ratios <sup>1)</sup>	09/10	08/09
Order bookings, SEK M	861.3	1,149.7
Net sales, SEK M	848.4	863.3
Operating profit, SEK M	34.2	21.4
Profit after net financial items, SEK M	23.5	71.4
Profit after tax, SEK M	17.2	50.5
Value added, SEK M	478.5	449.1
Operating margin, %	4.0	2.5
Profit margin, %	2.8	8.3
Equity/assets ratio, %	62.2	59.4
Return on shareholders' equity, %	2.9	8.7
Earnings per share, SEK <sup>2)</sup>	0.47	1.37
Dividend per share, SEK	0 <sup>3)</sup>	0
Number of employees on balance-sheet date	601	577

<sup>1)</sup> For definitions of key ratios, see Note 33.

<sup>2)</sup> Before dilution.

<sup>3)</sup> Board of Directors' proposal.

## Group

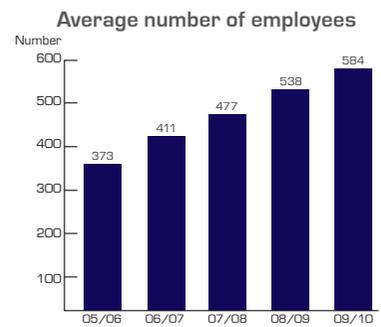
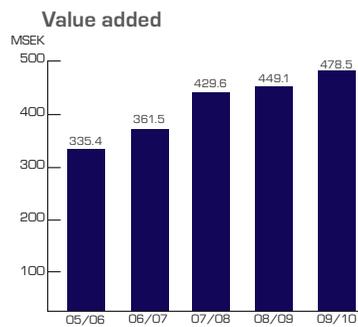
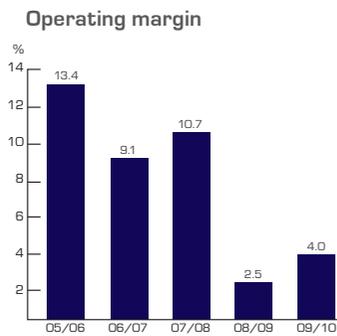
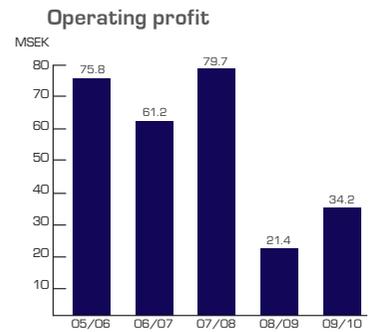
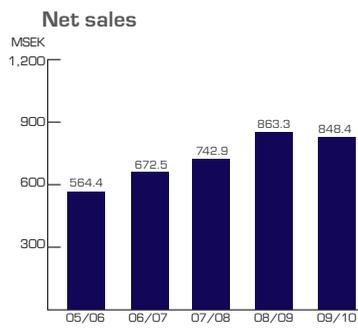
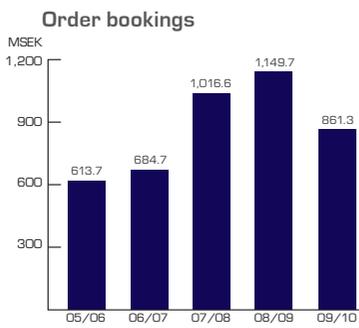
- > Sectra has developed its business and strengthened the Group's operating profits by 60%. Internally financed long-term customer projects that were completed contributed positively to the operating profit which amounted to SEK 34.2 M.
- > Cash flow from operating activities, after changes in working capital, increased to SEK 47.8 M (15.1). The change pertains primarily to the improved operating profit and a decrease in current assets. Total cash flow for the period was a negative SEK 5.8 M (neg: 78.2).
- > During the fiscal year, the SEK strengthened compared with the USD and EUR, which had a negative impact on Sectra's net financial items of SEK 9.3 M (pos: 41.7).
- > The Board of Directors proposes that no dividend be paid for the 2009/2010 fiscal year.

## Medical Systems

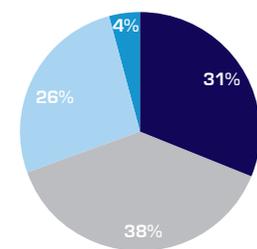
- > Through new sales, the number of care providers using Sectra's medical systems increased to more than 1,100 hospitals (1,000), and most of the business segment's subsidiaries increased their sales. Sales via distribution partners were affected by the global economic situation and were lower than in the preceding year.
- > The largest customer project Sectra has worked with during the year is one of Europe's largest IT solutions for image diagnostics. The project pertains to public healthcare throughout Northern Ireland and includes the management of radiology images and patient information for a total of 25 hospitals.
- > Medical Systems' distribution channels have expanded through cooperation with new distributors in Japan, Spain, the United Arab Emirates and Qatar.

## Secure Communication Systems

- > The business area continued healthy growth and favorable results due to increased earnings from sales in Sweden and the Netherlands.
- > The crypto product Panthon was launched. The product is directed at users within European governments that need to protect telephony up to the Restricted security level.
- > In Sweden, the FMV (Defense Material Administration) continued to invest in crypto products from Sectra and ordered the development of a new high-speed crypto and the further development of the Tiger XS, which is used in secure telephony.

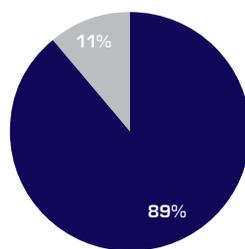


Net sales per region



- Sweden
- Rest of Europe
- North America
- Rest of the world

Net sales per business area



- Medical Systems
- Secure Communication Systems

# AN EXCELLENT YEAR IN VIEW OF THE CIRCUMSTANCES

Despite the difficult economic climate, we have retained sales volumes within our business areas and even increased them somewhat. Our operating profit is better than the preceding year thanks to savings and increased streamlining of the operation.

At Sectra, we have an excellent year behind us. Excellent in relation to the circumstances prevailing during our most recent fiscal year. A year ago, I wrote that the financial crisis to date had impacted Sectra's sales slightly, but that I was concerned about the future. My concern was justified. What started as a banking and finance crisis became a national economic crisis for a large number of countries. The worst example is the Greek sickness, which gradually spread to a large number of European countries.

#### **In the shadow of the bank and financial crisis**

During the past year, public and private healthcare providers were forced to tighten their belts and postpone planned investments. Investments in new radiology equipment have low priority with governments, which are struggling to find funds to pay the interest on loans due. This has resulted in fewer new customers and lower replacement orders than we had reason to hope for at the beginning of the year. We have also experienced similar consequences of the financial crisis in the Secure Communications business area, but not to the same extent. Our two largest markets for crypto products, Sweden and the Netherlands, continued to invest in secure communication systems during the year.

#### **Light at the end of the tunnel**

There are initial signs that the global economy is improving. However, Sectra was affected late in the recession and this means that we will also be late getting through it. Consequently, we see a continued pressured business climate ahead, during the period when a number of European countries have difficult priorities to make for their economies to function. This means a continued cautious approach in the market, with fewer investments in medical technology and to some extent, also fewer investments in secure communications than existing requirements.

At the same time, there are bright spots. In the US, economy has distinctly turned upwards. President Barack Obama's gigantic health reform was approved, which means that an additional 15% of the population is covered by the public healthcare system. At present, I don't know what this means for our medical products. Nevertheless, a major advantage is that the uncertainty relating to whether the reform would be approved is over, which is positive for the investment climate.

#### **Continued growth for Medical Systems**

Through new sales and supplementary orders during the year, more than 1,100

(1,000) hospitals are now using our medical systems. This major customer base is vital for us and also signifies that a significant portion of our sales now derives from service, support, upgrade and expansion of our commitment to existing customers.

Although the growth rate was dampened by the global economic situation, the markets for medical systems continued to grow as a result of the major need for systems that raise efficiency in healthcare. Our largest product by far, IT systems for managing and storing radiology images (PACS - Picture Archiving and Communication System), is such a product. Our new product generation was positively received in the market.

Our growth is increasingly steered by our success in the endeavour to gain market shares as a result of our markets for medical systems have reached a more mature status. The portion of business transactions in which we replace existing IT systems is increasing. Here, it is an advantage for customers who choose to change to Sectra since we currently have experience in replacing systems from most players in the market.

Our largest markets for medical systems are Scandinavia and the US. The American market is the world's largest in medical technology and currently accounts for one

*“The need for efficiency enhancing IT solutions within healthcare will remain and increase in the future, as will the need for secure communication systems.”*



third of our sales. Following the health-reform adoption, we now look forward to a gradual increase in demand. In addition, we anticipate that the US authority, the FDA, will grant permission during 2010/1011 for the selling of Sectra MicroDose Mammography – our digital mammography system with the world’s lowest radiation dose.

#### **New distribution channels**

In Japan, we signed a new contract with our former partner, Philips Electronics Japan, pertaining to the sale of Sectra PACS, and initiated cooperation with Canon Japan, which will sell Sectra MicroDose Mammography. We have also continued to expand our market through cooperation with distributors in the Middle East. Our strategy is to firstly expand our geographic presence through cooperation with strong local partners.

#### **Financing of major projects**

We make it easier for our customers to make long-term profitable investments by offering flexible financing solutions that may entail payment per month or per examination over a long period. Several of our very large transactions are of this type, including the major agreement with Northern Ireland’s health department and with Norwegian Curato, one of the Nordic region’s

largest private radiology companies. As always with this type of major project, investment costs will be heavy initially, while profitability occurs later in the delivery chain. For a few years, we have conducted an internal operation for financing customer projects, which means that the financial accounts are impacted by Group eliminations connected to the financing operations.

#### **Crypto products for the EU**

Sectra is the leading supplier of products for secure voice communication to governments and defence in Europe, with Sweden and the Netherlands as the domestic markets. Growth and profitability are excellent in our Secure Communication Systems business area. During the year, we continued to deliver secure telephony to EU countries. In the Swedish market, we secured a key strategic order for the future, which pertains to the development of a new high-speed crypto. The business area has also opened the door to a larger market with the launch of Panthon, a new product for secure telephony.

#### **The future**

We are one of the leading global suppliers of radiology IT systems 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, primarily 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 apply great personal commitment focus on the customer, I consider that we have excellent opportunities to continue our profitable growth.

Linköping, May 2010

**Jan-Olof Brüer**  
President and CEO

# LONG-TERM SUCCESS

By controlling business development on the basis of factors generating customer value, Sectra contributes to the long-term success of its customers.

**Vision**

Sectra aims to be the leader in selected niche markets.

**Overall goals**

- > To establish a strong global brand.
- > 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 large company.
- > To have a positive and strong corporate culture that encourages employees to grow and develop as individuals.

**Overall strategies**

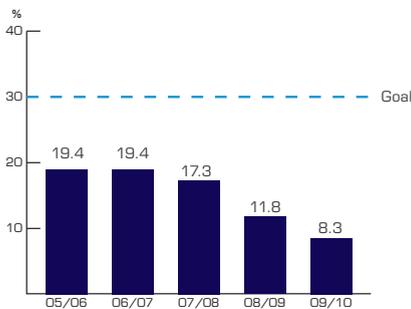
- > To focus on niche markets with future growth potential.
- > To work together with the most qualified customers to ensure that Sectra's

products and systems meet the market's strictest requirements in terms of performance, quality and user-friendliness.

- > To lead development projects based on commercial, value-enhancing customer requirements.
- > To engage in long-term efforts with strategic and complementary partners to reach a broader geographic market and expand Sectra's product offering to customers.
- > To recruit and cultivate highly qualified employees.

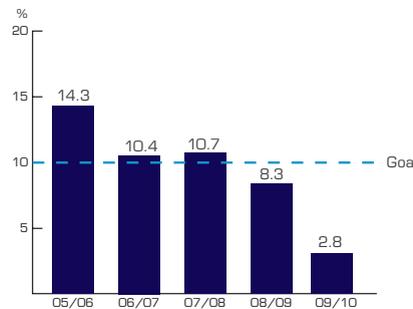
**FINANCIAL GOALS**

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



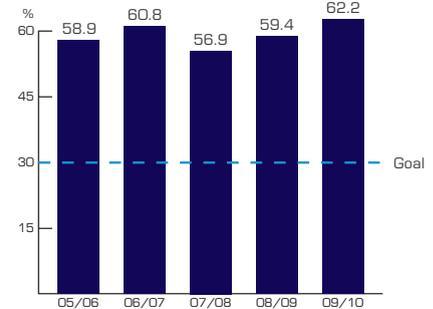
The global economic situation has resulted in weaker demand in Sectra's niche markets in the past two years. To achieve its growth goal, the company has invested heavily since 2005 in marketing, the expansion of its own sales and support organization, new partnerships with distributors and new production capacity in the area of mammography. However, it will take a couple of years for the full effect of these investments to be felt.

To achieve a profit margin of at least 10%.

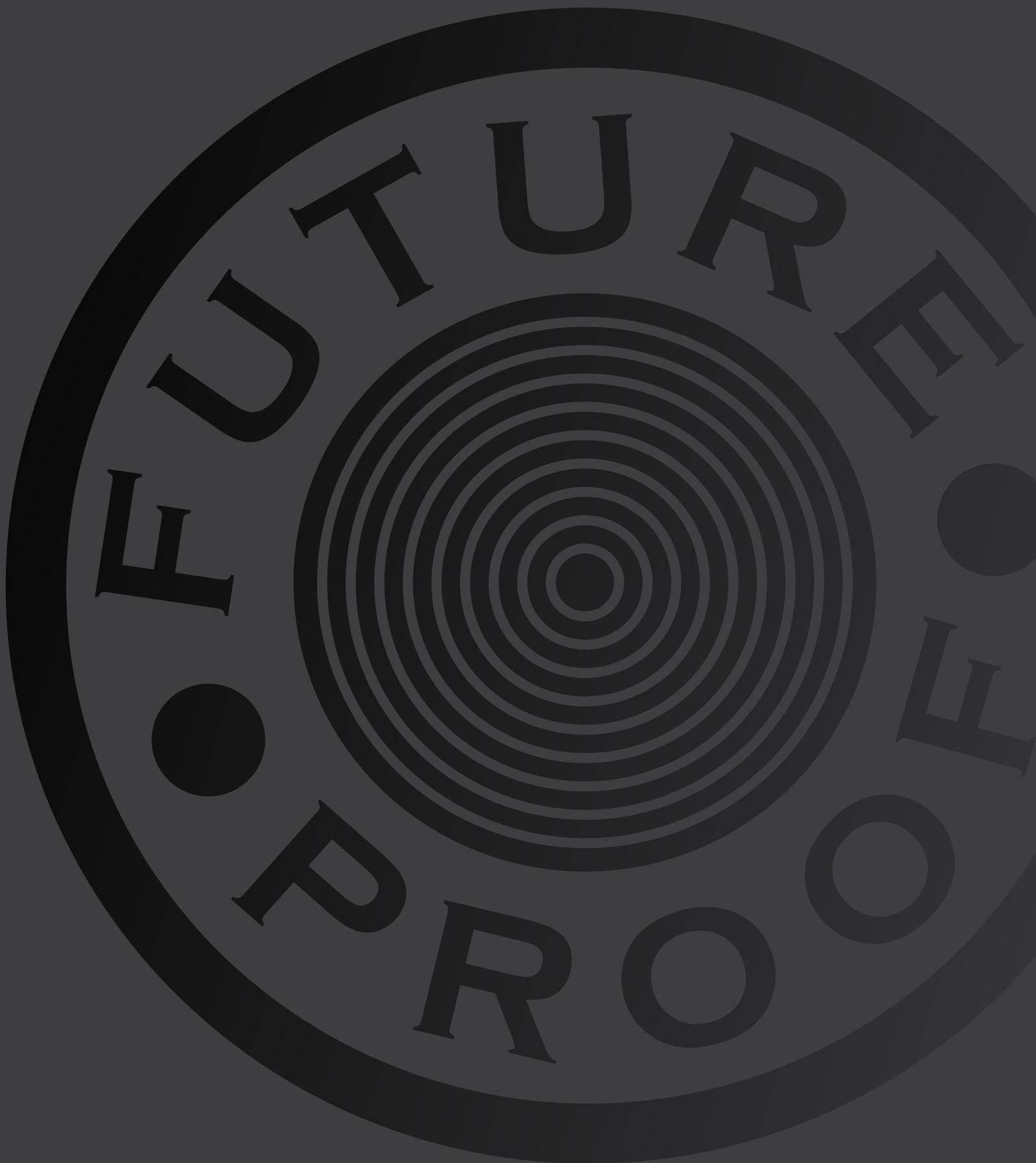


Sectra's profit margin has been adversely impacted in recent years by the substantial costs incurred for the company's investments in the area of mammography.

To maintain an equity/assets ratio of at least 30%.



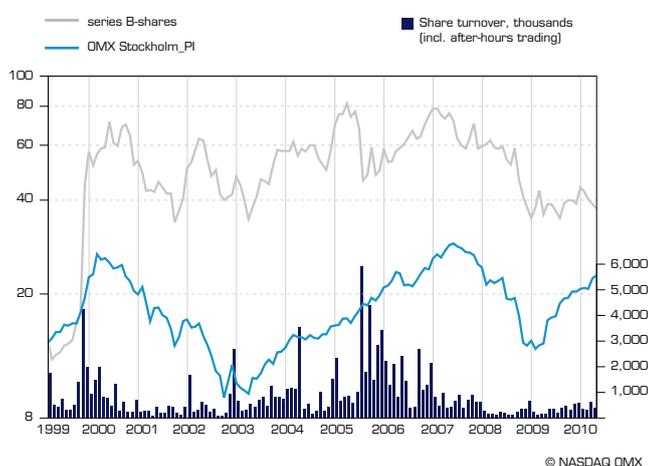
Sectra has a highly stable financial position. During the build-up phase of the company's mammography operations, Sectra accumulated the financial resources needed to secure the project's implementation. As a result, the company's equity/assets ratio exceeded its strategic goal. Sectra's highly stable financial position is very important for customers' confidence in the company, especially during the recent year's global economic downturn.



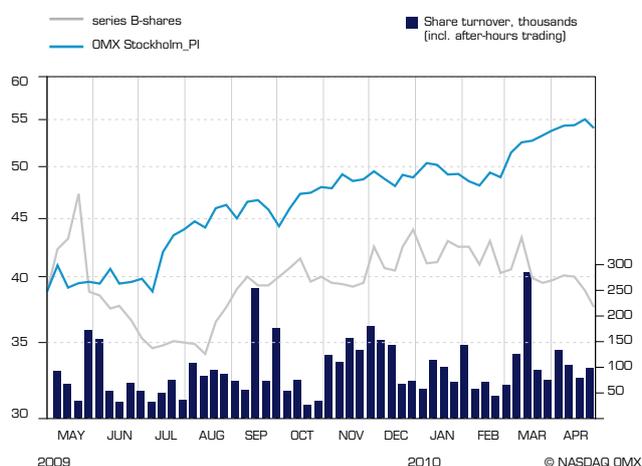
# THE SECTRA SHARE

Sectra's Series B share has been listed on the NASDAQ OMX Nordic Exchange in Stockholm since March 1999. The share is traded on the Nordic list in the Midcap segment and the Healthcare Equipment sector.

