

Year-end report 2013/2014:

Strong end to the fiscal year – Sectra achieves operating margin target

SEK million	The quarter			The interim period		
	Q4 2013/2014	Q4 2012/2013	Change %	Q1-4 2013/2014	Q1-4 2012/2013	Change %
Order bookings	264.6	350.0	-24.4	925.7	916.0	1.1
Net sales	270.6	248.1	9.1	853.8	817.0	4.5
Operating profit (EBIT)	54.1	37.6	43.9	128.1	85.9	49.1
Operating margin, %	20.0	15.2		15.0	10.5	
Profit before tax (EBT)	56.0	41.2	35.9	141.5	86.6	63.4
Profit margin, %	20.7	16.6		16.6	10.6	
Profit after tax	38.1	27.4	39.1	103.9	62.2	67.0
Earnings per share, SEK ¹	1.03	0.74	39.0	2.80	1.68	66.7
Cash flow ²	19.4	63.6	-69.5	123.7	191.2	-35.3
Number of employees ³	536	528		536	528	

¹ Prior to dilution. ² Operations after changes in working capital. ³ At end of period.



CEO'S COMMENTS

With increased earnings and net sales during the fourth quarter, Sectra concluded the fiscal year on target and delivered an operating margin of 15.0% for the full year. Excluding non-recurring items, the operating margin was 15.3%.

We experienced a strong trend in earnings and I am pleased to announce that Sectra's recent product and organizational development has enabled us to achieve our target margin of 15%. Through continued business development in our niche areas, we will now prioritize growth while at the same time maintaining our operating margin.

Sectra's order bookings and cash flow for the fourth quarter declined compared with the year-earlier period. Accordingly, I feel it is important to emphasize that it is not unusual for our results to vary significantly between quarters since we sometimes receive particularly large orders and the proportion of internally financed service agreements in the Group has increased.

Sectra is focusing on controlled growth and on becoming a leader in the markets where the company already operates, as well as on increasing its presence in a small number of carefully selected growth markets. This strategy is one of the reasons for the company's improved earnings.

Sales growth was generated by our largest business area, Imaging IT Solutions, as well as our business lines and projects in Business Innovation. Our operations in the UK and the Netherlands reported particularly strong growth. These markets now account for more than 10% of total Group sales. Partner sales also increased in a number of areas, including the Middle East.

The Secure Communications business area experienced a difficult year, but recovered to a certain extent during the fourth quarter having turned an earlier loss into a break-even result. However, the situation remains uncertain moving forward, mainly due to slow approval processes that may lead to further delays in product deliveries.

Sectra has a high proportion of long-term customer contracts, which provides us with stability and enables long-term investments in products and services, which in turn creates added value for customers. Together with our customers and employees, we have what it takes to drive the development of efficient solutions that can improve people's quality of life, reduce society's healthcare costs and contribute to a safer society.

One of the highlights of the year was when Imaging IT Solutions received an award for having the most satisfied customers in the US market. Since customer satisfaction is the basis for all business development, this distinction has given us a substantial boost for the coming years.

Finally, I am pleased to report that the Group's development remains stable, with a solid financial position and strong cash flow. Accordingly, the Board has decided to propose to the 2014 Annual General Meeting that SEK 4.50 per share, the same amount as in the preceding year, be transferred to the shareholders through a share redemption program. *Torbjörn Kronander, President and CEO*

THE PERIOD IN BRIEF

2013/2014 fiscal year

- The Sectra Group's order bookings increased 1.1% to SEK 925.7 million (916.0).
- Net sales rose 4.5% to SEK 853.8 million (817.0).
- Operating profit rose 49.1% to SEK 128.1 million (85.9), corresponding to an operating margin of 15.0% (10.5).
- Non-recurring items had an impact of SEK 16.2 million on other income and SEK 19.0 million on depreciation and amortization. Excluding non-recurring items, the operating margin was 15.3%.
- Cash flow after changes in working capital amounted to SEK 123.7 million (191.2).

Fourth quarter

- Order bookings amounted to SEK 264.6 million (350.0), down 24.4% compared with the year-earlier period.
- Net sales increased 9.1% to SEK 270.6 million (248.1).
- Operating profit rose 43.9% to SEK 54.1 million (37.6), corresponding to an operating margin of 20.0% (15.2).
- Excluding non-recurring items, the operating margin was 21.0%.

Events during the quarter

- Additional care providers in the Netherlands and the UK signed long-term agreements with Sectra. Among other agreements, the Department of Health, Social Services and Public Safety in Northern Ireland expanded and extended its collaboration with Sectra.
- A healthcare region in Scandinavia signed a maintenance agreement, valued at SEK 32 million, for its region-wide IT solution for the management of medical images.
- The private care provider Suomen Radiologikeskus Oy signed an agreement with Sectra that will enable the company's mammography clinics to offer women an assessment of their risk of future osteoporosis fractures.
- The Czech security authorities approved Panthon 3, Sectra's smartphone security solution.
- The Dutch Ministry of Defense ordered Sectra's secure mobile phone and extended its framework agreement for secure communications.

PROPOSED SHARE REDEMPTION PROGRAM/DIVIDEND

The share redemption program proposed by the Board corresponds to a dividend yield of 5.8% based on the share price in

For the 2013/2014 fiscal year, the Board and the President propose that the Annual General Meeting resolve that SEK 4.50 per share be transferred to the shareholders through a 2:1 share split combined with a mandatory redemption process. No ordinary dividend is proposed. The Annual General Meeting will be held at 4:00 p.m. on September 8, 2014, in Linköping.

The proposal is in line with Sectra's dividend policy. At the end of the fiscal year, the Group's equity/assets ratio was 60.7%. The dividend policy and Sectra's financial targets state that the equity/assets ratio is to exceed 30%, which it will continue to do, by a healthy margin, even after a resolution in favor of the Board's proposed redemption process. It is the assessment of the Board that the company's existing balance sheet and cash flow are of adequate strength to secure the development of the business and provide the shareholders with a healthy return.

Additional information regarding the proposed share split and mandatory redemption process will be published in the notice of the Annual General Meeting and the full proposal to the Annual General Meeting.

OUTLOOK

The world needs more efficient healthcare and more reliable communications. Both of these areas offer major scope for expansion. Sectra plays a key role in satisfying these needs by offering products and services in the areas of medical IT and secure communications.

