

## Year-end report 2015/2016:

### Financial goals fulfilled and increased order bookings during the quarter

#### REPORT PRESENTATION FOLLOWED BY INFORMATION ABOUT SECTRA'S FOCUS ON IT SECURITY FOR CRITICAL INFRASTRUCTURE

The presentation will be held in English.

**Time:** May 31, 2016, at 12:00 to 2:00 p.m. (CET).

**Location:** Operaterrassen in Stockholm, Sweden

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*The Board has proposed that SEK 4.50 per share be distributed to the shareholders through a share redemption program.*

#### **Sectra AB (publ)**

Teknikringen 20

SE-583 30 Linköping

Tel: +46 (0)13 23 52 00

info@sectra.se

www.sectra.se

VAT Reg. No.

SE556064830401

SEK million	The quarter			The period		
	Q4 2015/2016	Q4 2014/2015	Change %	Q1-4 2015/2016	Q1-4 2014/2015	Change %
Order bookings	447.8	368.6	21.5	1,322.0	1,550.4	-14.7
Net sales <sup>1</sup>	315.1	268.3	17.4	1,073.6	961.4	11.7
Operating profit (EBIT) <sup>1</sup>	58.0	42.4	36.8	165.5	150.3	10.1
Operating margin, %	18.4	15.8	-	15.4	15.6	-
Profit before tax (EBT)	48.7	39.6	23.0	154.8	164.4	-5.8
Profit margin, %	15.5	14.8	-	14.4	17.1	-
Profit after tax	43.3	34.6	25.1	125.7	126.1	-0.3
Earnings per share, SEK <sup>2</sup>	1.15	0.93	23.7	3.35	3.38	-0.9
Cash flow <sup>3</sup>	62.1	52.9	17.4	185.9	85.0	118.7
Number of employees <sup>4</sup>	625	565	10.6	625	565	10.6

<sup>1</sup> Q1 and Q4 of the 2014/2015 comparative period include nonrecurring items (refer to page 5) in the amount of SEK 10.3 million.

<sup>2</sup> Prior to dilution. <sup>3</sup> Ongoing operations after changes in working capital. <sup>4</sup> At the end of the period.

## CEO'S COMMENTS

Several of our major markets are displaying strong growth and Sectra's sales have now surpassed SEK 1 billion. Our sales in the US, the UK and Sweden increased more than 10% during the fiscal year. Our top ranking in the last three annual customer satisfaction surveys carried out by the analyst company KLAS have had a positive impact on our performance both in the US and globally. We know that what customers appreciate most are Sectra's employees and our stable and user-friendly products. I am proud of the efforts of our employees, which contributed significantly to our ability to deliver customer value, thereby enabling us to report a favorable earnings trend.



Our Group-financed managed-services agreements for medical IT systems had the greatest impact on the Group's positive performance in terms of sales, operating profit and cash flow. Several customers with extensive agreements deployed Sectra's systems in late 2014/2015 and early 2015/2016. This had a positive effect on the performance of the Imaging IT Solutions business area. Managed-services agreements are handled by our financing unit, Sectra Customer Financing, which has grown more than 60% and is now the Group's second-largest operation.

I am delighted to announce that we have fulfilled all of the Group's financial goals, despite the fact that not all areas performed as expected. Please note that a more precise definition has been established for Sectra's growth goal, since the previous target could be interpreted in different ways (refer to page 6). However, both definitions of the growth goal – which is based on operating profit per share – were fulfilled. Taking into consideration the company's favorable performance and strong financial position, the Board has decided to propose to the Annual General Meeting (AGM) that SEK 4.50 per share be distributed to the shareholders through a share redemption program.

#### *Strategic choices*

We remain focused on controlled growth and on being a leader in the areas and regions where the company operates. This strategy is supported by new ventures in a few carefully selected markets and product areas that we believe offer significant growth potential for Sectra. Digital pathology and IT security for critical infrastructure are examples of such new product areas.

Strong financial position enabling investments in new markets, product development and future-oriented projects.