Share price performance since listing



Share price performance 2009/2010



The total number of shareholders is 5,409 (5,742). The number of shares traded during calendar year 2009 was 4.9 million, compared with 8.6 million during calendar year 2008. This corresponds to a turnover rate of 0.14 times (0.25).

#### Price trend

The last price paid at the balance-sheet date was SEK 37.30 (38.80), corresponding to a market capitalization of SEK 1,276 million (1,327). The share price declined 4% during the fiscal year. The Stockholm Exchange's Total Index during the same period increased by 40%. The highest quotation for the share was SEK 53.75 on May 20, 2009, while the lowest was SEK 33.0 on January 13, 2010.

#### Share capital

Sectra's share capital at the balance-sheet 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 incentive programs would increase the number of shares by 928,900, corresponding to 2.5% of the share capital and 1.5% of the votes. The dilution effect of the 2007/2010 incentive program in the assessment of the company is expected to be zero, since the conversion price is SEK 82.30. Accordingly, the number of shares after full dilution amounts to 37,400,488. For further information on issued incentive programs, see the Board of Directors' Report.

#### Dividend 2009/2010 and policy

For fiscal year 2009/2010, the Board of Directors and the President propose that no dividend is distributed. The Board of Directors' basic premise is that the dividend

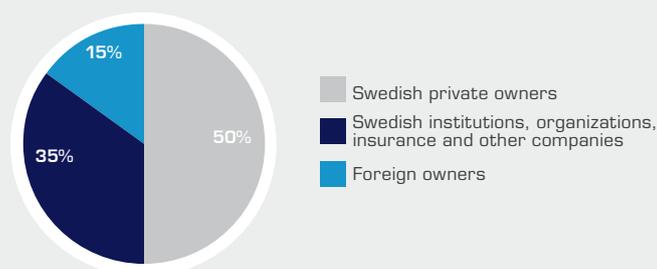
should represent a balance between the desire for a direct return and the company's need for capital for growth and international expansion. In the long term, the Board intends to distribute an average of 15-20% of after-tax profit to shareholders.

#### Analyses

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

- > Carnegie, Marcus Bellander,  
ph: +46 (0)8 676 87 39
- > HQ Bank, Jesper Norberg,  
ph: +46 (0)8 696 18 19
- > Nordea Markets, Patrik Ling,  
ph: +46 (0)8 614 70 00
- > Redeye, Jan Glevén,  
ph: +46 (0)8 545 013 35
- > SEB Enskilda, Johanna Ahlqvist,  
ph: +46 (0)8 522 295 00

## Ownership structure in relation to capital



## Share capital development

Date	Transaction	Increase in no. of shares	Total no. of shares	Increase in share capital	Total share capital
1998/1999	New issue at listing	500,000	10,500,000	1,250,000	26,250,000
1999/2000	New issue	420,315	10,920,315	1,050,787	27,300,787
2000/2001	Bonus issue 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

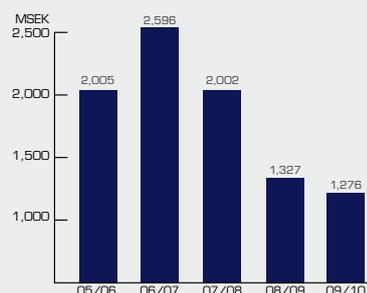
## Ownership structure at April 30, 2010

Owner	No. of A shares	No. of B shares	Share of capital	No. of votes
Torbjörn Kronander <sup>1</sup>	763,108	2,585,484	9.1 %	16.9 %
Jan-Olof Brüer <sup>1</sup>	763,110	2,581,104	9.1 %	16.9 %
Frithjof Qvigstad	262,866	1,902,519	5.9 %	7.5 %
If Skadeförsäkrings AB	0	4,356,300	11.8 %	7.2 %
Viiveke Fäk	221,700	1,088,150	3.6 %	5.5 %
Robert Forchheimer	202,203	1,178,104	3.7 %	5.3 %
Nordea Investment Funds – Finland	0	3,124,727	8.5 %	5.2 %
Ingemar Ingemarsson	221,347	300,999	1.4 %	4.2 %
Thomas Ericson	136,329	916,044	2.9 %	3.8 %
Fjärde AP-fonden	0	1,861,651	5.1 %	3.1 %
<b>Total for ten largest shareholders</b>	<b>2,570,663</b>	<b>19,895,082</b>	<b>60.9 %</b>	<b>75.5 %</b>
Other owners with more than 100,000 shares	35,332	7,332,186	20.0 %	12.7 %
Owners with 10,001 – 100,000 shares	9,519	2,819,621	7.7 %	4.8 %
Owners with 1,001 – 10,000 shares	5,178	2,790,491	7.6 %	4.7 %
Owners with up to 1,000 shares	0	1,384,016	3.8 %	2.3 %
<b>Total 5,409 shareholders</b>	<b>2,620,692</b>	<b>34,221,396</b>	<b>100.0%</b>	<b>100.0%</b>

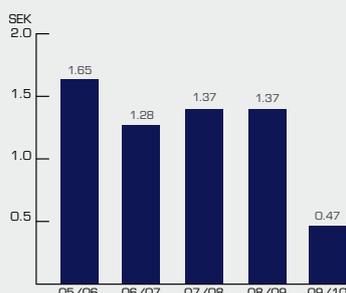
<sup>1</sup> Number of shares comprises direct shareholdings and holdings through family and companies.

Source: VPC Analys

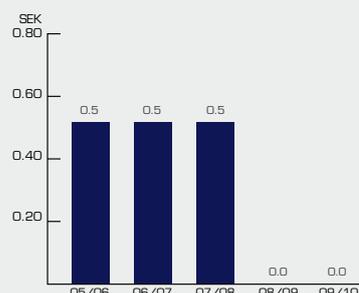
## Market capitalization



## Earnings per share



## Dividend per share



# POSITIVE AND COMPETENT

A Group-wide goal is to encourage employees to develop and grow as individuals. Work should be perceived as meaningful, and it is important that all employees see the link between their own efforts and the success of 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 people who not only have solid expertise, but also are passionate about their work. A positive attitude, the ability to instil customers and colleagues with a sense of confidence and a capacity for learning and sharing knowledge are essential qualities in a Sectra employee.

*"Within Sectra, there are excellent opportunities for employees to influence their job situation. At the same time, employees are expected to take great responsibility themselves for the work that they are employed to perform," says President Jan-Olof Brüer.*

## Multicultural environment

Employees from some 30 countries work at Sectra and contribute experience from different cultures and environments. This multicultural environment is a prerequisite for Sectra's international expansion. Internal rotation between departments, countries and job assignments is encouraged, 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 completed graduate studies, and 5

professors and 24 people with technology doctorates are linked to operations.

Sectra works actively to ensure that employees have the right skills to be able to perform quality work. This takes place through courses, training programs, certification programs and instruction.

*"We place great emphasis on the ongoing education of our employees. A review of skills development is conducted each year with the employees, who then undergo continued education matched to the individual," says Jan-Olof Brüer.*

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

## Recruitment and employee turnover

During the fiscal year, 80 new employees with leading-edge expertise in various areas were employed. This included people with long experience, as well as new graduates. At the end of the fiscal year, Sectra had 601 permanent employees, up 4% compared with the preceding year. About 40 additional people are employed

on a project basis. 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.

Employee turnover during the fiscal year amounted to 9.5% (13.1). The average employment period for employees in Sweden was 6.7 years (6.2).

## Healthy employees

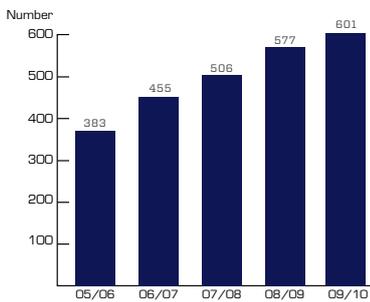
The well-being of employees is of paramount importance to Sectra. The company takes a preventive approach to work-environment and health issues by offering employees regular health checkups, fitness programs and opportunities for subsidized fitness training. Sectra's health program also includes ergonomic counselling to reduce the risk of work-related injuries. This has resulted in a very low rate of absence due to illness, amounting to 1.2% (1.1) during the fiscal year.

## Participation in the company's success

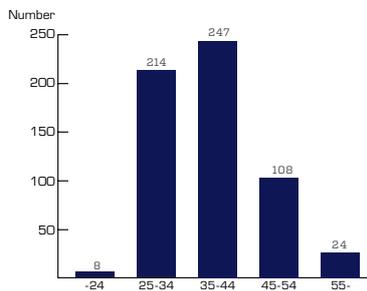
To strengthen employees' commitment and motivation, Sectra has offered them the chance to share in the company's success over the years. In addition to conventional remuneration systems, Sectra works systematically to distribute ownership of the company to employees through options and convertibles programs.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

*“We place great emphasis on our employees’ skills development.”*

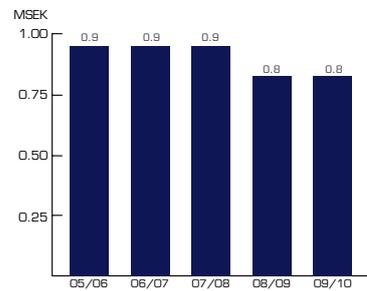
Number of employees



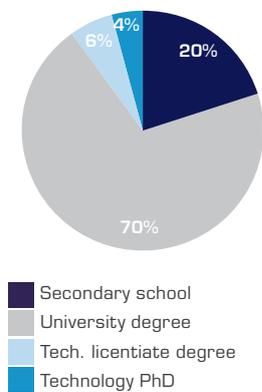
Age distribution



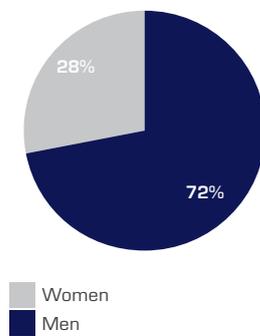
Added value per employee



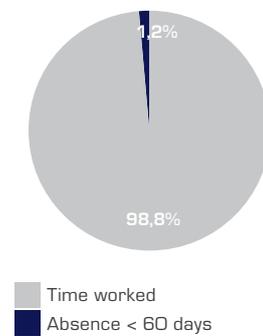
Employees' education level



Employees per gender



Absence due to illness



## MEDICAL SYSTEMS

### Business concept

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

### Customers

Public and private hospitals and healthcare providers, ranging from large university hospitals to small clinics.

### Geographic market

Europe, North America, Australia/New Zealand, Japan and the Middle East.

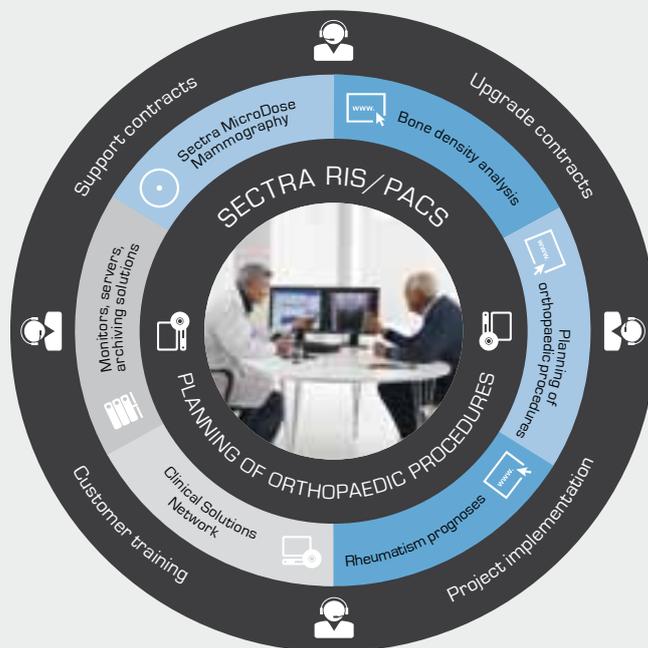
### Market position

Sectra's medical systems handle more than 52 million radiology examinations annually, making Sectra one of the world's leading suppliers of IT systems for managing radiology images.

### Number of employees

523

### Products and services



-  Software
-  Digital radiology equipment for mammography
-  Online-services
-  Professional services
-  Hardware components
-  Sectra's products
-  Software and hardware from third-party suppliers

# LONG-TERM CUSTOMER RELATIONS

Healthcare services require IT solutions that make it possible to share resources and perform work remotely. Accordingly, an increasing number of customers are selecting Sectra's new generation of products for quick and efficient communication of radiology images.

The market for medical systems continued to grow, as a result of the considerable need for systems that increase efficiency in healthcare. Through new sales, the number of providers using Sectra's systems has increased to more than 1,100 hospitals (1,000), and most of the business segment's subsidiaries increased their sales during the year. Revenue via distribution partners were affected to a greater extent by the global economic situation and were lower than in the preceding year.

Medical Systems' net sales amounted to SEK 810.1 million (810.1) as a result of long-term customer relations. Operating profit amounted to SEK 26.5 million, corresponding to an operating margin of 3.3%. The Mammography product division posted an operating loss of SEK 79.0 million, while the Radiology IT operation reported continued favorable profitability. Adjusted for the loss in the mammography division, the business area's operating profit totaled SEK 105.5 million, corresponding to an operating margin of 14.7%.

## RADIOLOGY IT

### Stable IT operations

Radiology IT products and services accounted for 88% of Medical Systems' net sales.

*"Our large-scale customer project in Northern Ireland contributed to a rise in sales in the UK during the year. Starting from an already strong position, we also increased our sales and market shares in Sweden, which demonstrates that we have earned considerable confidence in our home market," says Torbjörn Kronander, President of Sectra's medical operations.*

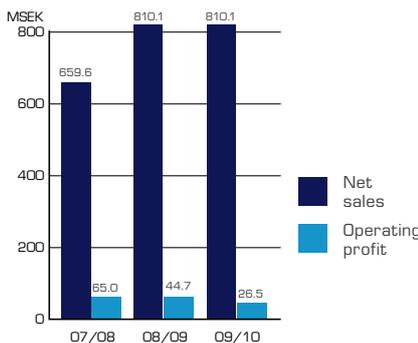
Sectra prioritized efforts to strengthen its position in existing markets and remained the market leader in radiology IT systems in Scandinavia, where the company's achievements during the year included signing a major six-year agreement with the Norwegian company Curato, one of the largest private radiology companies in the Nordic region.

One third of the Medical System's net sales derived from the US market, where Sectra signed a number of multi-year agreements pertaining to installation and support services for radiology information and image management systems (RIS/PACS) during the year. The company's new customers included University Hospitals in Cleveland and a chain of hospitals under the Shields Health Care Group.

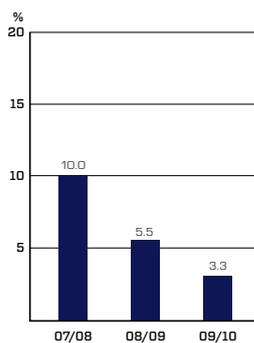
### Sectra supplying one of Europe's largest IT solutions

Sectra's operations gave a strong performance in Europe, mainly thanks to the large customer project in which Sectra coordinates all processing of radiology images and patient information throughout Northern Ireland. Most of the 25 hospitals encompassed in the project are now up and running with Sectra's system. The IT solution supplied by Sectra is one of the largest in Europe in the area of image diagnostics.

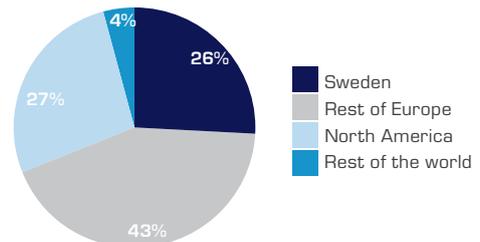
Sales and earnings



Operating margin



Net sales per region



*“It is important that our research makes a real contribution to patient value, which is why we took part in the development of Sectra’s latest generation of PACS products.”*

*Anders Persson, Senior radiology physician  
and head of the research center CMIV.*

*“I have been very impressed by the magnificent equipment, which really is of the highest specification, and its proven potential for improving services”, says Michael McGimpsey, the Minister for Health, Social Services and Public Safety in Northern Ireland. “This will result in quicker diagnosis and treatment for patients, and will contribute to a much more efficient and productive health and social care system”.*

#### Successful partner strategy

In line with Sectra’s primary strategy to expand its geographic presence by working with strong local partners, partnerships were initiated during the year with distributors in Japan, Spain, Saudi Arabia, the United Arab Emirates and Qatar. The Middle East represents an exciting new market for Sectra.

Through a new distribution agreement in Japan, Sectra and Philips Electronics resumed their earlier highly successful partnership, which, at the time of its discontinuation in 2005, had enabled the companies to jointly assume a market-leading position in the Japanese PACS market.

*“Together with Philips, we have 30 systems installed in Japan, providing us with a valuable platform for further expansion. The fact that this partnership has been revitalized demonstrates that Sectra PACS meets the high demands that Japanese customers impose on the quality and stability of their products,” says Torbjörn Kronander.*

In total, Sectra’s medical systems are currently sold and marketed by some 15 local partners. While the company’s own sales organization is responsible for most of the business area’s sales, the number of business partners is also growing.

#### Research and development

Customer needs and Sectra’s knowledge of market trends guide the company’s investments in development and product renewal. Sectra works with users, universities and research centers to develop technical solutions that maximize customer value. Among other partnerships, Sectra works in close cooperation with the Center for Medical Image Science and Visualization (CMIV), a multidisciplinary research center in Linköping, Sweden, which Sectra helped to found. For more information on CMIV, visit [www.cmiv.liu.se](http://www.cmiv.liu.se).

In recent years, Sectra has invested considerable resources in the development of a new generation of PACS products with a core architecture based on Sectra’s RapidConnect™ technology. This technology enables the efficient distribution of images and patient information across geographic and organizational borders, regardless of network performance and data volumes. The new generation of products includes workstations for radiologists, referring clinicians, technicians and mammography specialists.

#### Swedish initiative to combat osteoporosis

Osteoporosis is one of the most painful and costly diseases in the world. It primarily affects women, causing pain and, in more serious cases, severe bone fractures. The healthcare industry is researching methods to enable women in the risk zone for the disease to be identified and treated in a simple and cost-efficient manner. Reducing the number of bone fractures would save patients from considerable pain and generate major cost savings for the care provider.

Low bone density is one of the risk factors for the disease, and Sectra has developed a unique Internet service for bone-

density analysis known as dxr-online. Use of the service requires an Internet connection and a digital x-ray equipment. Among other applications, dxr-online was used in two major research studies in Örebro and Stockholm during the year. Both studies focused on allowing women to combine their mammography examinations with a risk assessment for future bone fractures.