There is a growing need for greater efficiency in healthcare in order to provide care for more patients, due to the demographic trend of an aging population that is living longer while birth rates are declining. Sectra develops and sells systems and services for medical diagnostic imaging, which help to develop the healthcare sector while making it more efficient. Society also needs to improve how it takes care of age-related diseases. Sectra has several products and services that can contribute to more efficient healthcare and treatment of some of the most costly age-related diseases.

In terms of security, government agencies, defense organizations and the private sector are increasingly exposed to security risks and eavesdropping attempts. Heightened awareness of eavesdropping may contribute to greater interest in the type of security products offered by Sectra. Sectra is trusted to deliver products that protect classified information at the very highest levels and our encrypted products are approved by the EU, NATO and several national security agencies.

Satisfied customers and increased earnings through long-term customer collaboration

Sectra engages in long-term partnerships with its customers. Most of the customers Sectra had 20 years ago remain customers to this day and more than half of the Group's sales are currently derived from multi-year service and maintenance agreements. This type of agreement can have a duration of up to ten years, which gives Sectra a stable trend and provides a platform for the continuous development of the company's offering.



**Sectra best in KLAS
#1 in PACS**

“One of the highlights of the year was when Imaging IT Solutions received an award for having the most satisfied customers in the US market. Since customer satisfaction is the basis for all business development, this distinction has given us a substantial boost for the coming year.”

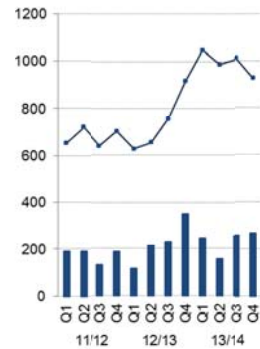
Torbjörn Kronander, President and CEO

KLAS is one of the leading analyst companies in the medical technology industry. The company provides independent ratings of suppliers in the US market based on assessments of thousands of decision-makers and specialists in the healthcare sector. These ratings serve as a valuable resource for care providers when assessing suppliers in conjunction with purchasing decisions.

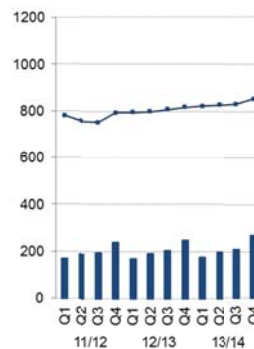
GROUP

Order bookings, sales and earnings

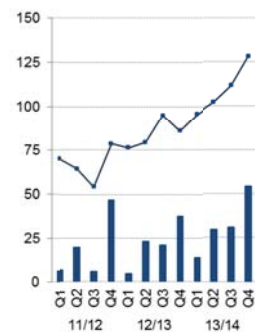
Order bookings, Group



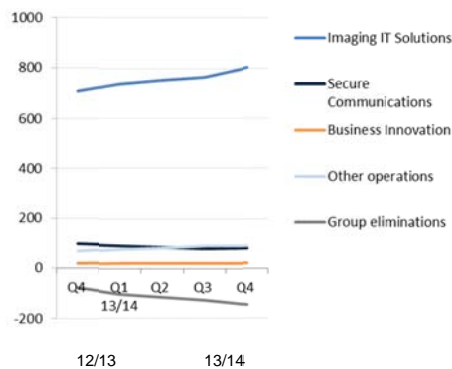
Sales, Group



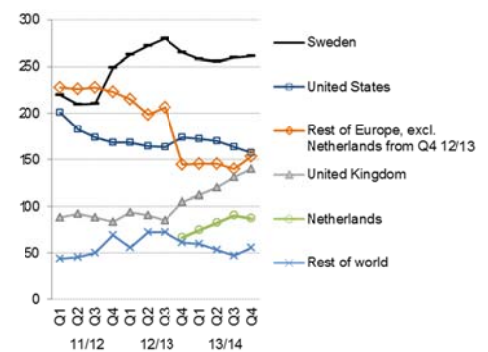
Operating profit, Group



Sales per segment



Net sales per geographic market



Results in SEK million
Staple – per quarter Line – rolling 12 months

2013/2014 fiscal year

The Group's order bookings amounted to SEK 925.7 million, up 1.1% compared with the year-earlier period. This increase was attributable to Sectra's largest business area, Imaging IT Solutions. The operations in the Netherlands, the UK and the US accounted for the largest increase in order bookings. This was in line with Sectra's strategy of focusing on growth in countries where the company has an existing market presence and through partners in selected growth markets.

Net sales rose 4.5% to SEK 853.8 million. Sales growth was generated by Sectra's largest business area, Imaging IT Solutions, as well as the company's investments in business lines and projects in Business Innovation. In geographic terms, the largest sales increase was reported by the operations in the UK and the Netherlands.

Non-recurring items in the fourth quarter.

The Group's operating profit rose 49.1% to SEK 128.1 million, corresponding to an operating margin of 15.0% (10.5). The Group's operating profit includes non-recurring items pertaining to the reversal of a contingent consideration amounting to SEK 16.2 million, impairment of goodwill and other intangible assets amounting to SEK 15.2 million and impairment of capitalized development costs in minor projects amounting to SEK 3.8 million. All items pertain to the fourth quarter and are primarily attributable to the acquisition of the Burnbank companies in 2012, as well as a local acquisition of production rights for medical system software. Changes to the terms of agreement resulted in a reversal of the contingent consideration for the Burnbank transaction amounting to SEK 16.2 million. An impairment loss of SEK 9.9 million was recognized for the goodwill acquired in the Burnbank transaction due to changes in the organization resulting in lower-than-anticipated synergy effects in the Sectra Group. As a result of

changes to local product strategies, an impairment loss of SEK 9.1 million was posted for other intangible assets and capitalized development costs.

The Group's net financial items rose to SEK 13.4 million (0.7). Exchange-rate changes had a positive impact of SEK 5.1 million (neg: 4.7) on the Group's financial items. Profit before tax totaled SEK 141.5 million (86.6), corresponding to a profit margin of 16.6% (10.6).

Fourth quarter

The Group's order bookings amounted to SEK 264.6 million (350.0). This represents a decline compared with the year-earlier period, when the Group's order bookings included multi-year service agreements with major hospitals. Sectra's order bookings tend to be uneven and significant variations between individual quarters are not unusual.

Net sales rose 9.1% to SEK 270.6 million. The increase was primarily attributable to the operations in the UK and the Netherlands. The Group's operating profit increased 43.9% to SEK 54.1 million, corresponding to an operating margin of 20.0% (15.2). The earnings improvement was mainly attributable to the Imaging IT Solutions business area. The Group's earnings for the fourth quarter include non-recurring items. For more information, refer to the above comments on the full fiscal year.