## MAMMOGRAPHY

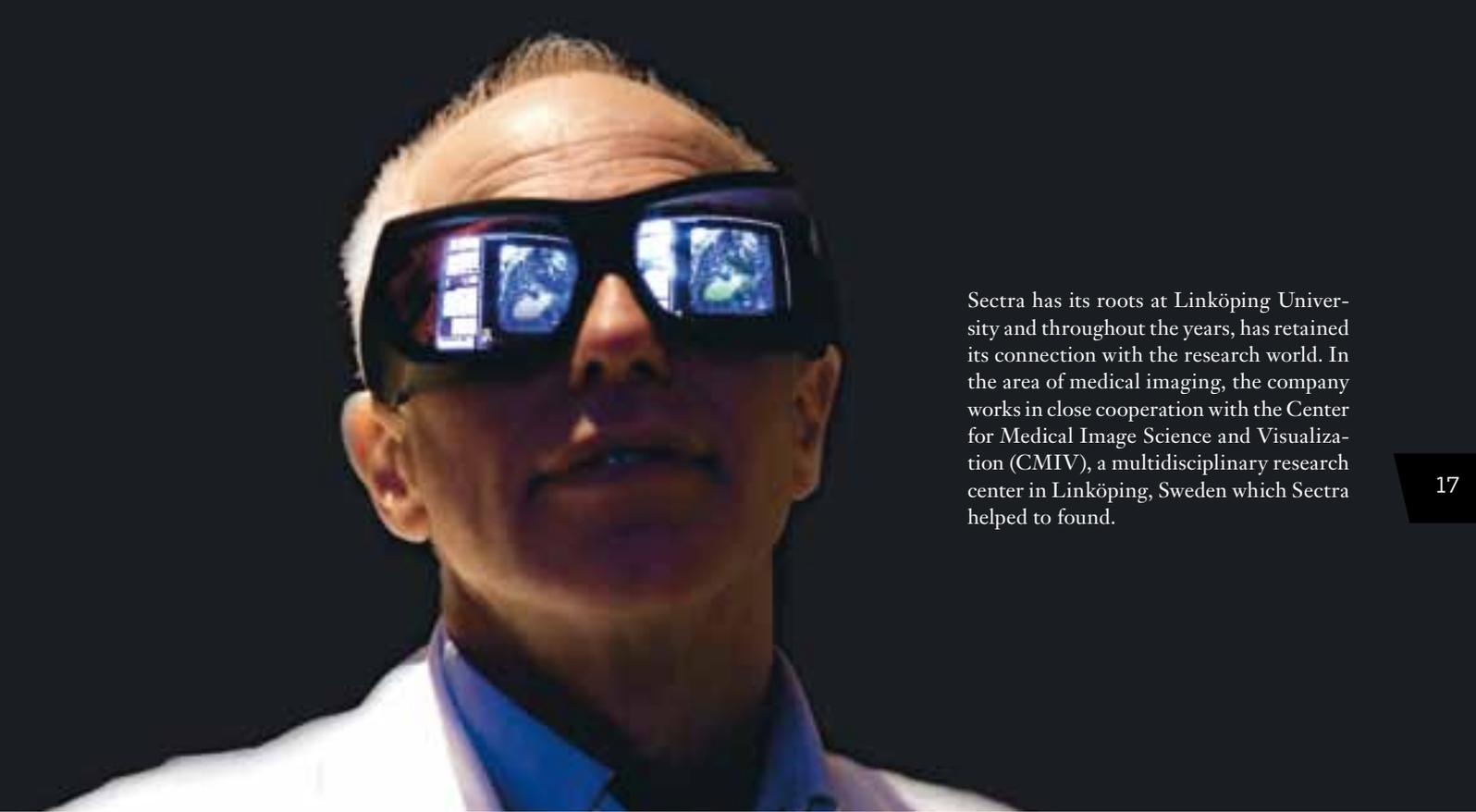
Increasing sales of the digital Sectra MicroDose Mammography system was a prioritized activity in the Medical Systems business area. Sales in Sectra’s Mammography product division rose 9.5% to SEK 94.5 million, due to increased revenues from new sales and service contracts. Increased sales and reduced costs contributed positively to the product division’s operating result, which amounted to a loss of SEK 79.0 million (loss: 96.6). A total of 55 (52) units of Sectra MicroDose were installed during the fiscal year.

#### Private clinics in France target women’s health

Sectra’s expansion in the area of mammography has primarily taken place in the company’s existing markets, particularly in Western Europe, where France has been responsible for the largest increase. In France, most customers that have invested in Sectra MicroDose are private mammography clinics that conduct both screening and diagnostic mammography.

#### Japan – a large new market

Sectra has initiated a partnership with Canon Marketing Japan, which will distribute Sectra MicroDose in the Japanese



Sectra has its roots at Linköping University and throughout the years, has retained its connection with the research world. In the area of medical imaging, the company works in close cooperation with the Center for Medical Image Science and Visualization (CMIV), a multidisciplinary research center in Linköping, Sweden which Sectra helped to found.

market. This cooperation will be a key component in ensuring the success of Sectra's investment in the world's second largest mammography market.

*"Sectra MicroDose Mammography, uniquely characterized by its photon-counting technology, was the obvious choice for us. Its exceptional characteristics offer unsurpassed lowdose and superior image quality, which are crucial for success in the Japanese market," says Mr. Hiroshi Shibuya, Senior Managing Director of Canon Marketing Japan. "We can confidently address market needs with this unique and highly differentiated product."*

**Research and development**

Sectra's research in the area of mammography focuses on developing new methods that improve the possibility for early diagnosis of breast cancer. The company's research primarily concentrates on such areas as 3D/tomosynthesis and spectral imaging, in which Sectra's unique photon-counting detector technology provides entirely new possibilities.

*"Sectra is the only company in the world that has developed a radiology detector based on photon-counting technology for use in clinical operation. In our research, we can capitalize on the fact that our technology is the perfect platform for future methods for detecting breast cancer," says Mats Danielsson, Professor at the Royal Institute of Technology, founder of Sectra's Mammography product division and the father of the company's photon-counting technology.*

**QUALITY**

**Satisfied customers**

Satisfied customers are a necessary prerequisite for successful business. Through long-term and close relations, Sectra increases its knowledge of its customers' operations and can thus offer future-proof solutions to the challenges that customers face. Annual customer satisfaction surveys are conducted in various markets in which Sectra has subsidiaries and partners, and on the whole, the surveys for 2009 showed an excellent result.

These surveys provide valuable information about the areas in which Sectra can improve, which is passed on to the organization and used to implement continuous improvements.

Providing higher quality service during installations and customer upgrades was one of the areas that Sectra focused on during the year. Such improvements were made possible thanks to the company's new generation of RIS/PACS products, certification programs for employees and distributors, and in-depth training in such areas as patient security.

**Enhanced internal efficiency**

During the fiscal year, Sectra's internal quality initiatives focused on enhanced efficiency. To ensure that the company's employees are able to carry out their work in the most efficient manner possible, a number of adjustments were made to Sectra's internal processes, and improvements were implemented in the IT system and other support systems.

**PRIORITIZED ACTIVITIES 2009/2010**

Continued expansion in existing markets, supplemented with an expansion of Sectra's geographic presence in new countries, primarily through new partners.

**Outcome:** Most of the business area's own companies increased their sales during the fiscal year. Partnerships have been established with new distribution partners for sales in new countries, including Japan, Saudi Arabia and the United Arab Emirates.

Continued focus on increasing efficiency and minimizing disturbances in customer operations in conjunction with upgrading of existing IT systems.

**Outcome:** The new generation of Sectra PACS, for which installation began during the year, reduces the time required for installation and upgrades and has less of an impact on customer operations than earlier generations. The new system is also faster than the old one, which makes our customers more efficient.

Increase sales of Sectra MicroDose Mammography.

**Outcome:** A total of 55 (52) Sectra MicroDose Mammography units were installed during the fiscal year and the Mammography product division sales increased by 9.5% to SEK 94.5 million.

# IT COMPETENCE A KEY SUCCESS FACTOR

18

## In what markets will the business area grow within medical IT?

We are currently focusing mainly on growing using our largest product, RIS/PACS, in our existing markets. In addition to this, we are also making long-term investments in Japan and the Middle East together with our new partners. Long-term, we will expand our IT business to include more products and services in the area of image diagnostics.



*Torbjörn Kronander  
President of Medical Systems*

## How will Sectra develop business with existing customers?

Long-term and close customer relations are very important to us. We have more than 1,100 customers worldwide and most of the revenues from our operations come from our installed customer base. This applies to sales of support and service agreements and new sales to existing customers. We plan to continue developing our operations based on what will generate the most added value for our customers, which we have good experience of from the Nordic market. For example, we are able to assume overall responsibility for the customer's entire IT system (for example, Curato in Norway), including operation, and we offer new types of financing solutions (for example, Northern Ireland, Curato).

We also plan to capitalize on our advantages as a dedicated and highly specialized IT supplier. As the complexity of customers' systems becomes increasingly great, there is a demand for the IT competence that we possess. We have high demands on ourselves when it comes to delivering stable and reliable systems on time and within the given cost framework, factors that are assigned increasing importance. There are not many companies in the world today that have the same ability as we have in handling big customer projects.

## Are you focusing on any new areas?

We are making long-term plans for new products and services that can broaden our range and enhance our business. One market trend is that customers are increasingly purchasing products and services over the Internet, and this is opening up new opportunities for online diagnostic and treatment support services. This is an area in which we already offer rheumatism and bone density analysis, as well as planning of orthopaedic procedures, which are online services that we believe have considerable long-term growth potential, although they are currently still in their infancy.

## What is your strategy for acquisitions and new partnerships?

Our strategy is to acquire companies or products that strengthen our business when necessary, but acquisitions are not to be our primary means of growth. With regard to business cooperation, we believe strongly in our partners, which, in parallel with advanced services over the Internet, represent our main strategy for reaching customers in new markets.

## How does Medical Systems plan to reach its profit goal of 10%?

Mainly by generating profit in the area of mammography through larger volumes. The substantial costs incurred for the development, production and market launch of our mammography system is the primary reason that we have not achieved our profit goal in recent years.

Adjusted for the loss in the Mammography Division, we have a profitability of 14.7%.

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

We will continue to prioritize improving our business results in the Mammography product division. In terms of our radiological IT products, we will work to further increase our efficiency when conducting new installations. We will continue to optimize our systems to further enhance the efficiency of the production flow in the medical care area. Here, there is much to gain for our customers, profits that we can then share in through increased sales.

Our efforts to capture market shares will become more targeted based on a strategy of growing in areas where we already have customers, rather than becoming a medium-sized company in many areas. We will also continue to market our strengths, particularly the high operational reliability of Sectra's systems and the values represented by our brand – "future proof", "effectiveness" and "best people".



# MORE EFFICIENT CARE AT A LOWER COST

Health and medical care providers are under considerable pressure. The average life expectancy and the proportion of elderly people in industrialized countries are constantly increasing. At the same time, political decisions are being made to limit public spending on health and care services.

Sectra has developed and sold medical systems for more than 20 years, offering products with a strong link to demographic trends.

*“The market is largely governed by a difficult cost and income situation for the institutions that pay for healthcare,” says Torbjörn Kronander, President of Sectra’s medical operations. “Although our business concept was formulated ten years ago, it is becoming increasingly relevant with each passing year due to the challenging demographic situation in the industrial world.”*

## RADIOLOGY IT

### Extensive need for efficiency and communication

In many countries, the financial support that clinics and hospitals receive per examination is being cut. Fewer resources, insufficient medical specialist expertise, a continuous rise in the number of patients

and increasing quantities of data per examination are some of the difficult challenges being faced by healthcare providers. This is resulting in a higher demand for efficiency, consolidation of clinics and an increased need to be able to perform work remotely and share resources. The widespread need for IT systems that enable enhanced healthcare efficiency is contributing to the growth of the market for Sectra’s medical systems.

*“Our products improve healthcare efficiency by speeding up flows and processes. This results in faster diagnoses, which can save lives, and provides healthcare providers with the time and financial resources to offer advanced care for more people,” says Torbjörn Kronander.*

### Flexible financing solutions

The ongoing financial crisis is making it more difficult for customers to finance long-term profitable investments and forcing them to cut their investment budgets. This is resulting in increased price pressure

in the market. Instead of making a one-time investment, customers are increasingly requesting flexible financing solutions, such as monthly or per-examination payments over an extended period of time. Several of Sectra’s largest transactions involve this type of flexible solution, including the company’s major agreements with the Northern Ireland Health Department and the Norwegian company Curato.

*“In this type of business, our strong balance sheet and reputation as a long-term and stable supplier give us a competitive edge,” says Torbjörn Kronander.*

### Market size

Europe and North America account for the largest shares of Sectra’s sales in radiology IT. Market growth is being driven by replacement business, additional sales to the company’s installed base and, to a certain extent, new sales.

RADIOLOGY IT		Market players		Market position
Market size		Market players		Market position
<b>PACS + RIS<sup>a)</sup></b> <i>Europe</i> <b>2009</b> <b>2010</b> USD 866.6 M              USD 931.1 M  <b>Growth</b> Average of 4.6% annually from 2008 to 2012.  <i>North America</i> <b>2009</b> <b>2010</b> USD 1,026.0 M            USD 1,085.5 M  <b>Growth</b> Average of 3.7% annually from 2008 to 2015.		<b>Examples</b>  <i>Global</i> AGFA General Electric Philips Sectra Siemens McKesson  <i>Regional</i> Merge DR Systems Intelerad Visus	<b>Home market</b>  Belgium/Canada US Netherlands/US Sweden Germany US  US US Canada Germany	Sectra’s systems handle more than 52 million radiology examinations each year, making 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%.  Sectra has successfully delivered some of the world’s largest PACS installations, and the company’s products are used by more than 1,100 customers, ranging from large university hospitals to small and medium-sized hospitals.
<small>a) Includes software licenses, hardware solutions, professional services and maintenance contracts.</small>				
<small>Source: Frost &amp; Sullivan</small>				

*“Our main competitive advantages are our efficiency, product stability, competent and customer-oriented employees, and the lowest dose in the market for mammography.”*

**Competitors and competitive advantages**  
Sectra’s competitors include global players with broad product portfolios and regional IT companies whose primary operations are in the area of radiology IT. The company’s foremost global competitors are modality or film suppliers that can offer solutions that cover the customer’s total needs. They also have a large sales force. The regional IT suppliers offer products that are adapted to their specific regions, where they have solid contact with customers and relatively low installation and support costs.

*“Sectra has the advantage of having a large customer base and extensive IT experience in the area of diagnostic image management,” says Torbjörn Kronander.*

**MAMMOGRAPHY**

Breast cancer is the most common form of cancer and the most common cause of death among women between the ages of 35 and 59<sup>1</sup>. Performing health checkups including mammography is the only method for early

cancer detection that is proven to reduce the rate of mortality among breast cancer patients.

**Lower radiation dose**

Limiting the radiation dose to which a patient is exposed during digital radiology examinations is key, particularly during mammograms, given that a large number of healthy women undergo frequent x-rays and that breast tissue is sensitive to radiation. Accordingly, the medical technology industry and end users are focusing on using technology that simultaneously provides the lowest possible dose and highest possible image quality.

*“Sectra MicroDose Mammography is able to provide the market’s lowest radiology dose by using a detector technology that counts each individual photon,” says Mats Danielsson, Professor at the Royal Institute of Technology, founder of Sectra’s Mammography product division and the father behind the company’s photon-counting technology.*

**Market size**

Sectra sells digital mammography systems in Europe, Australia, Japan and the Middle East, and currently has the largest share

of sales in the European market. Sectra’s application for market approval for Sectra MicroDose Mammography in the US is currently being processed. The company expects to be granted approval by the US Food and Drug Administration (FDA) during the 2010/2011 fiscal year.

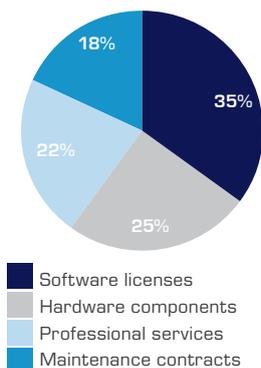
Growth in the market for digital mammography systems is being driven by the transition from analog to digital radiology technology, primarily as a result of technological advancements and digital technology’s ability to facilitate increased productivity.

**Competitors and competitive advantages**

Sectra’s competitors in the market for digital mammography systems include suppliers that are only active in the mammography market, such as the US company Hologic and the Italian company Giotto, as well as suppliers such as GE, Siemens and Philips, which are also active in the market for radiology IT systems. Sectra’s foremost competitive advantage is that MicroDose Mammography has the market’s lowest radiation dose, corresponding to half of its competitors, with retained image quality.

**North American market for radiology IT systems in 2008**

per product component



Source: Frost & Sullivan

**MAMMOGRAPHY**

**Digital mammography equipment**  
[Full Field Digital Mammography]<sup>b</sup>

Region	2009	2010
Europe	USD 132.1 M	USD 137.4 M

**Growth**  
Average of 5.6% annually from 2007 to 2014.

Region	2009	2010
North America <sup>c</sup>	USD 551.7 M	USD 589.0 M

**Growth**  
Average of 3.7% annually from 2007 to 2014.

b) Includes radiology modality, but not software.  
c) Refers to the market for mammography screening.

Source: Frost & Sullivan

**Market position**

Sectra MicroDose Mammography is installed in 19 countries and is used in all major European mammography screening programs. Sectra has the largest market share in Scandinavia and France, corresponding to approximately 20%.

<sup>1</sup> Commission of the European Communities. Proposal for a council recommendation on cancer screening Brussels 0093 (CNS), May 2003.

## SECURE COMMUNICATION SYSTEMS

### Business concept

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

### Offering

Products, systems and services for secure communications.

### Customers

Government authorities and defense organizations

### Geographical market

Europe

### Market position

Customers in the majority of EU's member states use Sectra's products for secure telephony, providing Sectra with a leading position in Europe. In Sweden, Sectra is the leading supplier of crypto products to government authorities and defense forces.

### Number of employees

59



#### Crypto products for secure voice

- > Tiger XS for encrypted mobile telephony
- > Tiger XS Office for encrypted fixed telephony and satellite communication
- > Panthon for encrypted mobile telephony
- > Products for simple security administration in Tiger systems
- > Subscription service for secure voice communication that encompasses Tiger XS, installation, operation and security administration, support and training



#### Customer-specific crypto products protecting

- > traffic in civilian and military telecommunication and computer networks
- > radio communication in TETRA networks
- > radio communication in tactical military networks
- > test data for the JAS 39 Gripen



#### Professional services for

- > start-up of operations
- > security administration
- > service and support
- > customized customer training

# PROMOTING INCREASED SECURITY IN EUROPE

Sectra's products for secure communication of EU and state secrets remain the first choice among Europe's decision-makers. Sectra's latest product, Panthon, will enable more government authority employees to protect their sensitive telephone calls.

### Profitable growth

Increased revenues from sales in Sectra's home markets in Sweden and the Netherlands contributed to continued favorable profitability and growth in the business area. The business area's net sales rose 10% to SEK 99.6 million. Operating profit increased 12% to SEK 15.1 million, corresponding to an operating margin of 15%.

### Growing Dutch market

The Netherlands was the market in which Secure Communication Systems experienced the most extensive sales growth during the year. Sectra delivered additional Tiger XS systems to various Dutch government departments and new users signed up for Sectra's subscription service for secure voice communication. Decision-makers and high-ranking officials in all Dutch departments use Tiger XS to protect phone calls from eavesdropping. In cooperation with its customers in the Netherlands, Sectra also developed a new product known as Panthon during the year.

### Panthon broadens the government market

Sectra has launched its Panthon crypto product to provide all European government authorities employees with the possibility to protect sensitive phone calls from eavesdropping. The new product supplements and strengthens Sectra's offering in secure voice communication. Panthon is designed for officials who, in the course of their daily work, handle sensitive information at the security level Restricted. For Sectra, these officials represent a new target group among the company's existing customers.

### EU secrets protected by Tiger

During the EU presidency of Sweden and the Czech Republic in 2009, Tiger XS was used to protect telephone calls from eavesdropping. The product makes it easy for decision-makers and officials to communicate EU secrets, and five European countries to date have opted to use Tiger XS during their presidencies.

### Enhanced security for public safety agencies

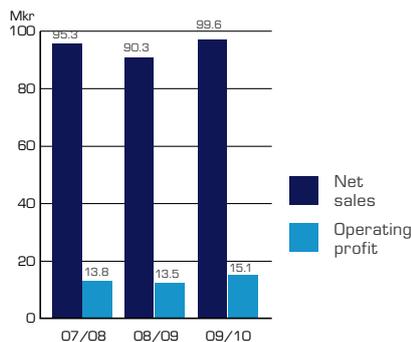
In conjunction with Sweden's EU presidency, Sectra's Tetra crypto started being used to protect conversations from eavesdropping in the Swedish radio system Raket. Users of the product fill vital public functions, such as the police, customs, coast guard and the Swedish Armed Forces. On behalf of the Swedish Defense Materiel Administration (FMV), Sectra is developing new functions that will enable users to send secure text messages and location coordinates.

### Security during peacekeeping missions

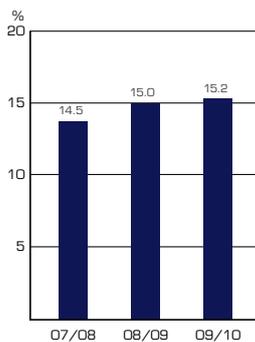
Sectra holds a leading position in the Swedish crypto market. During the year, FMV invested in communication security and ordered development assignments and additional volumes of existing products from Sectra.

The encryption of defense secrets saves lives and enables troops to successfully carry out their peacekeeping missions. In 2011, the EU's Swedish-led Nordic Batt-

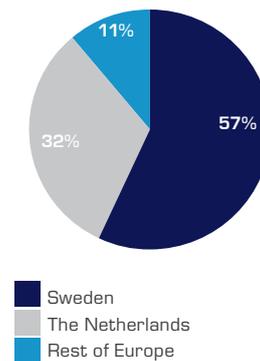
Sales and earnings



Operating margin



Net sales per geographical market





legroup will thus be equipped with Tiger XS for secure IP telephony in command positions and Sectra's crypto for secure field radio communication between military troops. On behalf of FMV, Sectra has integrated the two crypto systems to facilitate secure communications directly between headquarters and troops in the field, a function being requested by an increasing number of customers.

## QUALITY

### Crucial security approvals

Government authorities and defense organizations must follow regulations governing the management of security-classified information and requirements for approved encryption products. Sectra offers high-quality products, and Tiger XS is the only product in the market for secure telephony that is security-approved by both the EU and NATO. Sectra's Tiger products are also approved by several national security authorities in Europe.

### Easy-to-use products

Sectra is driven by a desire to offer crypto products that are easy to use. Ensuring that the system is actually used is a key security aspect, and thus Sectra focuses on user-friendliness in all of its product develop-

ment. 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.

### 100% on time

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

## PRODUCT DEVELOPMENT

Sectra expanded its product portfolio in secure telephony with the launch of Panthon and the enhancement of the Tiger offering. Sectra also developed customized products for secure communication and streamlined its products for communication during peacekeeping missions.

### Secure smartphones

Smartphones are growing in popularity and attracting an increasing number of custo-

mers in government authorities. To simplify its customers' everyday work, Sectra responded to this new trend by further developing its products for secure telephony during the year. The software in Tiger XS was upgraded to support smartphones. To ensure that all government authority employees are able to make secure phone calls, Sectra also developed Panthon, which can be integrated with smartphones. With Panthon, making encrypted phone calls is as simple as placing regular calls. The encryption is installed on a microSD card that is inserted into the telephone and protects phone calls up to the security level Restricted.

### High-speed encryption

The Swedish authorities and defense forces must be able to transmit large quantities of information rapidly and securely in national networks. On behalf of FMV, Sectra has begun developing a high-speed crypto that will encrypt voice, data and video at a speed of 10 Gbit/s. The fastest network crypto currently available from Sectra encrypts traffic in the Swedish civil and military networks at a speed of 155 Mbit/s.

# AUTHORITIES REQUIRE ENHANCED SECURITY

## What are the trends that are influencing your market?

Today, it is easy to eavesdrop on phone calls and this is worrying for government authorities that are required to communicate sensitive information on a daily basis. During the past year, we experienced increased demand for products for secure voice communication that can be used by all employees at a particular authority.

An increase in the number of international partnerships and the need for secure cross-border communication are other trends that are having a positive impact on Sectra's business. The European market has long been characterized by a demand for products that can be used to ensure secure communication between authorities in different countries.

## What are the factors underlying your success in recent years?

We have shifted from a technology focus to a market focus and streamlined

our operations. Our main concern today is not the technology itself, but the value it offers to customers. We are focusing on products that are easy to use and developing security functions that simplify the user's everyday experience. Tiger XS is a unique product that is very easy to handle.

## How will secure communication systems continue to grow?

We will continue 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 secure telephony to all EU countries, with the aim of expanding the market by a few new countries each year. In countries where we already have customers, the goal is to attract more users and increase our sales volumes. In Sweden and the Netherlands, we will concentrate on maintaining our current, leading position.

## Are you focusing on any new market in particular?

We have learned that many officials at government authorities communicate sensitive information at the security level Restricted on a daily basis. Our new product, Panthon, is aimed at these officials, who represent a new target group for us.

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

We will focus on increasing our sales volumes of Tiger XS and continuing to develop Sectra's offering in secure voice communication for European authorities.

*"Our long-term goal is to sell products for secure telephony to all EU countries."*

### PRIORITIZED ACTIVITIES 2009/2010

Continued focus on increasing market coverage in the European government authorities market through sales and marketing of Tiger XS.

**Outcome:** The number of Tiger XS users continued to grow during the year as a result of orders from existing and new customers. An additional EU member state chose to begin using Tiger XS.

Continued business development of Sectra's Tiger offering.

**Outcome:** The subscription service for secure voice communication was expanded to include secure fax transfers. The company also further developed its service and support offering for Tiger XS to meet the specific needs of various government authorities, including additional on-site support.



*Michael Bertilsson, President of Secure Communication Systems*

# INCREASED CONCERN ABOUT EAVESDROPPING

Since eavesdropping on telephone calls is easier today than ever before, the risk that sensitive information could end up in the wrong hands is increasing. As a result, more government authorities in Europe are choosing to protect all of their telephony from eavesdropping.

Sectra has developed systems and products for government authorities and defense customers since the 1980s.

*“By providing easy-to-use crypto solutions that are approved by several security authorities, as well as strong core expertise in encryption, we help our customers protect security-classified information,” says Michael Bertilsson, President of Sectra’s Secure Communication Systems operations.*

### Easy to eavesdrop

In 2009, German security researcher Karsten Nohl demonstrated how easy it is to crack the GSM security system and eavesdrop on telephone calls using a normal computer and open-source software. The results of Karsten Nohl’s study were published online and garnered considerable attention worldwide. Security in 3G networks is no better and is soon expected to be cracked by security researchers.

### Cross-border cooperation

European countries are increasingly cooperating to combat terrorism, for example, and maintain peace in various places

around the world. With regard to purchasing, priority is being assigned to products that support cross-border cooperation. Most countries in Europe are affiliated with NATO and their defense departments demand NATO-approved products.

*“Sectra Tiger XS is the only product in the market certified by both the EU and NATO for secure telephony at the security level Secret,” says Michael Bertilsson.*

### Market size

Sectra sells secure communication systems in the European market and currently has the highest share of sales in Sweden and the Netherlands. Since no relevant industry surveys have been established for Sectra’s products in the area of secure communication systems, it is impossible for Sectra to report the size or growth rate of its markets.

According to the company’s own assessments, the number of potential users of Sectra’s Tiger products is calculated on the assumption that approximately 0.3 per thousand residents in a country comprise government officials with sufficient-

ly high-ranking positions to handle state or EU secrets at the security level Secret. This corresponds to about 3,000 potential units in Sweden and approximately 100,000 potential units in Europe as a whole. Sectra’s new Panthon crypto product is designed for officials who require protection on the security level Restricted, a target group that Sectra estimates to be ten times larger than the number of Tiger users.

### Competitors and competitive advantages

Sectra’s main competitors are large companies in which encryption comprises a small portion of their operations, including US defense companies with a broad product portfolio developed for their domestic markets. These companies are well established in the European defense market, but are not as strong competitors in encryption. In some countries, Sectra also faces competition from local players whose primary operations focus on encryption. These companies often work closely with the security authorities in their country.

With the launch of Panthon, which protects telephone calls at a lower security level than Tiger XS, Sectra entered a larger and more competitive market characterized by an abundance of products for protecting commercial information. There are currently two competing products that have been approved by the German Federal Office for Information Security (BSI) at the security level Restricted.

*“Sectra’s central competitive advantages are security approvals from the EU and NATO, established partnerships with leading European security authorities and, most importantly, products that are easy to use,” says Michael Bertilsson.*

### MARKET PLAYERS

Examples	Home market
General Dynamics	US
Harris Corporations	US
L-3 Communications	US
Rohde & Schwarz	Germany
Sectra	Sweden
Secusmart	Germany
Selex Communications	UK
Thales	France

### MARKET POSITION

Sectra is the leading supplier of crypto products for government authorities and defense organizations in Sweden. Most EU member states use Sectra’s products to protect telephone calls from eavesdropping. This also makes Sectra the leading supplier of secure telephony for European government authorities and defense organizations.



*“Government authorities today are more security-conscious and require easy-to-use mobile crypto products. We are meeting this growing demand with our new product, Panthon.”*

# ADMINISTRATION REPORT

The Board of Directors and the President of Sectra AB (publ), corporate registration number 556064-8304, hereby submit the annual report and the consolidated accounts for the period from May 1, 2009 to April 30, 2010. The following income statements, balance sheets, statements of changes in shareholders' equity, cash-flow statements, accounting policies and notes comprise an integrated part of the annual report.

## Statement

The information in this annual report is such that Sectra must publish in accordance with the Securities Market Act. Through press release and on the website, Sectra published the year-end report for the 2009/2010 fiscal year on May 25, 2010 at 8:30 a.m. The Annual Report in its entirety was published through press releases and on the website on June 15, 2010 at 08.30 a.m.

## Operations

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

## Group structure

The Group's structure is built up around the Parent Company Sectra AB, which comprises operations for financing of customer projects and investment management, functions for Group finance, stock market and share-related operations.

The Group operations are organized in two business areas, Secure Communication Systems and Medical Systems, which are responsible for research and development, product management, marketing, sales as well as service and support within their niche areas. The operations within Sectra's business areas are conducted in the wholly owned subsidiaries Sectra Communications AB (Secure Communication Systems) and Sectra Imtec AB (Medical Systems). These subsidiaries have a number of subsidiaries with offices around the world. See Note 12 for further information.

## Significant events

- > During the fiscal year, Sectra partially delivered one of Europe's largest IT solutions for image diagnostics. The customer project pertains to the public sector throughout Northern Ireland and consists of the management of radiology images and patient information for a total of 25 hospitals. The project, which commenced in 2008 and extends for ten years, is Sectra's largest individual order to date, with a total order value of SEK 360 million.
- > During the fiscal year, Medical Systems broadened its distribution channels through cooperation with new distributors in Japan, Spain, the United Arab Emirates and Qatar. These partnerships are in line with Sectra's strategy to primarily expand the distribution network through strong local partners.
- > Sectra signed a six-year agreement with Norwegian Curato, one of the largest radiology companies in the Nordic region. The order value amounted to SEK 100 million.
- > Several major US healthcare providers such as ProMedica Health System, Shields Health Care Group and Cleveland University Hospital ordered radiology IT systems from Sectra.

- > The FMV (Swedish Defense Material Administration) continued to invest in crypto products from Sectra and ordered, for example, the development of a new high-speed crypto and the further development of the Tiger XS, which is used for secure telephony.
- > Sectra launched the new crypto product Panthon, which is directed to government users that require secure telephony up to the security level Restricted. These users represent a new target group for Sectra.
- > Sectra's net financial items were strongly impacted by exchange-rate fluctuations. During the fiscal year, the SEK strengthened against the USD and the EUR, which had a negative impact of SEK 9.3 million (pos: 41.7) on Sectra's net financial items.

## Market

The Sectra Group's largest segment is Medical Systems, which accounts for 89% of the Group's net sales, while Secure Communication Systems account for 11%.

The consolidated order bookings for 2009/2010 amounted to SEK 861.3 million (1,149.7). The lower order bookings were primarily associated with the UK market, where sales of medical systems did not achieve the comparative figures for the preceding year, which includes Sectra's single largest customer agreement valued at approximately SEK 360 million. Sectra's operations in other markets in northern Europe and Australia reported increased order bookings.

Sweden remained the Group's largest individual market with 31% (30) of sales, followed by the US with 26% (27). 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*

More than 52 million radiology examinations are managed annually in Sectra's medical systems, which makes Sectra one of the world's leading suppliers of IT systems for management of radiology images. The market for medical systems continued to expand due to the major need for systems that increase efficiency in healthcare. Growth is driven by exchange transactions, additional sales to installed bases and new sales to a certain extent. The number of healthcare providers that use Sectra's products increased to more than 1,100 hospitals through new sales and the majority of the business area's own subsidiaries increased its sales during the fiscal year. Sales through distribution partners were impacted to a greater extent by the global recession and were lower than in the preceding year.

Sectra's largest markets for medical systems are Scandinavia and the US. A significant portion of the business area's revenue derives from commitment to existing customers. Sectra is focusing on further growth and on capturing market shares where the business area has existing customers and cooperation partners.

### *Secure Communication Systems*

Sectra is the leading supplier of crypto products to government authorities and defense in Sweden. In the EU, a majority of the member countries use Sectra products to protect telephone conversations from eavesdropping. This makes Sectra the leading supplier of secure tele-

phony to European government authorities and defenses. Growth in the market for secure communication systems are driven by the fact that it is easier than ever to eavesdrop on telephone conversations, which means that an increasing number of authorities are choosing to protect their telephony. As a result of increased cooperation between European government authorities, customers require products that support cooperation across borders. Sectra offers products that are approved by both the EU and NATO.

Authorities' possibility to invest in the crypto products offered by Sectra is largely steered by government budget allocation and the market is affected by the socio-economic crises prevailing in several European countries. Sweden and the Netherlands are Sectra's largest markets for secure communication systems and customers there have continued to invest in secure communication during the fiscal year.

#### Seasonal variation

Sectra has seasonal variations, which means that the main portion of the invoicing and earnings traditionally occurs in the third and fourth quarters. The variations in order volume can be significant in terms of individual quarters.

#### Financial overview

##### *Consolidated sales and earnings*

Consolidated net sales for the fiscal year amounted to SEK 848.4 million (863.3). Net sales were impacted by Group eliminations connected with the Group's operations for financing major customer projects in Medical Systems. Sectra recognizes sales from internally financed customer projects over the project period, which is up to ten years. Of the consolidated net sales, 69% (70) pertains to international markets. Sales outside Sweden are primarily in USD and EUR, which means that the accounts are impacted by fluctuations in these currencies. For further information about currency exposures, see Notes 30 and 31.

Operating profit for the period increased 59.8% to SEK 34.2 million (21.4), corresponding to an operating margin of 4.0% (2.5). Internally financed customer projects that were completed in earlier periods contributed positively to the consolidated profit. Profit after net financial items amounted to SEK 23.5 million (71.4), corresponding to a profit margin of 2.8% (8.3). Monetary assets and liabilities are recorded in profit and loss at the rate on the balance-sheet date, which had a negative impact of SEK 9.3 million (pos: 41.7) on the Group's net financial items.

Profit after tax amounted to SEK 17.2 million (50.5). Earnings per share amounted to SEK 0.47 (1.37). Tax includes deferred tax income of SEK 2.0 million pertaining to reduced corporate tax rate in Sweden.

For further information, refer to the statement of profit and loss and balance sheet below and notes from page 32.

##### *Cash flow and financial position*

The consolidated cash flow from operating activities after change in working capital amounted to SEK 47.8 million (15.1). The change compared with the preceding year was primarily due to improved operating profit and a decrease in current assets. After adjustments for exchange-rate differences in cash and cash equivalents, the consolidated cash and cash equivalents amounted to SEK 193.0 million (184.3).

The equity/assets ratio at the end of the period was 62.2% (59.4), with a liquidity multiple of 2.1 (2.0). The Group's interest-bearing liabilities amounted at the end of the period to SEK 39.6 million (46.3), of which SEK 39.6 million (45.4) pertains to convertible debentures.

##### *Investments*

Investments in the Group during the fiscal year amounted to SEK 66.8 million (67.7). Investments were primarily attributable to customer projects in the Group's financing operations and capitalized development costs. During the fiscal year, investments in customer projects were SEK 41.6 million (23.8) and totalled SEK 55.9 million (24.4) at the end of the period. Investments in capitalized development costs during the fiscal year amounted to SEK 16.1 million (39.1). The preceding year's figure was adjusted for impairment by SEK 8.0 million to SEK 31.1 million. Capitalized development costs amounted to SEK 187.0 million (197.6) at the end of the period.

Depreciation/amortization during the fiscal year was SEK 49.8 million (45.1). The increase was connected to depreciation/amortization of customer projects that were finalized and capitalized development projects that were completed and transferred to delivery phase.

##### *Parent Company's sales and profit*

Net sales in the Parent Company Sectra AB for the fiscal year amounted to SEK 25.8 million (23.6). Profit after net financial items amounted to SEK 100.2 million (216.2). For further information, refer to the financial reports and notes from page 34.

#### 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 2009/2010, SEK 16.1 million (39.1) 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 expenses in the income statement. Direct research expenditures are not tangible and, accordingly, no separate reporting of total expenditures is made.

#### Employees

As of the balance-sheet date, Sectra had 601 (577) permanent employees, of whom 28% (27.0) were women. Personnel turnover was 9.5% (13.6).