Net financial items totaled SEK 1.9 million (3.6). Exchange-rate changes had an impact of SEK 0.2 million (1.1) on the Group's financial items. Profit before tax amounted to SEK 56.0 million (41.2), corresponding to a profit margin of 20.7% (16.6).

Seasonal variations

Sectra is affected by seasonal variations, whereby most invoicing and earnings are traditionally generated at the end of the fiscal year. However, seasonal variations have fallen slightly in recent years due to an increasing proportion of sales being generated by long-term agreements with payment per month or per use. The varying order volumes in terms of individual quarters can be substantial, since Sectra has many major customers that sign extensive, multi-year agreements with the company for medical IT projects, for example, or the development of encryption systems.

Financial position

Sectra has a strong cash balance and balance sheet. At the end of the fiscal year, the equity/assets ratio was 60.7% and liquidity amounted to a multiple of 2.7. After adjustment for exchange-rate differences, the Group's cash and cash equivalents amounted to SEK 441.9 million. At the close of the fiscal year, the Group's interest-bearing liabilities amounted to SEK 43.5 million and pertained to convertible debentures to employees and Board members.

The Group's cash flow from operations after changes in working capital totaled SEK 123.7 million (191.2) for the fiscal year. The completion date for customer projects has a major impact on cash flow and the variation between individual quarters is substantial. Cash flow from investing activities amounted to negative SEK 54.6 million (neg: 76.2) for the period. The comparative figure includes negative SEK 46.8 million for the acquisition of the Burnbank companies in the UK. Cash flow from financing activities amounted to negative SEK 158.1 million (neg: 182.7) for the period. During the fiscal year, Sectra distributed SEK 166.9 million (185.5) to its shareholders through a share redemption program. The Group's total cash flow for the fiscal year amounted to negative SEK 89.1 million (neg: 67.7).

Investments, depreciation, amortization and impairment

Group investments during the fiscal year amounted to SEK 54.6 million (76.2), of which SEK 21.8 million (38.2) was attributable to the fourth quarter. Investments pertained primarily to customer projects in the Group's financing activities and capitalized

development costs. The comparative figure for the fiscal year includes the acquisition of the Burnbank companies. Depreciation and amortization for the fiscal year amounted to SEK 45.6 million (46.0), of which SEK 11.4 million (11.1) was attributable to the fourth quarter. Of the total depreciation and amortization for the period, SEK 17.5 million (15.8) was attributable to capitalized development projects. The fourth quarter was also charged with impairment totaling SEK 19.0 million pertaining to goodwill and other intangible assets and capitalized development costs in minor projects.

Due to new, extensive service agreements with customers in the healthcare sector, investments in Group-financed customer projects during the fiscal year increased to SEK 41.4 million (16.4), of which SEK 21.7 million (13.7) pertained to the fourth quarter. At the end of the fiscal year, the Group's carrying amount for Group-financed customer projects totaled SEK 54.6 million (37.1).

During the fiscal year, capitalization of development costs increased to SEK 16.3 million (12.2), of which SEK 2.2 million (4.1) was attributable to the fourth quarter. At the close of the fiscal year, capitalized development costs totaled SEK 47.6 million (52.5) and primarily pertained to development projects in Imaging IT Solutions.

Equity/assets ratio
60.7%

Operating margin, rolling
12 months
15.0%

Average growth for operating
profit per share, five-year
period
7.0%

At the end of the period
including non-recurring items

Sectra's financial targets

Sectra's Group-wide targets and strategies are aimed at building financially sound operations that provide Sectra with opportunities to create customer value and thereby contribute to long-term growth in shareholder value. In connection with a review of the Group's financial targets during the first quarter of the 2013/2014 fiscal year, the Board of Directors decided to change the growth target and establish priorities for the targets. The new targets are (in order of priority):

1. Stability: The equity/assets ratio must be a minimum of 30% (unchanged)
2. Profitability: The operating margin (EBIT) must be a minimum of 15% (unchanged)
3. Growth: Operating profit (EBIT) per share must increase, on average, 10% per year over a five-year period (changed growth target, the previous target was that Sectra's sales would increase, on average, by a minimum of 15% over a seven-year period)

Organizational changes

The medical education operations previously conducted by Imaging IT Solutions were transferred to Business Innovation as of May 1, 2014 since these operations comprise a separate customer segment. Business Innovations' development projects in the area of digital pathology were in turn transferred to Imaging IT Solutions as of the same date since these projects have now reached the initial commercialization stage.

Sectra offers products and services in the area of medical education that enable interaction with 3D images of the human body using various image display systems, such as visualization tables, tablets, projectors and 3D printers. The Group's offering also includes a library of anatomical images. Sectra's solutions are used in training programs for healthcare and veterinary personnel.

IMAGING IT SOLUTIONS

	Q4 Feb-Apr 2014	Q4 Feb-Apr 2013	Full-year May-April 2013/2014	Full-year May-April 2012/2013
Sales, SEK million	260.2	223.6	802.8	709.2
Operating profit, SEK million	78.4	48.2	178.6	103.2
Operating margin, %	30.1	21.6	22.2	14.6
Number of employees at end of period	409	387	409	387

Imaging IT Solutions grew 13% through long-term service and maintenance agreements.

Sales and earnings

Imaging IT Solutions' sales for the fiscal year increased 13.2% to SEK 802.8 million. This growth was mainly attributable to long-term service and maintenance agreements for region-wide medical IT systems. The business area's operations in the UK and the Netherlands reported the most significant growth. Partner sales also increased in 2013/2014, including in the Middle East.

Operating profit rose 73.1% to SEK 178.6 million, corresponding to an operating margin of 22.2%. The company's focus on growth, software sales with healthy margins and a more efficient organization contributed to the improvement in earnings.

Market

The market for medical IT systems and services continues to grow due to the major need for systems that enhance efficiency and the increased use of medical images in healthcare. Sectra's largest markets are Scandinavia, the US, the UK and the Netherlands.

In the domestic market in Scandinavia, Sectra is by far the largest provider of IT systems for efficient and secure communications, and the management of radiology images (PACS) and patient information (RIS). In the US, Sectra has chosen to focus on software sales with strong margins and thus deliberately refrains from hardware sales with lower margins. Although this contributed to a lack of sales growth in the US operations during the fiscal year, the strategy has had a positive impact on the gross margin.

In many countries, the uncertain prospects for economic growth and extensive austerity programs have dampened growth, particularly in southern Europe. Sectra's long-term assessment is that demand will recover, since the growing need for greater efficiency and lower costs in the healthcare sector will continue.