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 resulted in a very low absence due to illness of about 1.2%. Sectra works continuously to promote equality to achieve an equal gender distribution and diversity. Employees from some 30 countries work at Sectra and contribute experience from different cultures and environments. For further information, see Note 2.

### Environmental information

Sectra primarily develops and sells software and, to a lesser extent, physical products. The company'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. 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 30 for further information.

### Corporate Governance

Management and control of the Sectra Group is divided between the shareholders, the Board of Directors and the President. Sectra applies the Swedish Code of Corporate Governance ("The Code"). Sectra established a corporate governance report in accordance with the rules of the Code and the application instructions stipulated in Swedish legislation and the Code itself. The Report was prepared as a separate document from the Annual Report and the audit report enclosed therein. The Corporate Governance Report is available on the Group's website, [www.sectra.se](http://www.sectra.se), along with other information pertaining to corporate governance within Sectra.

### The Sectra share

On the balance-sheet date, 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. 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. On the balance-sheet date, Sectra had 5,409 shareholders. Of these, the following shareholders had direct and indirect holdings comprising more than 10% of the number of votes for the total number of shares in the company;

- > Jan-Olof Brüer, who directly and indirectly through family and companies, represents 16.9% of the votes.
- > Torbjörn Kronander, who directly and indirectly through companies, represents 16.9% of the votes.

During the year, two new incentive programs were issued. A convertible debenture program with 368,400 convertibles and a share option program with 100,000 options, both at a rate of SEK 47.00. At full conversion and exercise of all issued incentive programs, the number of shares will increase by 928,900, corresponding to 2.5% of the share capital and 1.5% of the voting rights. However, Sectra anticipates that the incentive program 2007/2010, with conversion price of SEK 82.30, will be repaid on the due date June 15, 2010 and consequently, this program will have no dilutive effect. Accordingly, the number of shares after full dilution will amount to 37,400,488. For further information regarding issued incentive programs, see Note 2.

### Subscription warrants

In conjunction with the acquisition of Sectra Mamea AB in April 2004, the

AGM approved the issue of at most 900,000 subscription warrants as future payment of the purchase consideration 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, 2010.

### Authorizations

The 2009 AGM granted authorization to the Board of Directors up until the next AGM to issue new shares of a maximum of 3,700,000 shares. The objective was to facilitate the issue of new shares to finance market investments and 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 balance-sheet date, the Board of Directors had not utilized this authorization. The 2009 AGM also decided that the company would have the right to repurchase up to 10% of the company's own shares up until the next AGM. As of the balance-sheet date, the Board of Directors had not utilized this authorization.

### Guidelines for remuneration to senior executives

The 2009 AGM adopted policies according to the guidelines developed by the Board of Directors for remuneration and other terms of employment for company management. The guidelines pertain to agreements signed or amended after the AGM. Company management refers to the President and other members of Group Management.

Remuneration to company management shall be based on market terms while simultaneously 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, responsibility and performance and shall be based on market terms. The variable salary shall be proportionate to responsibility and authority. It shall also be maximized and based on fulfillment of targets corresponding to shareholders' long-term interests. The variable salary shall, where applicable, be based on quantitative and qualitative goals. The company's costs for the variable portion for the President and other members of company management amount to 0-50% of the fixed salary cost depending on target fulfillment.

The notice period for termination of employment by the employee is 12 months. If employment is terminated by the company, the total termination period and the time during which severance pay is received may be at most 12 months.

Ordinary retirement age shall be 65 years. Pension terms and conditions shall be market-based and based on defined-contribution pension solutions. The pension premium is maximized to 25% of the fixed and variable salary.

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, where the Board member in question may not participate in consideration or approval of the fee.

The issue of remuneration to company management is handled by the President. Remuneration of the President is decided by the Board of Directors. 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 2010 AGM resolve that the policies for remuneration and other employment terms and conditions adopted by the 2009 AGM in all respects shall continue to apply, with the exception of the following amendments that shall apply to agreements signed or amended after the 2010 AGM:

- > The variable remuneration shall be proportional to the responsibility and authority. In addition, it shall be based on the fulfillment of goals that promote the company's long-term value generation. The variable portion shall, where applicable, be connected to predetermined and measurable criteria. The company's cost for the variable portion for the President and other members of company management shall be a maximum of 50% of the fixed salary cost for each person.
- > Furthermore, the sum of the termination period and the period during which severance pay will be received shall be a maximum of 24 months, if termination is from the company, instead of the former 12 months.

#### The Board of Directors' statement pertaining to repurchase of own shares

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

#### Significant events after balance-sheet date

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

#### Outlook

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

#### Approval of reports

Pursuant to the Board decision on June 4, 2010, the consolidated financial statements have been approved for publication and will be presented to the AGM for adoption on June 30, 2010.

#### Proposed appropriation of profits

Amounts in SEK thousands

The following is at the disposal of the Annual General Meeting:

Fund for fair value	-15,339
Profit brought forward	218,798
Profit for the year	84,445
	287,904

The Board and President propose that:

To be paid as Group contribution net after tax	63,603
To be paid as dividend	0
To be carried forward	224,301
	287,904

#### Board of Directors' affirmation

We believe that that 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 Administration 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 uncertainties facing the Parent Company and the companies included in the Group.

Linköping June 4 2010

Jan-Olof Brüer  
President and CEO

Carl-Erik Ridderstråle  
Chairman of the Board

Torbjörn Kronander  
Board member

Christer Nilsson  
Board member

Erika Söderberg Johnson  
Board member

Anders Persson  
Board member

Ann-Sofi Mikaelsson  
Employee representative

Mats Björnemo  
Employee representative

Our auditors' report was submitted on June 8, 2010

Grant Thornton Sweden AB

Peter Bodin

Authorized Public Accountant

# THE GROUP

## Consolidated income statement

Amounts in SEK thousands	Note	09/10	08/09
<b>Operating income</b>	1		
Net sales		848,357	863,275
Capitalized work for own use		16,149	39,059
<b>Total income</b>		<b>864,506</b>	<b>902,334</b>
<b>Operating expenses</b>			
Goods for resale		-167,527	-213,746
Personnel costs	2	-444,345	-427,688
Other external costs	3, 4	-168,677	-194,382
Depreciation of machinery and equipment	11	-18,929	-11,616
Amortization/impairment of intangible assets	10	-30,830	-33,487
<b>Total operating expenses</b>		<b>-830,308</b>	<b>-880,919</b>
<b>Operating profit</b>		<b>34,198</b>	<b>21,415</b>
<b>Financial investments</b>			
Interest income and similar profit/loss items	6	464	51,958
Interest expenses and similar expense items	7	-11,124	-1,979
<b>Net financial items</b>		<b>-10,660</b>	<b>49 979</b>
<b>Profit after financial items</b>		<b>23,538</b>	<b>71 394</b>
Tax	9	-6,331	-20,938
<b>Net profit for the year</b>		<b>17,207</b>	<b>50,456</b>
Attributable to			
Parent Company's shareholders		17,207	50,456
Minority interest		0	0
<b>Earnings per share, SEK</b>			
Before dilution		0.47	1.37
After dilution		0.46	1.35
<b>No. of shares at year-end</b>			
Before dilution		36,842,088	36,842,088
After dilution	2	37,400,488	37,302,588
Average number of shares, before dilution		36,842,088	36,842,088
Average number of shares, after dilution	2	37,544,946	37,533,788

## Consolidated statement of comprehensive income

Amounts in SEK thousands	Note	09/10	08/09
<b>Net profit for the period</b>		<b>17,207</b>	<b>50,456</b>
<b>Other comprehensive income</b>			
Change in translation difference from translating foreign subsidiaries for the period		-16,244	4,630
<b>Other comprehensive income for the period</b>		<b>-16,244</b>	<b>4,630</b>
<b>Total comprehensive income for the period</b>		<b>963</b>	<b>55 086</b>
Attributable to:			
Parent Company's shareholders		963	55,086
Minority interest		0	0

## Consolidated cash-flow statement

Amounts in SEK thousands	Note	09/10	08/09
<b>CURRENT OPERATIONS</b>			
Operating profit		34,198	21,415
Adjustment for non-cash items	26	32,749	85,488
Interest received		- 916	10,271
Interest paid		-1,871	-1,979
Income tax paid		-26,529	-21,158
<b>Cash flow from current operations before changes in working capital</b>		<b>37,631</b>	<b>94,037</b>
<b>Changes in working capital</b>			
Change in inventories		26,000	-17,099
Change in receivables		-495	-59,431
Change in current liabilities		-15,356	-2,423
<b>Cash flow from current operations</b>		<b>47,780</b>	<b>15,084</b>
<b>INVESTMENT ACTIVITY</b>			
Acquisitions of fixed assets		-66,807	-67,714
<b>Cash flow from investment activity</b>		<b>-66,807</b>	<b>-67,714</b>
<b>FINANCING ACTIVITY</b>			
Change in convertibles		-5,817	-11,745
Change in long-term receivables		20,047	23,028
Change in long-term liabilities		-1,034	-18,437
Dividend to shareholders		0	-18,421
<b>Cash flow from financing activity</b>		<b>13,196</b>	<b>-25,575</b>
<b>Cash flow for the year</b>		<b>-5,831</b>	<b>-78,205</b>
Cash and cash equivalents at start of year		184,282	288,358
Exchange-rate difference in cash and cash equivalents		14,573	-25,871
Cash and cash equivalents at year-end	18	193,024	184,282
Unutilized credit facilities		15,000	15,000

## Consolidated balance sheets

Amounts in SEK thousands	Note	30 April 10	30 April 09	Amounts in SEK thousands	Note	30 April 10	30 April 09
<b>ASSETS</b>				<b>EQUITY AND LIABILITIES</b>			
<b>Fixed assets</b>				<b>Shareholders' equity</b>			
Intangible assets	10	211,079	227,216	Share capital		36,842	36,842
Machinery and equipment	11	72,780	44,941	Other contributed capital		296,526	296,526
Long-term investments	14, 29	3,931	24,614	Reserves		21,155	18,664
<b>Total fixed assets</b>		<b>287,790</b>	<b>296,771</b>	Retained earnings, including net profit for the year		248,045	247,082
<b>Current assets</b>				<b>Total shareholders' equity</b>		<b>602,568</b>	<b>599,114</b>
Inventories	15	57,484	84,794	<b>Long-term liabilities</b>			
Accounts receivable	16, 30	202,983	228,117	Provisions	20	6,354	6,491
Current tax assets		17,119	11,837	Deferred tax liability	20	16,141	23,984
Other receivables		13,852	8,307	Liabilities to financial institutions	21	0	95
Prepaid expenses and accrued income	17	174,423	173,047	Other long-term liabilities	22	17,315	23,067
Short-term investments	14, 29	22,000	21,000	<b>Total long-term liabilities</b>		<b>39,810</b>	<b>53,637</b>
Cash and cash equivalents	18	193,024	184,282	<b>Current liabilities</b>			
<b>Total current assets</b>		<b>680,885</b>	<b>711,384</b>	Accounts payable		37,103	47,262
<b>TOTAL ASSETS</b>		<b>968,675</b>	<b>1,008,155</b>	Current tax liability		11,199	19,130
				Other current liabilities	23	46,149	45,489
				Accrued expenses and deferred income	24	231,846	243,523
				<b>Total current liabilities</b>		<b>326,297</b>	<b>355,404</b>
				<b>TOTAL EQUITY AND LIABILITIES</b>		<b>968,675</b>	<b>1,008,155</b>

Pledged assets and contingent liabilities, see Note 25.

## Changes in Group equity

Amounts in SEK thousands	Share capital	Other contributed capital	Reserves		Retained earnings	Total equity
			Translation reserve	Other reserves		
<b>Equity as of May 1, 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>
Comprehensive income for the year	0	0	4,573	750	49,763	55,086
Share-based payments	0	0	0	1,779	0	1,779
Dividend	0	0	0	0	-18 421	-18,421
<b>Equity as of April 30, 2009</b>	<b>36,842</b>	<b>296,526</b>	<b>5,525</b>	<b>13,139</b>	<b>247 082</b>	<b>599,114</b>
Comprehensive income for the year	0	0	0	0	963	963
Share-based payments	0	0	0	2,491	0	2,491
<b>Equity as of April 30, 2010</b>	<b>36,842</b>	<b>296,526</b>	<b>5,525</b>	<b>15,630</b>	<b>248,045</b>	<b>602,568</b>

Other contributed capital comprises a statutory reserve and premiums paid in conjunction with share issues. The translation reserve includes exchange-rate differences arising in the translation of foreign subsidiaries' financial statements. Other reserves mostly include the remeasurement of such share-based remuneration as convertibles and stock option programs.

There are no minority interests in the Sectra Group.

# PARENT COMPANY

## Income statement

Amounts in SEK thousands	Note	09/10	08/09
<b>Operating income</b>	1		
Net sales		25,804	23,643
<b>Operating expenses</b>			
Personnel costs	2	-12,302	-11,080
Other external costs	3	-19,505	-21,501
Depreciation of tangible fixed assets	11	-558	-470
<b>Operating profit</b>		<b>-6,561</b>	<b>-9,408</b>
<b>Result from financial investments</b>			
Income from participations in Group companies	5	107,573	213,039
Interest income and similar items	6	2,107	14,503
Interest expenses and similar items	7	-2,941	-1,907
<b>Profit after financial items</b>		<b>100,178</b>	<b>216,227</b>
Appropriations	8	15,700	-10,677
<b>Profit before tax</b>		<b>115,878</b>	<b>205,550</b>
Tax on income for the year	9	-31,433	-58,112
<b>Net profit for the year</b>		<b>84,445</b>	<b>147,438</b>

## Cash-flow statement

Amounts in SEK thousands	Note	09/10	08/09
<b>CURRENT OPERATIONS</b>			
Operating profit		-6,561	-9,408
Adjustment for non-cash items	26	-14,970	6,815
Interest received		13,656	43,304
Interest paid		-1,428	-16,252
Income tax paid		-20,306	-15,375
<b>Cash flow from current operations before changes in working capital</b>		<b>-29,609</b>	<b>9,084</b>
<b>Changes in working capital</b>			
Change in receivables		-68,483	380,243
Change in current liabilities		86,309	127,311
<b>Cash flow from current operations</b>		<b>-11,783</b>	<b>516,638</b>
<b>INVESTMENT ACTIVITY</b>			
Acquisitions of fixed assets		-521	-842
<b>Cash flow from investment activity</b>		<b>-521</b>	<b>-842</b>
<b>FINANCING ACTIVITY</b>			
Change in convertibles		-5,817	-11,745
Change in long-term receivables		20,064	23,002
Change in long-term liabilities		-3,955	-53,543
Dividend to shareholders		0	-18,421
Group contributions received		8,400	64,960
<b>Cash flow from financing activity</b>		<b>18,692</b>	<b>4,253</b>
<b>Cash flow for the year</b>		<b>6,388</b>	<b>520,049</b>
Cash and cash equivalents at start of year		722,872	202,823
Cash and cash equivalents at year-end	18	729,260	722,872
Unutilized credit facilities		15,000	15 000

## Balance sheet

Amounts in SEK thousands	Note	30 April 10	30 April 09	Amounts in SEK thousands	Note	30 April 10	30 April 09
<b>ASSETS</b>				<b>EQUITY AND LIABILITIES</b>			
<b>Fixed assets</b>				<b>Shareholders' equity</b>			
Machinery and equipment	11	1,878	1,915	<i>Restricted equity</i>			
Participations in Group companies	12	13,978	13,978	Share capital		36,842	36,842
Receivable from Group companies	13	152,465	0	Share premium reserve		226,456	226,456
Long-term investments	14	1,419	22,039	<b>Total restricted equity</b>		<b>263,298</b>	<b>263,298</b>
<b>Total fixed assets</b>		<b>169,740</b>	<b>37,932</b>	<i>Unrestricted equity</i>			
<b>Current assets</b>				Fund for fair value		-15,339	0
Receivable from Group companies		314,299	398,030	Retained earnings		155,195	71,360
Other receivables		2,510	2,467	Net profit for the year		84,445	147,438
Prepaid expenses and accrued income	17	2,125	2,863	<b>Total unrestricted equity</b>		<b>224,301</b>	<b>218,798</b>
Short-term investments	14	22,000	21,000	<b>Total shareholders' equity</b>		<b>487,599</b>	<b>482,096</b>
<b>Cash and cash equivalents</b>	18	<b>729,260</b>	<b>722,872</b>	<b>Untaxed reserves</b>	19	<b>97,836</b>	<b>113,536</b>
<b>Total current assets</b>		<b>1,070,194</b>	<b>1,147,232</b>	<b>Long-term liabilities</b>			
<b>TOTAL ASSETS</b>		<b>1,239,934</b>	<b>1,185,164</b>	Other long-term liabilities	22	17,315	22,262
				<b>Total long-term liabilities</b>		<b>17,315</b>	<b>22,262</b>
<b>Pledged assets and contingent liabilities</b>				<b>Current liabilities</b>			
		<b>100430</b>	<b>090430</b>	Accounts payable		855	604
Pledged assets		11,000	11,000	Liabilities to Group companies		609,021	526,736
<b>Total pledged assets</b>		<b>11,000</b>	<b>11,000</b>	Current tax liability		1,213	12,783
Guarantees on behalf of group companies		308,047	368,396	Other current liabilities	23	22,674	23,523
<b>Total contingent liabilities</b>		<b>308,047</b>	<b>368,396</b>	Accrued expenses and deferred income	24	3,421	3,624
				<b>Total current liabilities</b>		<b>637,184</b>	<b>567,270</b>
				<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,239,934</b>	<b>1,185,164</b>

## Changes in Parent Company equity

Amounts in SEK thousands	Share capital	Statutory reserve	Fund for fair value	Unrestricted equity	Total equity
Equity as of May 1, 2008	36,842	226,456	0	181,574	444,872
Group contributions paid	0	0	0	-126,740	-126,740
Tax effect	0	0	0	35,487	35,487
Present value difference	0	0	0	-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>0</b>	<b>-91,793</b>	<b>-91,793</b>
Net earnings for the year	0	0	0	147,438	147,438
<b>Total changes in capital excl. transactions with the company's owner</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>55,645</b>	<b>55,645</b>
Dividend	0	0	0	-18,421	-18,421
<b>Equity as of April 30, 2009</b>	<b>36,842</b>	<b>226,456</b>	<b>0</b>	<b>218,798</b>	<b>482,096</b>
Group contributions paid	0	0	0	-86,300	-86,300
Tax effect	0	0	0	22,697	22,697
Present value difference	0	0	-15,339	0	-15,339
<b>Total changes in capital recognized directly in equity, excl. transactions with the company's owner</b>	<b>0</b>	<b>0</b>	<b>-15,339</b>	<b>-63,603</b>	<b>-78,942</b>
Net earnings for the year	0	0	0	84,445	84,445
<b>Total changes in capital excl. transactions with the company's owner</b>	<b>0</b>	<b>0</b>	<b>-15,339</b>	<b>20,842</b>	<b>5,503</b>
<b>Equity as of April 30, 2010</b>	<b>36,842</b>	<b>226,456</b>	<b>-15,339</b>	<b>239,640</b>	<b>487,599</b>

# ACCOUNTING POLICIES

## General accounting policies

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 1.2 Supplemental accounting rules for groups has been applied.