Focus 2013/2014

During the fiscal year, the business area focused on the following:

- Growth in regions in which Sectra has an established customer base.
- Further developing existing customer relations and broaden the product portfolio to included systems and services that contribute to further efficiency enhancements for customers.
- Continued growth in selected growth markets through partners.

The business area increased its order bookings and sales compared with the preceding fiscal year through long-term service agreements for IT systems that contribute to greater efficiency in the healthcare sector. Partner sales also increased in a number of areas, including the Middle East.

To strengthen its customer offering, the business area launched several new products and services during the fiscal year, including:

- 3D visualization with new diagnostic tools for vascular disorders.
- improved solutions for patient confidentiality in accordance with new regulatory requirements.
- solutions and consulting services for operational analysis.

Commercialization of Sectra's research findings in digital pathology has begun.

The way forward – continued expansion with a focus on radiology

Most users of Sectra's medical IT systems are active in the image-intensive areas of radiology and mammography. In conjunction with the transfer of the company's digital pathology research project from Business Innovation to Imaging IT Solutions, a new development project was initiated to address the commercialization of this technology. The project focuses on medical image management for cancer diagnostics, an area undergoing significant growth. Cancer diagnostics will be a central component of the business area's strategy going forward. In 2014/2015, the business area will focus on:

- Retained profit margin.
- Earnings growth through:
 - expanded collaboration with existing customers.
 - increased focus on the largest field, namely radiology, in the markets where Sectra holds a strong position and in selected growth markets through partners.
 - broadening of the product offering to include new, related segments – primarily pathology, but also other types of image-intensive operations in which cancer diagnostics, integration and work flows play an important role.
- Further improvements in customer satisfaction.

SECURE COMMUNICATIONS

Strong recovery for Secure Communications during the fourth quarter.

	Q4 Feb-Apr 2014	Q4 Feb-Apr 2013	Full-year May-April 2013/2014	Full-year May-April 2012/2013
Sales, SEK million	25.3	21.7	82.8	99.0
Operating profit, SEK million	5.0	-7.0	0.9	1.4
Operating margin, %	19.8	-32.0	1.0	1.4
Number of employees at end of period	53	66	53	66

Sales and earnings

Secure Communications' sales for the fiscal year amounted to SEK 82.8 million, down 16.3% compared with the preceding fiscal year. The operation reported an operating profit of SEK 0.9 million. Slow processes among customers have led to delays in ongoing delivery and development projects in Sweden, which continue to affect the business area. A more positive trend was noted in the Netherlands and other parts of Europe, and Sectra began deliveries of its Tiger 7401 and Panthon 3 secure mobile phones to both new and existing customers.

Market

The market is driven by the fact that it is easier than ever to eavesdrop on telecommunications, by changes to various regulatory frameworks for the handling of classified information, and by the growing number of authorities that want to protect their confidential, although not classified, information. Due to greater collaboration between governments in European countries, customer requests for products that support cross-border cooperation have increased. Sectra offers products that are approved by the EU, NATO and several national security agencies. Sweden and the Netherlands comprise Sectra's largest markets for secure communication systems. The major focus on eavesdropping in recent months may, in the future, lead to greater demand for security products from non-US companies.

Restoring Secure Communications' profit levels.

Focus 2013/2014

During the fiscal year, the business area focused on the following:

- Restoring profit levels.
- Developing the business area's operations in Sweden and the Netherlands, as well as other countries in which Sectra has an established customer base.
- Assessing the growth potential outside the government segment based on Sectra's cutting-edge expertise and powerful brand in the security industry.

In order to commence product and service delivery of its latest products – Tiger 7401, Panthon 3 and Ternety – the business area focused on obtaining approval from national security agencies, the EU NATO. Panthon 3, the Group's smartphone security solution, was approved for secure calls and text messaging at the Restricted classification level in several European countries, including the Netherlands, as well as NATO and the EU. Deliveries have commenced and certain customers subscribe to the product as a service, with Sectra responsible for all administration and maintenance. The business area also reported successful sales of its new secure mobile phone Sectra Tiger 7401, particularly in the Netherlands, but also in other European countries where the product has been approved.

The way forward – focus on profitability

Sectra's security solutions are used by customers in most countries in Europe and by the EU and NATO. In 2014/2015, Sectra will focus on:

- Restoring the operations' profit levels will be a top priority. Key factors will include:
 - orders from Swedish customers for new, customer-financed development projects and deliveries of Sectra's TETRA Crypto for radio communications among emergency services and other public safety organizations.
 - continued sales growth in the Netherlands and other parts of Europe, which will be made possible through the recent approval of Sectra Tiger 7401 and Sectra Panthon, as well as user satisfaction.
- Expansion of operations into new customer segments with demand for Sectra's high technical expertise in security, primarily focusing on customers in critical infrastructure areas and in the private sector.

BUSINESS INNOVATION

	Q4 Feb-Apr 2014	Q4 Feb-Apr 2013	Full-year May-April 2013/2014	Full-year May-April 2012/2013
Sales, SEK million	3.8	5.5	20.8	17.7
Operating profit/loss, SEK million	-2.3	0.1	-2.6	-7.0
Operating margin, %	-60.5	1.8	-12.4	-39.5
Number of employees at end of period	20	19	20	19

Business Innovation is Sectra's incubator for early-stage business lines, projects and ideas that are not yet large enough to become independent business areas. This segment includes services and products that contribute to more efficient and effective care for osteoporosis and IT systems for planning and following up orthopaedic surgery and research projects. Sectra's patent portfolio is also managed and developed in this segment.

Sales and earnings

Business Innovation is making continuous progress. Sales increased 17.5% during the fiscal year to SEK 20.8 million. The operating segment reported an operating loss of SEK 2.6 million (loss: 7.0).

OTHER OPERATIONS

	Q4 Feb-Apr 2014	Q4 Feb-Apr 2013	Full-year May-April 2013/2014	Full-year May-April 2012/2013
Sales, SEK million	23.4	20.9	93.3	68.0
Operating profit/loss, SEK million	-7.5	2.6	-10.9	-6.0
Operating margin, %	-32.4	12.4	-11.7	-8.8
Number of employees at end of period	54	53	54	53

Other operations pertain to Sectra's operations for the financing of customer projects, asset management, and shared functions for administration, Group finances, market communication, IT, regulatory issues and investor relations activities.

New service agreements with healthcare providers contributed to increased sales.

Sales and earnings

During the period, sales from other operations rose 37.2% to SEK 93.3 million. This increase was attributable to Sectra's operations for the financing of customer projects. An operating loss of SEK 10.9 million (loss: 6.0) was reported for the period.

THE PARENT COMPANY SECTRA AB

The Parent Company includes the head office's functions for Group finances, market communication, IT, regulatory issues and investor relations activities, as well as the Business Innovation operating segment. The Parent Company's income statement and balance sheet are reported on page 17.

During the fiscal year, sales in the Parent Company amounted to SEK 65.2 million (20.2), of which SEK 14.0 million (5.2) was attributable to the fourth quarter. Sales increased due to the new organizational structure that was introduced in May, mainly as a result of increased invoicing of internal services. The operating loss for the fiscal year was SEK 18.6 million (loss: 11.1), of which a loss of SEK 10.4 million (loss: 1.0) was attributable to the fourth quarter. Profit after net financial items amounted to SEK 147.2 million (62.1), of which SEK 140.2 million (70.1) pertained to the fourth quarter. Exchange-rate changes had a positive impact of SEK 1.6 million (neg: 3.4) on the Group's financial items for the fiscal year.

THE SHARE

Sectra's share redemption program 2013

During July and August 2013, Sectra carried out a share redemption program, whereby SEK 4.50 per share, a total of SEK 166.9 million, was distributed to shareholders through a 2:1 share split, combined with a mandatory redemption process and a bonus issue to restore the share capital. Payment was made on August 5, 2013.

Share-related incentive programs

In the second quarter, due to Sectra's share redemption program 2013, the Board of Directors resolved on a recalculation of outstanding convertibles and employee stock options. The recalculation means that the financial compensation to the holders of convertibles in relation to the shareholders is reasonable. For dilution effects and current conversion prices, please refer to the information on Sectra's website under Investors/Sectra share. In the second quarter, Sectra settled 77,000 employee stock options 2010/2013, totaling SEK 2.2 million, issued to employees in North America through a cash settlement.

The 2013 AGM resolved to issue new convertibles to the Group's employees and external Board members. The convertibles were subscribed during the period from September 23 to October 4, 2013. In total, employees and Board members subscribed convertibles at a nominal amount of SEK 16.9 million, corresponding to 224,730 Series B shares. The dilution effect of both convertible programs amounts to 0.6% of the share capital and 0.4% of the votes. The conversion price for convertibles to employees is SEK 74.60, and the duration is November 1, 2013 to November 30, 2016. Conversion is permitted from November 7 to November 10, 2016. The conversion price for convertibles to external Board members is SEK 79.60 and the duration is November 1, 2013 to November 30, 2017. Conversion is permitted from November 6 to November 9, 2017.

The 2013 AGM also authorized the Board of Directors to issue not more than 100,000 call options to the Group's employees in North America and to make decisions regarding the issue of not more than 100,000 warrants carrying rights to subscription of not more than 100,000 Series B shares in the company in order to guarantee the performance of option commitments to employees. At the time of publication of this interim report, the Board had not utilized this possibility.

Authorization

The 2013 AGM authorized the Board, for the period until the next AGM, to decide on the new issue of not more than 3,700,000 Series B shares for consideration in the form of cash payment, offsetting of debt or contribution in kind whereby offsetting of debt and contribution in kind may deviate from shareholders' preferential rights. If the authorization is fully exercised, the dilution effect will be approximately 10% of the share capital and approximately 6% of the voting rights.

The AGM also resolved to authorize the Board, on one or more occasions, during the period until the next AGM, to make decisions on the acquisition and transfer of Series B treasury shares. A condition for the authorization is that the company's holding of treasury shares at no time exceeds 10% of all shares in the company.

At the time of publication of this interim report, the Board had not utilized these possibilities.

2014 Annual General Meeting

The Annual General Meeting is planned for 4:00 p.m. on September 8, 2014, in Linköping, Sweden. Notice of the meeting will be given by way of a press release and an advertisement in *Post och Inrikes Tidningar* and will be available on the company's website not later than four weeks prior to the meeting. Information that notice has been given will be published in *Svenska Dagbladet*. Any shareholders who wish to address questions to the AGM are welcome to do so. Please send these questions in advance to Sectra by e-mail, at info.investor@sectra.se, to facilitate answering these questions at the AGM.

Nomination Committee

The 2013 AGM resolved to appoint a Nomination Committee comprising four members, of whom the Chairman of the Board and three members are to represent the largest shareholders in the company. The composition of the Nomination Committee is based on known shareholdings in the company as of September 30, 2013. In accordance with the resolution of the AGM, the following Nomination Committee was appointed:

- Carl-Erik Ridderstråle (Chairman of the Board)
- Torbjörn Kronander (largest shareholder and CEO)
- Jan-Olof Brüer (second-largest shareholder and Board member)
- Ricard Wennerklint (representing IF, fourth-largest shareholder)

Jan-Olof Brüer, who is the company's second-largest shareholder in terms of votes, has been appointed Chairman of the Nomination Committee. Torbjörn Kronander, the

AGM in Linköping
September 8, 2014

company's largest shareholder in terms of votes, has decided to abstain from the chairmanship due to his role as CEO of Sectra AB.

The Nomination Committee's proposals will be presented in the notice of the Annual General Meeting and be available on the company's website. The Nomination Committee will submit proposals regarding:

- Election of, and fees to be paid to, the Chairman of the Board and other Board members
- Election of, and fees to be paid to, auditors and deputy auditors
- Resolution on principles governing the composition of the Nomination Committee
- Chairman of the General Meeting

2013/2014 Annual Report

The Annual Report will be published in a press release and be available on the company's website not later than three weeks prior to the Annual General Meeting. It will be distributed by post to new shareholders and shareholders who have registered for a copy in advance. The printed version can be ordered via Sectra's website or at the following address:

Sectra AB, Teknikringen 20, 583 30 SE-Linköping

Tel: +46 (0)13 23 52 00

E-mail info@sectra.se

FINANCIAL STATEMENTS

Accounting policies

This interim report has been prepared in accordance with IAS 34, Interim Financial Reporting, the Swedish Annual Accounts Act and the Swedish Securities Markets Act. The consolidated accounts were prepared in accordance with the International Financial Reporting Standards (IFRS) and statements from the International Financial Reporting Interpretations Committee (IFRIC) as approved by the EU Commission for application within the EU. The accounting policies and calculation methods are unchanged compared with those applied in the 2012/2013 Annual Report. New policies and amendments that have come into effect as of the 2013/2014 fiscal year have had no material impact on the financial statements.