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

## Amended accounting policies

Below is a description of the amended accounting policies applied by the Group from May 1, 2009.

### *IAS 1 Presentation of Financial Statements*

The Group has applied the amended IAS 1 Presentation of Financial Statements since May 2009. As a result of this amendment, income and expenses that were previously recognized directly in shareholders' equity and are not attributable to owner transactions, are now instead recognized under "Other comprehensive income," which Sectra presents in a separate report entitled "Statement of comprehensive income" directly after the income statement. All comparative periods in the Annual Report have been changed to comply with the standard. Since these amendments only affect the presentation of financial statements, no amounts have been changed with respect to earnings per share or other items in the financial statements.

### *IFRS 7 Financial Instruments: Disclosures*

This amendment stipulates new disclosure requirements for financial instruments measured at fair value. Instruments are divided into three levels depending on the quality of the input data. This amendment also entails more comprehensive liquidity risk disclosures.

### *IFRS 8 Operating Segments*

The Group has applied the new IFRS 8 Operating Segments, which replaced IAS 14 Segment Reporting, since May 1, 2009. IFRS 8 stipulates that operating segments are to be classified and presented according to a management perspective. The standard has been applied in accordance with its transitional rules, meaning that the information for comparative years has been adjusted to comply with the requirements of IFRS 8. The application of IFRS 8 has not entailed any changes to Sectra's segment classification, since the segments identified in accordance with IAS 14 corresponded with those monitored by the Board of Directors and the company's executive management.

### *IAS 23 Borrowing Costs*

IAS 23 stipulates that borrowing costs that are directly attributable to assets that take a substantial amount of time to prepare for use must be

capitalized. The policy is not currently relevant to the company since the Group has no loans attributable to such assets.

Other amendments are currently deemed to have no effect on the financial statements.

## New and amended accounting policies that become applicable from May 1, 2010

IFRS 3 Business Combinations and IAS 27 Consolidated and Separate Financial Statements entail changes to the definition of a business, recognition of transaction fees, determination of the purchase consideration on the acquisition date, recognition of liabilities related to purchase considerations and recognition of non-controlling interests.

These changes may have a future impact on the financial statements.

## Parent Company

The Parent Company applies the same accounting policies 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 recognized in the Parent Company in accordance with Swedish law.

## Basis for preparation of the reports

Assets, provisions and liabilities are measured at cost or nominal 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 28.

## Consolidated financial statements

The consolidated financial statements have been prepared using the acquisition method, and cover those companies in which the Parent Company, directly or through subsidiaries, exerts a controlling influence. A controlling influence 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 cost of the subsidiary's shares is determined by means of an acquisition analysis conducted at the time of the acquisition. The cost 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 recognized 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 recognized in Group earnings after tax and the share of net assets is recognized in consolidated shareholders' equity.

Shareholdings in associated companies in which the Group holds not less than 20% and not more than 50% of the votes are recognized 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 recognized as "participations in the earnings of associated companies." As of the balance-sheet date, Sectra had no minority interests or participations 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 recognized initially in the functional currency at the currency rate on the transaction date. Monetary assets and liabilities in foreign currencies are translated to the functional currency at the exchange rate prevailing on the 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 recognized in profit and loss.

##### *Financial statements of foreign operations*

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

#### Segment reporting

The division by operating segment is based on the areas of operation monitored by the Board of Directors and executive management in their internal reporting. The Group's operational divisions, Medical Systems and Secure Communication Systems, serve as its operating segments, which corresponds with the operating structure of the Group. Other operations pertain primarily to activities for financing of customer projects and the Parent Company's invoicing for Group-wide services and asset management.

#### Revenue recognition

The Group's revenues mainly derive from fixed-price projects, sales of products and licenses, and consulting work. Project-based income is recognized based on the project's degree of completion at the balance-sheet date.

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

#### Pensions and post-retirement benefits to employees

The Sectra Group has defined-contribution pensions only, which means that the Group makes payments to various pension institutions on an ongoing basis. These pension payments are expensed continuously and constitute the Group's pension costs for the year, which are recognized under "Personnel costs." Sectra has no other pension obligations and is not responsible for any value changes in the paid-in premiums. This means that Sectra does not bear the risk when pensions are paid, and no pension obligations are recognized as liabilities in the balance sheet.

#### Intangible fixed assets

Intangible fixed assets are recognized at cost, less amortization and impairment losses. Individual assessments of value in use are conducted on an ongoing basis in order to identify any impairment need. If the 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 recognized 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 project costs include all expenses directly attributable to materials, services and remuneration to employees. Capitalized development costs are subject to straight-line amortization over the period of use per individual asset, although the maximum amortization period is ten years. Amortizations of capitalized development costs start when the asset is completed and sold to customer.

### *Patents*

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

### *Trademarks and customer relations*

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

### **Tangible fixed assets**

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

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

### **Leasing**

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

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

### **Borrowing costs**

Borrowing costs are recognized in profit and loss 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 recognized at the lower of historical cost according to the first-in, first-out (FIFO) method or fair 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 recognized at the amount expected to be collected, based upon individual assessment.

### **Tax recognitions**

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

### **Financial instruments**

Financial instruments include both assets and liabilities. Securities holdings and other receivables, accounts receivable and cash and cash equivalents are

recognized as assets. Financial liabilities include convertible debentures, accounts payable and other financial liabilities.

### *Financial assets*

Financial assets are recognized in the balance sheet when the company becomes party to the agreement, and are removed when the agreement expires or the company loses control over the assets. Market-listed shares are measured at market value, while financial instruments held to maturity are measured at amortized cost. Cash and cash equivalents and short-term investments of surplus liquidity are measured on a continuous basis at fair value and value changes are recognized in profit and loss. Loan receivables and accounts receivable are recognized at amortized cost. Impairment testing of these assets is carried out on a continuous basis and any impairment losses are recognized in profit and loss as other operating expenses. A provision for receivables is posted when there is evidence that the Group will not receive payment in accordance with the original terms of the receivable.

### *Financial liabilities*

Financial liabilities are recognized in the balance sheet when the invoice is received or when the company in another manner becomes party to the contractual obligations. A financial liability is derecognized from the balance sheet when the obligation specified is discharged and all liability expires. Loan debts are initially recognized at nominal value after subtracting transaction costs. The liabilities are continuously measured at amortized cost after adjustments for any surplus/deficit, with interest accrued over the term of the loan. Interest expenses are recognized directly in profit and loss. Convertible debentures are recognized as combined financial instruments divided into a liability and an equity portion. The liability portion of convertible debenture loans is measured 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 offset and are not posted to the balance sheet. Futures premiums accrue over the term of the contract. There were no currency forwards or derivative instruments within the Sectra Group on the balance-sheet date.

### *Fair value*

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

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## Note 1 Operating segments

The division of operating segments was determined based on the internal reporting to the Board of Directors and the company's executive management. Information regarding the company's operational segments and geographic areas was used to evaluate sales and earnings in the Group and to allocate the Group's resources among various segments. The identified operational divisions are Medical Systems and Secure Communication Systems.

Medical Systems develops and sells IT systems for radiology clinics and medical equipment. The main products in the segment are IT solutions for processing and archiving radiology images and patient information, digital radiology equipment for

mammography examinations and IT solutions for orthopaedics. Development and production are primarily carried out in Sweden, and sales are conducted through Sectra's own sales company and through external distributors.

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

### Operations

	Medical systems <sup>1</sup>		Secure Communications Systems		Other operations <sup>2</sup>		Eliminations <sup>3</sup>		Total Group <sup>4</sup>	
	09/10	08/09	09/10	08/09	09/10	08/09	09/10	08/09	09/10	08/09
Net sales	810,146	810,113	99,631	90,253	81,451	36,071	-142,871	-73,162	848,357	863,275
Depreciation	38,960	40,491	435	256	10,364	4,356	0	0	49,759	45,103
Operating profit	26,461	44,721	15,076	13,492	-3,681	-8,047	-3,658	-28,751	34,198	21,415
Assets	751,089	722,264	78,698	54,800	1,276,992	1,204,372	-1,138,104	-973,281	968,675	1,008,155
Liabilities	690,358	670,594	73,273	49,572	736,687	628,749	-1,138,104	-939,874	362,214	409,041
Investments	33,491	38,715	1,090	3,946	32,226	25,053	0	0	66,807	67,714

### Geographic areas

	Sweden		Rest of Europe		North America		Rest of world		Total	
	09/10	08/09	09/10	08/09	09/10	08/09	09/10	08/09	09/10	08/09
Net sales	263,536	257,625	325,471	348,931	224,610	236,905	34,740	19,814	848,357	863,275
Assets	632,906	761,058	177,942	171,035	129,449	64,048	28,378	12,014	968,675	1,008,155
Investments	18,669	42,789	47,796	4,016	235	20,809	107	100	66,807	67,714

<sup>1</sup> Sectra's mammography operations accounted for SEK 94.5 million (86.3) of the company's sales and posted a loss of SEK 79.0 million (loss: 96.6), which was included in the operating result for the fiscal year.

<sup>2</sup> 63.6% (34.4) of other operations pertain to activities to finance customer projects and 31.7% (65.6) to the Parent Company's billing of Group-wide services and asset management.

<sup>3</sup> 100% of the Parent Company's total sales are attributable to other companies in the Group of companies to which the company belongs. Purchases from Group companies amounted to 0%.

<sup>4</sup> Sectra has no customers that individually contribute more than 10% of total net sales. Most of the Group's fixed assets are in Sweden.

## Note 2 Employees and personnel costs

### Average number of employees and percentage of women

	09/10		08/09	
	Total	of whom, women	Total	of whom, women
<b>Parent Company</b>				
Sweden	19	11	16	9
<b>Group</b>				
Australia	12	3	13	3
Canada	6	0	0	0
Denmark	4	1	4	0
Germany	22	7	25	9
Japan	1	0	0	0
Netherlands	19	3	15	1
New Zealand	2	0	2	0
Norway	11	4	11	4
Portugal	6	3	0	0
Spain	5	2	10	5
Sweden	357	94	335	93
Switzerland	2	0	0	0
UK	48	16	33	10
US	89	22	90	18
<b>Group total</b>	<b>584</b>	<b>155</b>	<b>538</b>	<b>143</b>

### Salaries and other remuneration

	09/10		08/09	
	Board of Directors and President	Other employees	Board of Directors and President	Other employees
<b>Parent Company</b>				
Sweden	1,868	5,978	1,924	4,930
<b>Group</b>				
Australia	1,256	7,423	1,089	8,271
Canada	0	4,896	0	0
Denmark	1,002	2,630	1,052	2,291
Germany	1,994	13,888	1,353	12,912
Japan	0	979	0	0
Netherlands	1,626	10,166	1,720	7,631
New Zealand	0	867	0	814
Norway	1,435	8,278	830	7,453
Portugal	798	1,790	0	0
Spain	0	2,690	1,048	3,358
Sweden	6,261	150,476	6,269	144,332
Switzerland	0	1,623	0	0
UK	1,414	27,955	1,773	19,539
US	2,730	75,142	3,180	84,640
<b>Group total</b>	<b>18,516</b>	<b>308,803</b>	<b>18,314</b>	<b>291,241</b>

The proportion of female Board members, including employee representatives on the Boards of Directors of all Group companies, amounted to 11% (17), and on the Parent Company's Board of Directors to 29% (25). The proportion of women in the Group's management groups, including company presidents, amounted to 19% (21), and in Group management to 20% (20).

## Social costs

	09/10				08/09			
	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	858	261	2,545	590	857	263	2,165	467
<b>Group</b>								
Australia	133	133	593	593	100	100	686	553
Canada	0	0	614	195	0	0	0	0
Denmark	77	71	224	200	199	115	274	247
Germany	297	266	2,720	1,053	265	244	2,656	1,170
Japan	0	0	0	0	0	0	0	0
Netherlands	296	133	1,903	420	275	101	1,180	173
New Zealand	0	0	15	0	0	0	13	0
Norway	231	29	2,093	763	179	63	1,331	243
Portugal	112	0	256	0	0	0	0	0
Spain	0	0	583	0	193	0	621	0
Sweden	3,291	1,110	67,397	16,556	3,266	1,080	64,743	15,100
Switzerland	0	0	226	116	0	0	0	0
UK	267	70	4,497	1,147	288	72	2,875	683
US	159	43	13,474	1,784	198	103	14,888	1,949
<b>Group total</b>	<b>4,863</b>	<b>1,855</b>	<b>94,595</b>	<b>22,827</b>	<b>4,963</b>	<b>1,878</b>	<b>89,267</b>	<b>20,118</b>

## Absence due to illness % of regular work hours

	Group		Parent Company	
	09/10	08/09	09/10	08/09
<b>Total</b>				
All employees	1.2	1.1	0.9	1.5
of which, proportion of absences lasting 60 days or longer	0.0	10.9	0.0	0.0
<b>By group</b>				
Women	1.4	1.5	1.0	1.6
Men	1.1	1.0	0.7	1.4
Employees 29 years and younger	1.3	1.5	1.4	4.5
Employees 30-49 years	1.2	1.1	0.9	0.9
Employees 50 years and older	1.0	0.1	0.0	0.0

## Remuneration to the Board, President and other senior executives 2009/2010

	Board fee	Basic salary	Variable remuneration	Other benefits	Pension premiums	Total
Carl-Erik Ridderstråle, Board Chairman	250	0	0	0	0	250
Erika Söderberg Johnson	150	0	0	0	0	150
Torbjörn Kronander	0	1,417	0	0	258	1,675
Anders Persson	150	0	0	0	0	150
Christer Nilsson	150	0	0	0	0	150
<b>Total remuneration to the Board</b>	<b>700</b>	<b>1,417</b>	<b>0</b>	<b>0</b>	<b>258</b>	<b>2,375</b>
President/CEO	0	1,168	0	0	261	1,429
Other senior executives (4 persons)	0	2,476	0	0	453	2,929
<b>Total remuneration to the President and other senior executives</b>	<b>0</b>	<b>3,644</b>	<b>0</b>	<b>0</b>	<b>714</b>	<b>4,358</b>
<b>Total</b>	<b>700</b>	<b>5,061</b>	<b>0</b>	<b>0</b>	<b>972</b>	<b>6,733</b>

### Preparation and decision-making process

The Board fee was decided at the Annual General Meeting in accordance with the proposal of the Nomination Committee. Guidelines for remuneration to the President and other senior executives are determined at the Annual General Meeting. Remuneration to the President/CEO was considered and decided by the Board Chairman. 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 2009/2010 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%. "Other senior executives" refers to the four individuals who, together with the President/CEO and Vice President/President Medical Systems, comprised Group management during the fiscal year.

### Terms of notice and severance pay

The company must give the President/CEO 18 months' notice of termination. The President/CEO must give the company six months' notice of resignation. The notice periods for other senior executives range from three to 12 months on the part of the company, and from three to six months on the part of the executives.

There are no special agreements regarding severance pay.

### Pension

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

### Share-based remuneration

Convertibles and stock option programs enable employees to acquire shares in the company. The fair value of the allocated convertibles and options is recognized as a personnel cost with a corresponding increase in shareholders' equity. The fair value is calculated on the allocation date and is allocated over the vesting period. The fair value of the allocated convertibles and options is calculated according to the Black & Scholes model and consideration is given to the terms and conditions that applied on the allocation date. The amount recognized as an expense is adjusted to reflect the actual number of vested convertibles and options. During the fiscal year, share-based remuneration was expensed in an amount of SEK 2,491 thousand (2,584), of which SEK 758 thousand (906) pertained to senior executives, including the President/CEO.

### Issued incentive programs

Convertibles programs	2007/2010	2009/2012	
Number of underlying Series B shares	270,500	368,400	
Conversion rate, SEK	82.30	47.00	
Exercise period	May 24-28, 2010	May 21-25, 2012	
Time to expiration	June 15, 2010	June 15, 2012	
Interest rate during time to expiration	4%	4%	
Dilution upon full conversion, capital	0.7%	1.0%	

Employee stock option programs	2007/2010	2008/2011	2009/2012
Number of underlying Series B shares	100,000	90,000	100,000
Exercise price, SEK	82.30	78.90	47.00
Exercise period	May 24-28, 2010	Sep 9-15, 2011	Aug 19-25, 2012
Number of options exercised at April 30, 2010	0	0	0
Dilution at full exercise, capital	0.3%	0.2%	0.3%

During the year, two new incentive programs were issued. A convertible debenture program with 368,400 convertibles and a stock options program with 100,000 options, both at a rate of SEK 47.00.

The dilution resulting from the convertible debenture loan 2007/2010 (270,500) and the employee stock option program 2007/2010 (100,000) is expected to be zero according to the company's assessment, since the conversion rate for the debentures amounts to SEK 82.30. Accordingly, the convertible loan is expected to be repaid at the maturity date on June 15, 2010.

### Note 3 Fees to auditors

	Group		Parent Company	
	09/10	08/09	09/10	08/09
Audit services				
Grant Thornton Sweden AB	1,108	837	211	192
Other audit firms	248	165	0	0
Consultation				
Grant Thornton Sweden AB	325	1,540	170	1,364
Other audit firms	536	375	164	0
<b>Total</b>	<b>2,217</b>	<b>2,917</b>	<b>545</b>	<b>1,556</b>

### Note 4 Costs for operational leases

Annual leasing fees paid for operational leases totaled SEK 5,013 thousand (7,287). Agreed future leasing fees for operational leases are payable as shown below:

	Group			
	10/11	11/12	12/13	13/14
Cars	2,975	2,284	948	497
Other	314	192	100	71
Subleased objects	1,481	1,481	820	157
<b>Total</b>	<b>4,770</b>	<b>3,957</b>	<b>1,868</b>	<b>725</b>

Total future leasing fees pertaining to non-terminable agreements for subleased objects amounted to SEK 3,939 thousand. Revenues during the 2009/2010 fiscal year pertaining to leasing items leased onward amounted to SEK 3,636 thousand.

### Note 5 Income from participations in Group companies

	Parent Company	
	09/10	08/09
Group contributions	94,700	191,700
Interest income	12,930	35,684
Interest expenses	-57	-14,345
<b>Total</b>	<b>107,573</b>	<b>213,039</b>

### Note 6 Interest income and similar profit/loss items

	Group		Parent Company	
	09/10	08/09	09/10	08/09
Other interest income	-923	10,241	720	7,590
Dividend	6	30	6	30
Revaluation, securities	1,381	0	1,381	0
Exchange difference	0	41,687	0	6,883
<b>Total</b>	<b>464</b>	<b>51,958</b>	<b>2,107</b>	<b>14,503</b>

Monetary assets and liabilities are recorded in profit and loss at the rate on the balance-sheet date.