Risks and uncertainties

Through its operations, Sectra is exposed to such business risks as dependence on major customers and partners, the effect of exchange rates on pricing in the markets in which the Group is active, and property and liability risks. Sectra is also exposed to various types of financial risks such as currency, interest-rate, credit and liquidity risks. A detailed description of the risks and uncertainties, as well as Sectra's strategies and tactics for minimizing risk exposure and limiting adverse effects, is provided in the Group's Annual Report for the 2012/2013 fiscal year, Note 31, page 48. No significant events have occurred that would alter the conditions reported therein.

SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

- University Hospitals in Cleveland, one of Sectra's largest customers in the US and a key research partner, signed a maintenance agreement ordered Sectra's service for dose monitoring.
- The Board and the President propose that the 2014 Annual General Meeting resolve that SEK 4.50 per share be transferred to the shareholders through a share redemption program. No ordinary dividend is proposed. This is in line with the preceding year.

FOR FURTHER INFORMATION

Contact Sectra's CEO Torbjörn Kronander, Tel: +46 (0)13 23 52 27

Presentation of the year-end report

A presentation will be held with Torbjörn Kronander, President and CEO of Sectra AB, and Simo Pykälistö, CFO and Executive Vice President of Sectra AB, on May 27, 2014 at 9:00 a.m. The presentation will be held in English. To attend the presentation, register via www.financialhearings.com.

Location: Operaterrassen in Stockholm

The presentation can be followed live via <http://media.fronto.com/cloud/sectra/140527/> and a recording will be available on <http://www.sectra.se/irwebcast>

Financial calendar

2014 Annual General Meeting	September 8, 2014 in Linköping
Three-month report	September 8, 2014
Six-month report	December 9, 2014
Nine-month report	March 10, 2015
Year-end report	June 3, 2015

ASSURANCE

The Board of Directors and the President of Sectra AB (publ) hereby assure that the year-end report for the period May 2013–April 2014 provides a true and fair view of the Parent Company's and Group's operations, financial position and earnings and describes the significant risks and uncertainties facing the Parent Company and other companies in the Group.

This interim report has not been reviewed by the company's auditors.

Linköping, May 26, 2014

Torbjörn Kronander CEO, President and Board member	Carl-Erik Ridderstråle Chairman	Erika Söderberg Johnson Board member
Anders Persson Board member	Christer Nilsson Board member	Jakob Svärdström Board member
Jan-Olof Brüer Board member	Per Elmhester Board member Employee representative	Fredrik Häll Board member Employee representative

The information in this report is such that Sectra AB (publ) is obligated to disclose in compliance with the Securities and Clearing Operations Act and/or the Financial Instruments Trading Act. The information was issued to the media for publication on May 27, 2014, at 08:00 a.m. (CET).

Consolidated income statements

SEK thousands	3 months Feb – Apr 2014	3 months Feb - Apr 2013	Full-year May-Apr 2013/2014	Full-year May-Apr 2012/2013
Net sales	270,599	248,098	853,796	816,954
Capitalized work for own use	2,198	4,134	16,310	12,210
Other revenue	16,180	0	16,180	0
Goods for resale	-38,643	-55,250	-119,452	-126,833
Personnel costs	-115,038	-107,406	-419,989	-416,183
Other external costs	-50,757	-40,893	-154,211	-154,327
Depreciation/amortization	-30,402	-11,065	-64,562	-45,955
Operating profit	54,137	37,618	128,072	85,866
Net financial items	1,884	3,571	13,392	688
Profit after net financial items	56,021	41,189	141,464	86,554
Taxes	-17,878	-13,817	-37,606	-24,308
Earnings for the period	38,143	27,372	103,858	62,246
Earnings/loss for the period attributable to:				
Parent Company owners	38,143	27,372	103,858	62,246
Non-controlling interest	0	0	0	0
Earnings per share				
Before dilution, SEK	1.03	0.74	2.80	1.68
After dilution, SEK	1.00	0.72	2.73	1.64
No. of shares				
Before dilution	37,094,978	37,094,978	37,094,978	37,094,978
After dilution ²⁾	38,124,018	37,951,746	38,124,018	37,951,746
Average, before dilution	37,094,978	37,094,978	37,094,978	37,052,830
Average, after dilution ²⁾	38,124,018	37,951,746	38,057,033	37,852,915

- 1) Dilution of the number of shares is based on the convertible debentures programs issued in 2010/2011 (176,052), 2011/2012 (272,363), 2012/2013 (155,895) and 2013/2014 (224,730) and on employee stock options issued in 2011/2012 (100,000), and 2012/2013 (100,000). On full conversion/exercise of convertible debentures and employee stock options, the number of shares will rise by 1,029,040.

Consolidated Statement of Comprehensive Income

SEK thousands	3 months Feb – Apr 2014	3 months Feb - Apr 2013	Full-year May-Apr 2013/2014	Full-year May-Apr 2012/2013
Earnings for the period	38,143	27,372	103,858	62,246
Items that will be reclassified to profit and loss				
Change in translation differences from translating foreign subsidiaries	5,921	2,021	9,869	-11,191
Total other comprehensive income for the period	5,921	2,021	9,869	-11,191
Total comprehensive income for the period	44,064	29,393	113,727	51,055

Consolidated Balance Sheets

SEK thousands	Apr 30, 2014	Apr 30, 2013
Assets		
Intangible assets	104,859	123,157
Tangible assets	68,494	48,670
Financial assets	1,765	4,204
Deferred tax assets	19,920	5,593
Total fixed assets	195,038	181,624
Other current assets	371,058	365,642
Cash and cash equivalents	441,945	536,291
Total current assets	813,003	901,933
Total assets	1,008,041	1,083,557
Equity and liabilities		
Equity (including total comprehensive income for the period)	611,702	665,300
Provisions	6,000	17,575
Deferred tax liabilities	37,639	27,067
Long-term liabilities	37,397	26,503
Current liabilities	315,303	347,112
Total equity and liabilities	1,008,041	1,083,557

No changes have occurred in pledged assets and contingent liabilities since the 2012/2013 Annual Report.

Consolidated Statement of Changes in Equity

SEK thousands	Full-year May - Apr 2013/2014	Full-year May - Apr 2012/2013
Equity at start of period	665,300	787,392
Comprehensive income for the period	113,727	51,055
Share-related payments	1,819	1,479
Redemption of shares	-166,927	-185,475
Settlement of share-related payments	-2,217	10,849
Equity at the end of the period	611,702	665,300

Consolidated Cash-flow Statements

SEK thousands	Full-year May - Apr 2013/2014	Full-year May - Apr 2012/2013
Cash flow from operations before changes in working capital	159,873	133,634
Cash flow from operations after changes in working capital	123,669	191,216
Investing activities	-54,633	-76,206
Financing activities	-158,096	-182,697
Cash flow for the period	-89,060	-67,687
Change in cash and cash equivalents		
Cash and cash equivalents, opening balance	536,291	605,757
Exchange-rate difference in cash and cash equivalents	-5,286	-1,779
Cash and cash equivalents, closing balance	441,945	536,291
Unutilized credit facilities	15,000	15,000

Key figures

	Full-year Apr 30, 2014	Full-year Apr 30, 2013
Order bookings, SEK M	925.7	916.0
Operating margin, %	15.0	10.5
Profit margin, %	16.6	10.6
Average number of employees	523	527
Cash flow per share, SEK	4.31	3.60
Cash flow per share after full dilution, SEK	4.19	3.52
Value added, SEK M	548.1	502.1
P/E ratio, multiple	27.8	31.5
Share price at end of period, SEK	77.75	53.0
Return on equity, %	16.3	8.6
Return on capital employed, %	21.1	11.6
Return on total capital, %	13.7	7.9
Equity/assets ratio, %	60.7	61.4
Liquidity, multiple	2.7	2.6
Equity per share, SEK	16.49	17.94
Equity per share after full dilution, SEK	16.05	17.53

Quarterly consolidated income statement and key figures

SEK Million	2013/2014				2012/2013				2012/2013	
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Net sales	270.6	209.6	198.3	175.3	248.1	205.2	192.7	171.0	238.5	196.1
Capitalized work for own use	2.2	1.3	6.4	6.4	4.1	3.5	4.4	0.3	1.6	2.6
Other revenue	16.2									
Operating expenses	-204.5	-168.4	-162.9	-158.0	-203.5	-175.0	-163.1	-155.9	-181.6	-182.4
Depreciation/amortization	-30.4	-11.9	-12.4	-9.8	-11.1	-12.6	-11.0	-11.3	-11.7	-10.9
Operating profit	54.1	30.6	29.4	13.9	37.6	21.1	23.0	4.1	46.8	5.4
Net financial items	1.9	7.7	2.7	1.1	3.6	-0.8	1.8	-3.8	3.5	6.9
Earnings after net financial items	56.0	38.3	32.1	15.0	41.2	20.3	24.8	0.3	50.3	12.3
Tax on earnings for the period	-17.9	-9.5	-7.0	-3.2	-13.8	-2.5	-7.9	-0.1	-13.4	-3.3
Earnings for the period	38.1	28.8	25.1	11.8	27.4	17.8	16.9	0.2	36.8	9.0
Order bookings, SEK M	264.6	256.5	156.9	247.7	350.0	232.9	217.0	116.2	188.2	131.5
Operating margin, %	20.0	14.6	14.8	7.9	15.2	10.3	11.9	2.4	19.6	2.8
Cash flow per share, SEK	1.71	1.19	0.93	0.48	1.20	1.23	0.65	0.52	1.38	0.97
Cash flow per share after full dilution, SEK	1.67	1.16	0.90	0.47	1.18	1.19	0.64	0.51	1.34	0.94
Earnings per share, SEK	1.03	0.78	0.68	0.32	0.74	0.48	0.46	0.01	1.00	0.24
Return on equity, %	6.0	4.7	4.2	1.8	4.2	2.8	2.4	0.0	5.8	1.1
Return on capital employed, %	8.4	5.9	5.1	2.2	6.1	3.2	3.4	0.1	6.3	1.5
Equity/assets ratio, %	60.7	57.9	59.4	65.2	61.4	63.8	64.7	71.2	69.4	68.2
Equity per share, SEK	16.49	15.29	14.40	18.23	17.94	17.13	16.94	21.54	21.37	20.34

Five-year summary

	2013/2014	2012/2013	2011/2012	2010/2011	2009/2010
Order bookings. SEK M	925.7	916.0	701.1	631.0	766.7
Net sales. SEK M	853.8	817.0	823.1	783.7	753.9
Operating profit. SEK M	128.1	85.9	103.5	72.5	115.7
Earnings after net financial items. SEK M	141.5	86.6	127.9	70.2	113.0
Earnings after tax from remaining operations. SEK M	103.9	62.2	92.8	48.3	84.0
Operating margin. %	15.0	10.5	12.6	9.3	15.3
Profit margin. %	16.6	10.6	15.5	9.0	15.0
Earnings per share before dilution. SEK	2.80	1.68	2.52	1.31	2.28
Earnings per share after dilution. SEK	2.73	1.64	2.46	1.29	2.24
Dividend per share. SEK	4.50	4.50	5.00	5.00	0.00
Share price at year end. SEK	77.75	53.0	43.0	34.0	37.3
P/E ratio. multiple	27.8	31.5	17.1	26.0	16.4
Including discontinued operations:					
Earnings for the period. SEK M	103.9	62.2	385.8	-9.6	17.2
Return on equity. %	16.3	8.6	58.0	-1.6	2.9
Return on capital employed. %	21.1	11.6	59.7	-1.1	3.9
Return on total capital. %	13.7	7.9	40.8	-0.7	2.5
Equity per share before dilution. SEK	16.49	17.94	21.37	15.46	16.36
Equity per share after dilution. SEK	16.05	17.53	20.77	15.13	16.11
Equity/assets ratio. %	60.7	61.4	69.4	61.0	62.2

OPERATING SEGMENTS

Nets sales by segment

(MSEK)	3 months Feb - Apr 2014	3 months Feb - Apr 2013	Full-year May - Apr 2013/2014	Full-year May - Apr 2012/2013
Imaging IT Solutions	260.2	223.6	802.8	709.2
Secure Communications	25.3	21.7	82.8	99.0
Business Innovation	3.8	5.5	20.8	17.7
Other operations ¹	23.4	20.9	93.3	68.1
Eliminations	-42.1	-23.6	-145.9	-77.0
Group total	270.6	248.1	853.8	817.0

Operating earnings by segment

(MSEK)	3 months Feb - Apr 2014	3 months Feb - Apr 2013	Full-year May - Apr 2013/2014	Full-year May - Apr 2012/2013
Imaging IT Solutions	78.4	48.2	178.6	103.2
Secure Communications	5.0	-7.0	0.9	1.4
Business Innovation	-2.3	0.1	-2.6	-7.0
Other operations ¹	-7.6	2.6	-10.9	-6.0
Eliminations	-19.4	-6.3	-37.9	-5.7
Group total	54.1	37.6	128.1	85.9

Net sales by geography

(MSEK)	3 months Feb - Apr 2014	3 months Feb - Apr 2013	Full-year May - Apr 2013/2014	Full-year May - Apr 2012/2013
Sweden	70.3	68.6	261.2	264.8
US	49.4	55.8	156.9	174.2
UK	39.2	38.6	139.8	105.0
Netherlands	28.7	32.2	87.2	66.8
Rest of Europe	60.6	38.9	153.1	144.9
Rest of world	22.4	14.0	55.6	61.3
Group total	270.6	248.1	853.8	817.0

¹ Other operations pertain to Sectra's operations for the financing of customer projects, asset management, shared functions for administration, Group finances, market communication, IT, regulatory issues and investor relations activities.