### Note 7 Interest expenses and similar expense items

	Group		Parent Company	
	09/10	08/09	09/10	08/09
Interest expenses	1,871	1,979	1,371	1,907
Exchange difference	9,253	0	1,570	0
<b>Total</b>	<b>11,124</b>	<b>1,979</b>	<b>2,941</b>	<b>1,907</b>

Monetary assets and liabilities are recorded in profit and loss at the rate on the balance-sheet date.

### Note 8 Appropriations

	Parent Company	
	09/10	08/09
Change in accrual fund	15,612	-10,700
Change in excess depreciation	88	23
<b>Total</b>	<b>15,700</b>	<b>-10,677</b>

**Note 9 Tax on net profit for the year**

	Group		Parent Company	
	09/10	08/09	09/10	08/09
Tax expenses				
Current tax expense	-13,261	-25,411	-8,736	-22,625
Deferred tax on temporary differences	2,484	7,820	-22,697	-35,487
Deferred tax on untaxed reserves	4,446	-3,347	0	0
<b>Total tax expense</b>	<b>-6,331</b>	<b>-20,938</b>	<b>-31,433</b>	<b>-58,112</b>
Relationship between Group tax and recognized tax per applicable tax rate				
Earnings before tax	23,538	71,394	115,878	205,550
Tax per applicable tax rate	-6,190	-19,990	-30,476	-57,554
Adjustment of tax for previous years	-429	-495	-288	0
Tax effect due to amended tax rate	1 988	0	0	0
Tax effect of nondeductible expenses	-550	-922	-671	-607
Tax effect of nontaxable income	22	198	2	49
Change in temporary differences	4,848	71	0	0
Adjustment for tax in foreign subsidiaries	-6,020	200	0	0
<b>Tax on net profit for the year</b>	<b>-6,331</b>	<b>-20,938</b>	<b>-31,433</b>	<b>-58,112</b>
Temporary differences in Sectra Group				
Deferred tax liability on untaxed reserves	26,444	31,790		
Deferred tax liability on current assets	-10,303	-7,806		
Deferred tax receivable on unutilized loss carryforwards	0	0		
<b>Net deferred tax liability</b>	<b>16,141</b>	<b>23,984</b>		

The applicable tax rate for the Group is the tax rate that applies to the Parent Company, that is, 26.3%.

The unutilized loss carryforwards refer to foreign subsidiaries and amounted to SEK 17,887 thousand (18,823) at April 30, 2010. No deferred tax assets are recorded, since 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 <sup>2</sup>	Customer relations <sup>3</sup>	Brand	Total
Historical cost at start of year	292,515	28,359	21,824	4,762	347,460
Translation differences	0	1,012	2,970	0	3,982
Investments for the year	39,059	0	0	0	39,059
Impairment losses for the year <sup>4</sup>	-7,917	0	0	0	-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>
Opening amortization	106,348	9,861	9,316	4,297	129,822
Translation differences	0	0	-4	0	-4
Amortization for the year	19,697	4,398	1,455	0	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>
Historical cost at start of year	323,657	29,371	24,794	4,762	382,584
Translation differences	0	-1,556	100	0	-1,456
Investments for the year	16,149	0	0	0	16,149
<b>Cumulative historical cost at April 30, 2010</b>	<b>339,806</b>	<b>27,815</b>	<b>24,894</b>	<b>4,762</b>	<b>397,277</b>
Opening amortization	126,045	14,259	10,767	4,297	155,368
Amortization for the year	26,785	2,705	1,340	0	30,830
<b>Cumulative amortization at April 30, 2010</b>	<b>152,830</b>	<b>16,964</b>	<b>12,107</b>	<b>4,297</b>	<b>186,198</b>
<b>Closing residual value at April 30, 2010</b>	<b>186,976</b>	<b>10,851</b>	<b>12,787</b>	<b>465</b>	<b>211,079</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.

<sup>2</sup> Patents mainly pertain to assets in the mammography operations from the acquisition of Sectra Mamea AB.

<sup>3</sup> Customer relations are attributable to the Medical Systems segment and pertain to acquired assets from Sectra Sverige AB (formerly Radisoft AB) and Sectra imaXperts BV.

<sup>4</sup> Pertains to a minor mammography subproject in the Medical Systems segment. Impairment losses were posted due to the discontinuation of the subproject.

### Testing of intangible assets for impairment requirements

Intangible assets are tested for impairment requirements when necessary and at least once annually. Impairment testing is based on the calculation of the future value in use. The value of the Group's intangible fixed assets is assessed based on the value in use of the cash-generating units. The value in use is based on the cash flows expected to be generated during the remaining life of the units.

The future cash flows used in the calculation of each unit's value in use are based on a detailed review of each unit. The present value of the forecast future cash flows for all units is calculated using a cost of capital of 12% after tax. The cost of capital is based on a market-based assessment of average capital cost taking into consideration the assessed risk level in the cash flows of the units. The forecast period in the calculation of value in use is between five and ten years and the assumed average growth rate is between 15 and 25%.

### Sensitivity analysis

Impairment testing has been carried out with a sufficient margin to ensure that management deems that any reasonable changes in the individual variables will not cause the value in use to be less than the carrying amount. Accordingly, management's assessment is that no impairment requirement will arise, regardless of whether variations occur in the most critical variables.

### Other assumptions regarding required returns:

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

### Parent Company

The Parent Company held no intangible assets at April 30, 2010.

## Note 11 Machinery and equipment

	Group		Parent Company	
	30 April 10	30 April 09	30 April 10	30 April 09
Historical cost at start of year	84,674	52,102	12,552	11,731
Translation differences	-6,183	4,790	0	0
Investments for the year	52,117	28,534	521	846
Sales/disposals for the year	-1,283	-752	-240	-25
<b>Cumulative historical cost at year-end</b>	<b>129,325</b>	<b>84,674</b>	<b>12,833</b>	<b>12,552</b>
Depreciation at start of year	39,734	28,042	10,637	10,188
Translation differences	-960	75	0	0
Depreciation for the year	18,929	11,616	558	470
Sales/disposals for the year	-1,158	0	-240	-21
<b>Cumulative depreciation at year-end</b>	<b>56,545</b>	<b>39,733</b>	<b>10,955</b>	<b>10,637</b>
<b>Residual value according to plan</b>	<b>72,780</b>	<b>44,941</b>	<b>1,878</b>	<b>1,915</b>
<b>Total carrying amount</b>	<b>72,780</b>	<b>44,941</b>	<b>1,878</b>	<b>1,915</b>

## Note 12 Participations in Group companies

	Corp. Reg. No.	Reg. office	No. of shares	Share of capital, %	Nominal value	30 April 10 Carrying amount	30 April 09 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 Sverige AB	556483-9479	Linköping, SE	40,350	100%	100	21,016	21,016
Paxlink AB	556572-3292	Linköping, SE	1,000	100%	100	811	811
Sectra Norge AS	975 353 265	Oslo, NO	5,000	100%	NOK 500	283	283
Sectra North America, Inc.	06-1473851	Shelton, US	500	100%	USD 50	384	384
Sectra Medical Systems GmbH	HR B 8546	Aachen, DE	500	100%	EUR 26	219	219
Sectra Italia S.r.l.	03185950965	Milano, IT	500	100%	EUR 50	0	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>181,740</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 included in the acquisition analysis and the value reported above. For Sectra imaXperts BV, the additional purchase price can become relevant in December 2010 at the earliest, and for Sectra Mamea AB, the additional purchase price can become relevant up to and including April 2015.

### Note 13 Long-term receivables in Group Companies

	Parent Company	
	30 April 10	30 April 09
Historical cost	0	0
New receivables	0	0
Reclassified from short-term receivables	152,465	0
<b>Total</b>	<b>152,465</b>	<b>0</b>

### Note 14 Financial investments

Long-term investments	Group		Parent Company	
	30 April 10	30 April 09	30 April 10	30 April 09
Equity and fixed-income bonds	0	22,000	0	22,000
Other shares and participations	3,931	2,614	1,419	39
<b>Total</b>	<b>3,931</b>	<b>24,614</b>	<b>1,419</b>	<b>22,039</b>
<b>Short-term investments</b>				
Equity and fixed-income bonds	22,000	21,000	22,000	21,000
<b>Total</b>	<b>22,000</b>	<b>21,000</b>	<b>22,000</b>	<b>21,000</b>

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

### Note 15 Inventories

	Group		Parent Company	
	30 April 10	30 April 09	30 April 10	30 April 09
Component stocks	28,021	59,041	0	0
Products in progress	9,704	6,268	0	0
Finished products	19,759	19,485	0	0
<b>Total</b>	<b>57,484</b>	<b>84,794</b>	<b>0</b>	<b>0</b>

An impairment loss amounting to SEK 1,448 thousand (4,543) was recognized in profit and loss for 2009/2010.

Equipment and components mainly used for development were reclassified as inventories or expensed in profit and loss, depending on the estimated lifetime of the stock items in question. Of the total inventory value, 0 is measured at fair value after selling expenses.

### Note 16 Accounts receivable

Accounts receivable per currency	Group		Parent Company	
	30 April 10	30 April 09	30 April 10	30 April 09
SEK	22,706	53,896	0	0
USD	53,223	63,337	0	0
EUR	61,157	82,398	0	0
GBP	25,085	16,968	0	0
Other currencies	40,812	11,518	0	0
<b>Total</b>	<b>202,983</b>	<b>228,117</b>	<b>0</b>	<b>0</b>

#### Change for the year in the reserve for doubtful accounts receivable

	Group		Parent Company	
	30 April 10	30 April 09	30 April 10	30 April 09
Opening balance	7,920	5,678	0	0
Realized losses	-99	-348	0	0
Reversal of unutilized amounts	-5,770	0	0	0
Reserve for doubtful accounts receivable	2,182	1,689	0	0
Exchange-rate effect	0	901	0	0
<b>Total</b>	<b>4,233</b>	<b>7,920</b>	<b>0</b>	<b>0</b>

See Note 30 for an age analysis. The Parent Company's earnings were not affected by any bad debt losses.

### Note 17 Prepaid expenses and accrued income

	Group		Parent Company	
	30 April 10	30 April 09	30 April 10	30 April 09
Prepaid rent	3,889	3,627	1,299	1,222
Accrued interest income	50	406	33	367
Prepaid support agreements	3,963	4,677	459	803
Other items	12,954	30,765	334	471
Uninvoiced work in progress	153,567	133,572	0	0
<b>Total</b>	<b>174,423</b>	<b>173,047</b>	<b>2,125</b>	<b>2,863</b>

## Not 18 Cash and cash equivalents

	Group		Parent Company	
	30 April 10	30 April 09	30 April 10	30 April 09
Bank balances	167,511	153,639	703,747	692,706
Short-term securities	24,986	29,640	24,986	29,640
Blocked funds for guarantees	527	1,003	527	526
<b>Total</b>	<b>193,024</b>	<b>184,282</b>	<b>729,260</b>	<b>722,872</b>

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

### Bank overdraft facilities

	Group		Parent Company	
	30 April 10	30 April 09	30 April 10	30 April 09
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 20 Appropriations

	Group			
	Taxes		Guarantee commitments	
	30 April 10	30 April 09	30 April 10	30 April 09
Carrying amount at start of period	23,983	28,659	6,491	17,718
Provisions made during period	1,508	129	6,354	6,491
Amount appropriated	-9,350	-4,804	-6,491	-17,718
<b>Carrying amount at end of period</b>	<b>16,141</b>	<b>23,984</b>	<b>6,354</b>	<b>6,491</b>
of which, total long-term portion of provisions	15,589	16,198	0	0
of which, total short-term portion of provisions	552	7,786	6,354	6,491

## Note 21 Other liabilities to financial institutions

	Group		Parent Company	
	30 April 10	30 April 09	30 April 10	30 April 09
Due 0-5 years from fiscal year-end	0	95	0	0
<b>Total</b>	<b>0</b>	<b>95</b>	<b>0</b>	<b>0</b>

## Note 22 Other long-term liabilities

	Group		Parent Company	
	30 April 10	30 April 09	30 April 10	30 April 09
Convertible debentures 07/10	0	22,262	0	22,262
Convertible debentures 09/12	17,315	0	17,315	0
Other liabilities	0	805	0	0
<b>Total</b>	<b>17,315</b>	<b>23,067</b>	<b>17,315</b>	<b>22,262</b>

During the year, a new convertible debenture program was issued, with 368,400 convertibles at a rate of SEK 47.00.

## Not 19 Untaxed reserves

	Parent Company	
	30 April 10	30 April 09
Tax allocation reserves:		
Allocated to taxes 05	0	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	26,900
Allocated to taxes 11	10,700	0
Excess depreciation	768	856
<b>Total</b>	<b>97,836</b>	<b>113,536</b>

Of the total untaxed reserves, SEK 25,731 thousand (31,790) is recognized as deferred Group tax.

## Note 23 Other current liabilities

	Group		Parent Company	
	30 April 10	30 April 09	30 April 10	30 April 09
Convertible debentures 06/09	0	23,132	0	23,132
Convertible debentures 07/10	22,262	0	22,262	0
Value-added tax	9,206	7,791	0	0
Employee withholding taxes	6,031	7,334	389	369
Other liabilities	8,650	7,232	23	22
<b>Total</b>	<b>46,149</b>	<b>45,489</b>	<b>22,674</b>	<b>23,523</b>

### Conditions

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

**Note 24 Accrued expenses and deferred income**

	Group		Parent Company	
	30 April 10	30 April 09	30 April 10	30 April 09
Accrued social security	26,418	24,799	1,244	1,101
Accrued vacation pay	35,430	33,448	1,616	1,431
Prepaid support agreements	32,572	40,829	0	0
Accrued accounts payable	2,627	4,510	478	1,063
Advances received for work in progress	39,680	34,648	0	0
Other items	95,119	105,289	83	29
<b>Total</b>	<b>231,846</b>	<b>243,523</b>	<b>3,421</b>	<b>3,624</b>

**Note 25 Pledged assets and contingent liabilities**

	Group		Parent Company	
	30 April 10	30 April 09	30 April 10	30 April 09
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	0	0	308,047	368,396
<b>Total contingent liabilities</b>	<b>0</b>	<b>0</b>	<b>308,047</b>	<b>368,396</b>

**Note 26 Cash flow****Adjustment for non-cash items**

	Group		Parent Company	
	09/10	08/09	09/10	08/09
Depreciation/amortization	49,759	45,103	558	470
Exchange-rate difference	-20,882	37,854	-16,908	6,345
Revaluation, securities	1,380	0	1,380	0
Sale of fixed assets	0	752	0	0
Provisions for personnel costs	2,492	1,779	0	0
<b>Total</b>	<b>32,749</b>	<b>85,488</b>	<b>-14,970</b>	<b>6,815</b>

**Note 27 Related parties**

Financial liabilities and receivables bearing market interest exist between the Parent Company and its subsidiaries; refer to Note 13 and 22. No other related-party transactions exist.

**Note 28 Important estimates and judgments**

At year-end, certain judgments are made in regard to the application of accounting policies 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* upon the delivery of a system that normally involves a guarantee period of 12 months. Assessment of future guarantee costs is based on individual projects and prior experience. Deviations between the actual guarantee cost and the provisions occur for individual projects, but at Group level these deviations are limited.

*Currency differences* arising from translation of assets, liabilities and foreign subsidiaries may involve relatively large risks for the carrying amounts in the income statement and balance sheet for the Group. See note 30 for a more detailed explanation of risks and sensitivity pertaining to currency rates.

## Note 29 Financial assets and liabilities

Group 30 April 10	Accounts receivable and loan receivables	Financial assets available for sale	Other financial liabilities	Total carrying amount	Fair value	Non-financial assets and liabilities	Total balance sheet
Investments held as fixed assets	0	3,931	0	3,931	3,931	0	3,931
Accounts receivable	202,983	0	0	202,983	202,983	0	202,983
Other short-term receivables	0	0	0	0	0	13,852	13,852
Short-term investments	0	22,000	0	22,000	22,000	0	22,000
Cash and bank balances	193,024	0	0	193,024	193,024	0	193,024
<b>Total financial assets</b>	<b>396,007</b>	<b>25,931</b>	<b>0</b>	<b>421,938</b>	<b>421,938</b>	<b>13,852</b>	<b>435,790</b>
Other long-term liabilities	0	0	17,315	17,315	17,315	0	17,315
Other current liabilities	0	0	22,262	22,262	22,262	23,887	46,149
Accounts payable	0	0	37,103	37,103	37,103	0	37,103
<b>Total financial liabilities</b>	<b>0</b>	<b>0</b>	<b>76,680</b>	<b>76,680</b>	<b>76,680</b>	<b>23,887</b>	<b>100,567</b>
<b>Group 30 April 09</b>	<b>Accounts receivable and loan receivables</b>	<b>Financial assets available for sale</b>	<b>Other financial liabilities</b>	<b>Total carrying amount</b>	<b>Fair value</b>	<b>Non-financial assets and liabilities</b>	<b>Total balance sheet</b>
Investments held as fixed assets	0	24,614	0	24,614	24,614	0	24,614
Accounts receivable	228,117	0	0	228,117	228,117	0	228,117
Other short-term receivables	0	0	0	0	0	8,307	8,307
Short-term investments	0	21,000	0	21,000	21,000	0	21,000
Cash and bank balances	184,282	0	0	184,282	184,282	0	184,282
<b>Total financial assets</b>	<b>412,399</b>	<b>45,614</b>	<b>0</b>	<b>458,013</b>	<b>458,013</b>	<b>8,307</b>	<b>466,320</b>
Long-term liabilities to credit institutions	0	0	95	95	95	0	95
Other long-term liabilities	0	0	23,067	23,067	23,067	0	23,067
Other current liabilities	0	0	23,132	23,132	23,132	22,357	45,489
Accounts payable	0	0	47,262	47,262	47,262	0	47,262
<b>Total financial liabilities</b>	<b>0</b>	<b>0</b>	<b>93,556</b>	<b>93,556</b>	<b>93,556</b>	<b>22,357</b>	<b>115,913</b>

Revaluation of accounts receivables recognized in profit and loss amounted to SEK 2,182 thousand (1,689). No gains or losses were recognized in any of the other categories.

### Calculation of fair value

The following methods were used to calculate fair value:

- Securities holdings that are available for sale are included in measurement level two, meaning that the calculation of fair value is based on market

quotations or the calculation of future cash flows for which variables are obtained from market quotations whenever possible. The holding that can be sold amounts to SEK 25,931 thousand (45,614).

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

## Note 30 Risks, risk management and sensitivity analysis

### Risks related to operations

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

#### Customers and partners

Sectra's five largest partners and customers together account for 25.0% (24.9) 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 assumes product liability, which means that personal injury or damage to property caused by the company's systems at the premises of a customer or third party could lead to a claim being made against Sectra. Insurance policies have been taken out for the property and liability risks to which the Group is exposed.