² Of the non-recurring items, SEK 1.0 million is recognized under eliminations and negative SEK 3.8 million in the Imaging IT Solutions operating segment.

PARENT COMPANY

Parent Company Income Statements

SEK thousands	3 months	3 months	Full-year	Full-year
	Feb - Apr	Feb - Apr	May - Apr	May - Apr
	2014	2013	2013/2014	2012/2013
Net sales	14,002	5,230	65,170	20,206
Capitalized work for own use	944	0	1,208	0
Personnel costs	-11,548	-1,782	-41,696	-10,820
Operating expenses	-13,709	-2,391	-42,908	-21,296
Depreciation/amortization	-117	-22	-392	-166
Operating loss	-10,428	1,035	-18,618	-12,076
Net financial items	150,639	70,074	165,792	74,167
Profit after net financial items	140,211	71,109	147,174	62,091
Appropriations	-18,946	-1,975	-18,946	-1,975
Profit before tax	121,265	69,134	128,228	60,116
Tax on earnings for the period	-27,651	-18,496	-29,252	-16,124
Earnings for the period	93,614	50,638	98,976	43,992

Parent Company Statement of Comprehensive Income

SEK thousands	3 months	3 months	Full-year	Full-year
	Feb - Apr	Feb - Apr	May - Apr	May - Apr
	2014	2013	2013/2014	2012/2013
Earnings for the period	93,614	50,638	98,976	43,992
Other comprehensive income				
Fund for fair value	2,889	2,221	1,727	-2,725
Total other comprehensive income for the period	2,889	2,221	1,727	-2,725
Total comprehensive income for the period	96,503	52,859	100,703	41,267

Parent Company Balance Sheets

SEK thousands	Apr 30. 2014	Apr 30. 2013
Assets		
Intangible assets	1,208	0
Tangible assets	925	238
Financial assets	151,963	106,492
Total fixed assets	154,096	106,730
Other current assets	187,527	168,667
Cash and cash equivalents	336,016	424,712
Total current assets	523,543	593,379
Total assets	677,639	700,109
Equity and liabilities		
Equity (including earnings for the period)	450,290	519,825
Deferred tax liabilities	131,112	112,166
Long-term liabilities	37,397	26,503
Current liabilities	58,840	41,615
Total equity and liabilities	677,639	700,109

Pledged assets and contingent liabilities

SEK thousands	Apr 30. 2014	Apr 30. 2013
Pledged. assets	11,000	11,000
Total pledged assets	11,000	11,000
Guarantees on behalf of group companies	248,525	283,943
Total contingent liabilities	248,525	283,943

Definition of key figures

Adjusted equity	Reported shareholders' equity increased by 78% of untaxed reserves.
Capital employed	Total assets reduced by non-interest-bearing liabilities.
Cash flow per share	Cash flow divided by the number of shares at the end of the period.
Earnings per share	Profit/loss after tax divided by the average number of shares.
Equity/assets ratio	Adjusted equity as a percentage of total assets.
Equity per share	Adjusted equity divided by the number of shares at the end of the period.
Liquidity	Current assets divided by current liabilities.
P/E ratio per share	Share price at the end of the period in relation to the 12-month period's earnings
Profit margin	Profit after net financial items as a percentage of net sales.
Return on equity	Profit after tax as a percentage of average adjusted equity.
Return on capital employed (ROCE)	Profit before tax plus financial expenses as a percentage of average capital employed.
Return on total capital	Profit after net financial items plus financial expenses as a percentage of average total assets.
Value added	Operating profit plus labor costs.

ABOUT SECTRA

The world needs more efficient healthcare and more reliable communication. Sectra plays a key role in satisfying these needs by offering products and services in the areas of medical IT and secure communications.

The company has grown from a small group of researchers and postgraduate students in 1978 to an international company with more than 500 employees in 12 countries. The key to this success lies in the company's long-term, close collaboration with customers combined with innovation and cutting-edge technological expertise and each employee's dedication to using his or her knowledge to solve customer problems. The Group's operations currently comprise the following niche areas:

Imaging IT Solutions helps healthcare providers care for more patients, while retaining the same, or a higher level of, quality, through efficient image management. Increased use of medical images and ageing populations that are living longer pose huge challenges to the healthcare sector. Sectra's IT solutions and services enable greater efficiency throughout the entire care chain and contribute to healthcare advancements. Sectra has more than 1,700 installations of medical IT systems, and customers include some of the largest healthcare providers in the world. The main area today is radiology, but there is also rapidly rising interest from other diagnostic imaging areas in the healthcare sector.

Secure Communications helps authorities, companies and defense organizations in Europe to communicate securely. Eavesdropping on phone calls and messages is relatively easy, and represents a security threat for many organizations. Sectra's solutions and services protect the most sensitive and confidential information that is handled by customers. The products are approved by the EU, NATO and several national security authorities.

Business Innovation in which Sectra gathers smaller operations and future projects which may lead to major growth in Sectra's main areas or related niches. This area includes methods and products that contribute to more efficient and effective care for osteoporosis and the effects of osteoarthritis, which are some of society's most costly diseases.

Sectra's niche areas offer major scope for expansion. Conditions for the company's continued growth are:

- Stable, profitable companies with strong cash flows and a high proportion of long-term customer contracts.
- Established position in growing niche markets and global reach.
- Self-financed portfolio of future projects with strong growth potential.
- High level of customer loyalty.
- Products and services that contribute to improved quality of life and a more secure society.
- Unique cutting-edge expertise in medical IT and encryption.
- Dedicated and experienced employees with a strong drive to solve customer challenges.
- Management and employees are shareholders.

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For further information about Sectra's operations, refer to [Sectra's 2012/2013 Annual Report](#).