#### Intellectual property rights

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

#### Other business risks

The prices for medical systems in the world market are largely governed by major 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 via transactions in foreign currencies, in the form of customer and supplier payments and from translation of 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 negative impact of SEK 4,916 thousand (pos: 1,944) on the operating profit and SEK 9,253 thousand (pos: 41,687) 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 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 MSEK

Currency	Revenues	Expenses	Net exposure
SEK	321.9	-441.8	-119.9
USD	220.6	-201.4	19.2
EUR	189.8	-106.3	83.5
Other currencies	116.1	-80.8	35.3
<b>Total</b>	<b>848.4</b>	<b>-830.3</b>	<b>-18.1</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 liabilities 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 customer invoices. The Group has set guidelines to ensure that customers have high creditworthiness. Sectra's customers consist largely of government agencies and other highly reputable customers with high creditworthiness, and whose credit risk is considered to be extremely low. To minimize customer credit risks in fixed-price projects, Sectra works to a large extent with part payments in advance.

### MSEK

Age analysis accounts receivable	30 April 10	30 April 09
Accounts receivable not due for payment	123.7	122.5
Accounts receivable overdue 0 – 60 days	44.9	59.4
Accounts receivable overdue 60 days	13.7	17.3
Accounts receivable overdue 120 days	20.7	28.9
<b>Total</b>	<b>203.0</b>	<b>228.1</b>

Reserves amounted to SEK 4.2 million (7.9) 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 liquidity risks, excess liquidity is placed only in bank deposits, or in securities that can be liquidated at short notice, and which have a smoothly functioning secondary market. Unutilized bank overdraft facilities are used in the event of temporarily elevated liquidity needs. The Parent Company monitors the Group's liquidity continually by compiling liquidity forecasts as a basis for investments or short- and long-term borrowing.

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

The convertible loan carries an interest rate of 4%. Other loans carry floating rates, which varied between 3 and 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 the 2009/2010 fiscal year 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%	+/- 6.8 MSEK
Cost of materials	+/- 1%	+/- 1.7 MSEK
Personnel costs	+/- 1%	+/- 4.4 MSEK
Interest rate level	+/- 1%	+/- 1.9 MSEK
Exchange-rate changes:		
SEK/USD exchange rate	+/- 1%	+/- 1.8 MSEK
SEK/EUR exchange rate	+/- 1%	+/- 1.1 MSEK

In the event that the SEK weakens by 1% against the USD and EUR, profit after net financial items would improve by SEK 2.9 million.

### Note 31 Asset management

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

The Group's capital is defined as total shareholders' equity less unrealized value changes and amounted to SEK 600,077 (597,335) at April 30, 2010.

The Group's equity ratio at the closing date was 62.2% (59.4). 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 2010 Annual General Meeting.

### Note 32 Board's statement concerning repurchase and transfer 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.

#### 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 at April 30, 2010 is stated in this Annual Report. The Annual Report also states which accounting policies are applied in the measurement of assets, allocations and liabilities.

The non-restricted equity in the Parent Company and the Group's retained profits amounted to SEK 224.3 million and SEK 248.1 million, respectively, at the end of the 2009/2010 fiscal year.

The Annual Report states that the debt/equity ratio is 62.2%. 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 the 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.

### Note 33 Definitions 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**

Recognized equity plus 73.7% 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/equity ratio**

Interest-bearing debts divided by equity.

**Earnings per share**

Profit after tax divided by average number of shares.

**Equity**

Equity includes 73.7% 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 ratio**

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

**Profit margin**

Profit after net financial items as a percentage of sales.

**Return on equity**

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

**Return on total capital**

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

**Return on capital employed**

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

**Yield**

Dividend as a percentage of share price.

# AUDIT REPORT

To the annual meeting of the shareholders of Sectra AB (publ)  
Corporate identity number 556064-8304

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of Sectra AB (publ) for the financial year May 1, 2009 – April 30, 2010. The annual accounts and the consolidated accounts of the company are included in the printed version of this document on pages 28-54. The board of directors and the managing director are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRS as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. 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 assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director and significant estimates made by the board of directors and the managing director when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. We also examined whether any board member or the managing director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

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

We recommend to the annual 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 statutory administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Linköping June 8, 2010

Grant Thornton Sweden AB  
Peter Bodin  
Authorized Public Accountant

# FIVE YEAR SUMMARY

Amounts in SEK thousands unless otherwise stated	09/10	08/09	07/08	06/07	05/06
<b>Consolidated Income Statements</b>					
Net sales	848,357	863,275	742,923	672,511	564,382
Capitalized work for own use	16,149	39,059	57,847	42,581	25,572
Operating expenses	-780,549	-835,817	-699,734	-633,728	-492,961
Depreciation/Amortization	-49,759	-45,102	-21,337	-19,693	-20,757
Income from participation in associated co.	0	0	0	-490	-478
<b>Operating profit</b>	<b>34,198</b>	<b>21,415</b>	<b>79,699</b>	<b>61,181</b>	<b>75,758</b>
Net financial items	-10,660	49,979	80	9,021	4,988
<b>Profit after financial items</b>	<b>23,538</b>	<b>71,394</b>	<b>79,779</b>	<b>70,202</b>	<b>80,746</b>
Income tax	-6,331	-20,938	-29,315	-22,986	-20,396
<b>Net earnings for the year</b>	<b>17,207</b>	<b>50,456</b>	<b>50,464</b>	<b>47,216</b>	<b>60,350</b>
Profit attributable to equity holders of the:					
Parent Company	17,207	50,456	50,464	47,216	60,350
Minority interest	0	0	0	0	0
<b>Consolidated Balance Sheets</b>					
<b>Assets</b>					
Intangible assets	211,079	227,216	217,637	159,343	127,806
Tangible assets	76,711	71,545	69,575	68,314	39,741
Cash and cash equivalents	193,024	184,282	288,358	385,150	414,297
Other current assets	487,861	525,112	410,370	241,655	243,725
<b>Total assets</b>	<b>968,675</b>	<b>1,008,155</b>	<b>985,940</b>	<b>854,462</b>	<b>825,569</b>
<b>Equity and liabilities</b>					
Equity	602,568	599,114	560,670	519,406	486,495
Provisions	22,495	30,474	46,377	37,041	24,937
Long-term liabilities	17,315	23,162	51,859	36,438	38,981
Current liabilities	326,297	355,405	327,034	261,577	275,156
<b>Total equity and liabilities</b>	<b>968,675</b>	<b>1,008,155</b>	<b>985,940</b>	<b>854,462</b>	<b>825,569</b>

Key figures <sup>1</sup>	09/10	08/09	07/08	06/07	05/06
<b>Financial</b>					
Working capital, SEK million	642.1	645.4	624.3	567.4	546.1
Liquidity ratio, times	2.1	2.0	2.2	2.5	2.4
Solvency, %	62.2	59.4	56.9	60.8	58.9
Debt ratio	0.07	0.07	0.10	0.11	0.13
Investments, SEK million	66.8	67.7	82.6	58.6	35.1
<b>Profitability</b>					
Gross margin, %	9.9	7.7	13.6	12.4	17.1
Operating margin, %	4.0	2.5	10.7	9.1	13.4
Profit margin, %	2.8	8.3	10.7	10.4	14.3
Return on total capital, %	2.5	7.4	8.9	8.6	10.9
Return on working capital, %	3.9	11.6	13.8	13.0	16.0
Return on equity, %	2.9	8.7	9.3	9.4	13.2
Value added, SEK million	478.5	449.1	429.6	361.5	335.8
<b>Employees</b>					
No. of employees, average	584	538	477	411	373
No. of employees at fiscal year-end	601	577	506	455	383
Sales per employee, SEK million	1.5	1.6	1.6	1.6	1.5
Value added per employee, SEK million	0.8	0.8	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	36,842,088	36,783,188	36,746,521
Average number of shares	36,842,088	36,842,088	36,832,271	36,758,743	36,733,188
Equity per share, SEK	16.36	16.26	15.22	14.12	13.24
Equity per share after full dilution <sup>3</sup> , SEK	16.11	16.06	14.93	13.84	12.97
Cash flow per share, SEK	1.02	2.55	2.31	2.24	2.01
Cash flow per share after dilution <sup>3</sup> , SEK	1.01	2.52	2.26	2.19	1.97
Earnings per share, SEK	0.47	1.37	1.37	1.28	1.65
Earnings per share after dilution <sup>3</sup> , SEK	0.46	1.35	1.34	1.26	1.61
Dividend per share <sup>4</sup> , SEK	0	0	0.50	0.50	0.50
Dividend yield, %	0	0	0.9	0.7	0.9
P/E ratio, times	79.9	28.3	42.7	59.2	35.7
Share price at fiscal year-end, SEK	37.3	38.8	58.5	76.0	58.75
The shares annual turnover rate <sup>5</sup>	0.14	0.25	0.25	0.55	0.80

<sup>1</sup> Definition of key figures, see note 33.

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

<sup>3</sup> Dilution is based on the convertible debenture loan 2009/2010 (368,400) and the employee stock option program 2008/2009 (90,000) and 2009/2010 (100,000). In calculating the dilution effect, it was taken into account that the convertible loan 2007/2008 (270,500) and employee stock options 2007/2008 (100,000), which in the company's assessment will not be utilized during the exercise period May 24-28, 2010, since the conversion price of SEK 82.30 is substantially higher than the listed price at the end of the fiscal year.

<sup>4</sup> Dividend proposed by the Board of Directors for 2009/2010.

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

# BOARD OF DIRECTORS, GROUP EXECUTIVE MANAGEMENT AND AUDITOR

## BOARD OF DIRECTORS

### Torbjörn Kronander<sup>1</sup>

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, Cellavision AB, et al. and member of the Royal Swedish Academy of Engineering Sciences. *Sectra holdings:* 763,108 A shares, 2,585,484 B shares and convertible debentures corresponding to 57,000 B shares.

### 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 15,200 B shares.

### Erika Söderberg Johnson

M.Sc. BA. Born 1970. Elected 2007. Chief Financial Officer Karo Bio AB. *Sectra holdings:* Convertible debentures corresponding to 600 B shares.

### Carl-Erik Ridderstråle

Tekn. 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 49,800 B shares.

### Christer Nilsson

MSc. 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:* Convertible debentures corresponding to 5,000 B shares.

## EMPLOYEE REPRESENTATIVES

### Mats Björnemo

M.Sc. Born 1976. Employee representative since 2005. Accounts Manager Sectra Sverige AB.

*Sectra holdings:* 260 B shares and convertible debentures corresponding to 8,000 B shares.

### Ann-Sofi Mikaelsson

M.Sc. BA. Born 1968. Employee representative since 2007. Customer Project Manager Sectra Sverige AB.

*Sectra holdings:* 3,009 B shares and convertible debentures corresponding to 2,000 B shares.

## DEPUTY EMPLOYEE REPRESENTATIVES

### Stefan Melin

B.Sc. Born 1977. Employee representative since 2009. Support engineer Sectra Sverige AB.

*Sectra holdings:* 600 B shares and convertible debentures corresponding to 1,000 B shares.

### Stein Norheim

M.Sc. Born 1977. Employee representative since 2009. Development Chief Software Architect Sectra Imtec AB.

*Sectra holdings:* 1,500 B shares.

## GROUP EXECUTIVE BOARD

### Jan-Olof Brüer<sup>1</sup>

PhD. Born 1951. President and Group CEO Sectra AB since 1985.

*Sectra holdings:* 763,110 A shares, 2,581,904 B shares and convertible debentures corresponding to 57,000 B shares.

### Torbjörn Kronander

President Sectra Imtec AB and Executive Vice President Sectra AB. See "Board of Directors."

### 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 29,600 B shares.

### Erik Persson

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

*Sectra holdings:* 0

### Simo Pykälistö

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

*Sectra holdings:* 800 B shares and convertible debentures corresponding to 21,000 B shares.

### Helena Pettersson

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

*Sectra holdings:* 9,239 B shares.

## AUDITOR

### Grant Thornton Sweden AB

Chief Coordinating Auditor, Peter Bodin, Authorized Public Accountant.

<sup>1</sup> Number of shares comprises direct shareholdings and holdings through family and companies.

## BOARD OF DIRECTORS



Carl-Erik Ridderstråle

## GROUP EXECUTIVE BOARD



Jan-Olof Brüer



Anders Persson



Erika Söderberg Johnson



Michael Bertilsson



Erik Persson



Torbjörn Kronander



Christer Nilsson



Simo Pykälistö



Helena Pettersson



Ann-Sofie Mikaelsson



Mats Björnemo

# FROM CONSULTING TO WORLD-LEADING PRODUCTS

Sectra completed its first consulting project in 1978. Today, the company's products are used by more than 1,100 customers in over 50 countries to 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 TRANsmis-sion) together with his doctoral students, Viiveke Fåk, Rolf Blom and Robert Forchheimer, to take on the assignment.

#### From consulting work to product sales

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.*

#### Defense security

In the 1980s, after spending its initial years working for bank customers, 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 a majority of 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's medical technology operations.

*"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 1,100 hospitals worldwide and approximately 52 million radiology examinations 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 and also sells its products through some 20 partners in local and regional markets.

#### Listing

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

#### 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. One of Sectra's most recent acquisitions was Sectra ImaXperts, 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. The company's 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 to add a certain 'wow' factor. Consequently, Sectra employs not only those with a high level of 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.*

*“Innovative solutions to simplify customers’ everyday work.”*

Through its extensive and long-term cooperation with customers, Sectra has gained insight into the best means of utilizing its latest technology. Below are some examples of the innovative technology and business developments that have benefitted Sectra’s customers:

1993

> Sectra digitizes the radiology operations in Mjölby, making it the first unit in Sweden and among the first in the world with entirely film-free radiology.

1995

> Sectra’s international expansion begins with the establishment of an office in Norway.

1999

> Sectra is first company to offer digitized prosthesis modeling for orthopaedists.

> Sectra supplements its product portfolio with administrative systems for radiology departments (RIS) through the acquisition of the Swedish company RadiSoft AB.  
> Sectra initiates a partnership for the development of digital mammography systems with Professor Mats Danielsson at the Royal Institute of Technology and his research group, who have developed a radiology detector that makes it possible to combine high image quality with a low radiation dose.

> Sectra delivers its Tiger secure mobile telephone to the Swedish Defense Forces, which become the first organization in the world with eavesdrop-protected mobile telephone communications.

2001

> Sectra helps to establish a new research center – The Center for Medical Image Science and Visualization (CMIV) – in Linköping, Sweden.

2002

> Sectra launches Sectra MicroDose Mammography, which has the lowest radiation dose on the market. Helsingborg Hospital becomes the first to use the new mammography system.

> Sectra acquires Digital X-ray Radiogrammetry (DXR) technology, which is used for analyzing bone density. The technology can contribute to the early diagnosis and follow-up of osteoporosis.

> Sectra develops the prototype for a mobile terminal for voice and data encryption for the new Swedish Defense Forces. The product of this development is later given the name Tiger XS.

2005

> Sectra launches a new generation of workstations for reviewing radiology images. These workstations use new methods for processing extremely large image volumes. One of the first customers to install the new workstations is the European Telemedicine Clinic in Barcelona.

> Austria becomes the first country to protect telephone calls with Tiger XS during its EU presidency.

2007

> On the initiative of the EU, Sectra, together with various clinical and industrial

partners, introduces a low-dose mammography research project aimed at developing and evaluating new methods for detecting breast cancer.

> The European Council approves Tiger XS for the protection of telephone calls at the Secret security level.

• Sectra becomes the first company in the market to introduce a service enabling users to subscribe for secure voice communication.

2008

> Sectra becomes the first company to supply a national public healthcare organization with systems for managing radiology images and patient information after receiving its largest order to date: a ten-year agreement with the Department of Health in Northern Ireland.

> Sectra becomes the first company in the world to offer an online service for bone density analysis. Among other applications, the service is used to combine mammography examinations with osteoporosis testing in two Swedish research projects.

> Tiger XS is certified by the NATO Military Committee for communication at the Secret security level, becoming the first crypto product for voice communication to be approved by both NATO and the EU.

2009

> Sectra launches its Panthon crypto product, which is designed for officials at European government authorities. The encryption is installed on a microSD card that is inserted into a smartphone and protects telephone calls.

# GLOSSARY

## **Crypto**

Equipment that uses mathematical manipulations (algorithms and keys) to encrypt information, so that it can be interpreted or read only by the intended recipient. In order to read encrypted information, the recipient must have the correct key and algorithm so that the data can be reconverted into its original clear-text form.

## **IP (Internet Protocol)**

A network protocol that facilitates data communications over the Internet.

## **Mammography screening**

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

## **MicroSD card**

A miniature format for memory cards. MicroSD is used in mobile telephones to store such data as music, films and videos. Other functions, such as encryption and protected data storage, can be installed on a MicroSD card.

## **Nordic Battlegroup**

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

## **Open-source software**

Software that is based on open source code and that can be used by anyone interested in contributing to the improvement of the software.

## **Orthopaedics**

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

## **Osteoporosis**

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

## **PACS (Picture Archiving and Communication System)**

A system for managing and archiving digital radiology images.

## **Photon**

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

## **RIS (Radiology Information System)**

A system for managing radiology patient data, such as appointment bookings, patient information and dictations.

## **Rheumatism**

An inflammatory disease that affects women more often than men.

## **Smartphone**

A new generation of mobile telephones with PC-like functionality that offer higher memory capacity than normal mobile telephones and can be used for such Internet services as e-mail.

## **TETRA (Terrestrial Trunked Radio)**

An international standard for digital radio systems. Radio systems based on the TETRA standard are used by various organizations throughout the world, including police authorities, rescue services, fire departments, customs and border control, national coast guards and defense agencies.

## **Spectral imaging**

A technique used to generate color radiology images, for example, of a breast.

## ANNUAL GENERAL MEETING 2010

The Annual General Meeting in Sectra AB will be held June 30, 4:00 CET at Collegium, Teknikringen 7, Linköping, Sweden.

### Notice

The official notice was published on the company's website, in Svenska Dagbladet and the Official Swedish Post och Inrikes Tidningar on June 1, 2010.

### Dividend

The Board of Directors and the President propose that no dividend is distributed for the financial year 2009/2010.

### Complete proposals

Full notice, complete proposals, registration form and proxy form are available at the company's offices in Linköping and on the company's website [www.sectra.com](http://www.sectra.com). Shareholders wishing to have these documents by mail may notify the company by phone +46 13 23 52 00 or e-mail [info@sectra.se](mailto:info@sectra.se).

## FINANCIAL INFORMATION 2010/2011

Interim report, May – July 2010	September 7, 2010
Six-month report, May – October 2010	December 7, 2010
Nine-month report, May 2010 – January 2011	March 8, 2011
Year-end report	May 24, 2011

Financial information about the Group is published on the company's website [www.sectra.com](http://www.sectra.com). 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.

# CUSTOMER OBSESSION

T FUTURE PROOF EFFECTIVENESS INNOVATION COMPETENCE SMART PEOPLE

# PROFITABILITY

BEST PEOPLE LONG-TERM

## Medical Systems

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