Sectra has a strong brand – not only in medical IT, but also in the highly advanced IT security segment. While the Imaging IT Solutions business area performed well, the Secure Communications business area has failed to meet our expectations for several years. We are now aiming to establish a broader market in this area through We are now refocusing our efforts in this area through the launch of analysis and monitoring services for customers in the energy sector, the largest subsegment within critical infrastructure. Players in this area have significant value that must be protected. Unauthorized data access could result in the loss of human lives, serious injuries, major financial losses or jeopardize the safety of the entire country. Helping customers in the energy sector to protect their control systems is fully in line with our vision of contributing to a healthier and safer society. This new venture is an important part of our ongoing efforts to restore profitable growth in the Secure Communications business area.

### Outlook

Our order bookings are significantly higher than our net sales and a higher number of customers with managed-services agreements will generate stable revenues over a number of years, which bodes well for the future. The Group's financial position is enabling us to invest in new markets, product development and future-oriented projects. Thanks to our long-term customer relationships, our focus on high customer satisfaction, our outstanding employees, our high-quality and innovative products, and our strong financial position, we have the necessary prerequisites to continue delivering solutions that contribute to a healthier and safer society. This is how we create customer value, which in turn can lead to a favorable, long-term return for our shareholders.

*Torbjörn Kronander, President and CEO*

## THE PERIOD IN BRIEF

### Fiscal year

- The Sectra Group's order bookings amounted to SEK 1,322.0 million (1,550.4). Order bookings continue to exceed net sales.
- Net sales totaled SEK 1,073.6 million (961.4), up 11.7%. Excluding the nonrecurring items in the comparative period (refer to page 5), net sales rose 13.6%.
- Operating profit increased 10.1% to SEK 165.5 million (150.3), corresponding to an operating margin of 15.4% (15.6). Excluding the nonrecurring items in the comparative period, operating profit rose 18.2%.
- Cash flow after changes in working capital increased to SEK 185.9 million (85.0), corresponding to SEK 4.96 (2.28) per share. Several customers that have ordered Sectra's medical IT systems have entered the operational phase. This means that we have now started invoicing for these systems, and increased revenue from end customers has had a positive impact on the Group's sales, earnings and cash flow.

Highest customer satisfaction in the world. Sectra's CEO and employees accepted the award for Best in Klas during the fourth quarter.



## Fourth quarter

- Order bookings amounted to SEK 447.8 million (368.6), up 21.5%.
- Net sales totaled SEK 315.1 million (268.3), up 17.4%.
- Operating profit increased 36.8% to SEK 58.0 million (42.4), corresponding to an operating margin of 18.4% (15.8). Excluding the nonrecurring items in the comparative quarter (refer to page 5), operating profit rose 19.8%.
- Cash flow after changes in working capital amounted to SEK 62.1 million (52.9).

## Events during the fourth quarter

- A new President was appointed for the Secure Communications business area and the operations were expanded through the launch of new IT security services for critical infrastructure.
- The major London care provider Guy's and St. Thomas' NHS Foundation Trust signed a ten-year agreement for Sectra's IT services for managing and storing a number of different types of medical images.
- Two large US healthcare chains – Hartford HealthCare (HHC) and ProMedica – ordered Sectra's medical multimedia archive (VNA) for storing various types of medical images, film sequences and audio files.

New area:  
IT security for critical  
infrastructure. Refer  
to page 9.

## EVENTS AFTER THE END OF THE REPORTING PERIOD

- For the 2015/2016 fiscal year, the Board and the President propose (refer to page 14) that the AGM resolve to distribute SEK 4.50 per share to the shareholders through a 2:1 share split in combination with a mandatory redemption process. No ordinary dividend is proposed.
- Kuopio University Hospital in Finland ordered Sectra's solution for digital pathology. The system was sold by Sectra's partner Commit Oy.

## OUTLOOK

The world needs more efficient healthcare and increased security in society's communication and IT systems. Sectra plays a key role in meeting the needs in both of these areas, which also offer significant scope for expansion.

Due to the demographic trend of a population that is living longer while birth rates are declining, there is a growing need for greater healthcare efficiency in order to provide care for more patients. Sectra develops and sells IT solutions and services for medical diagnostic imaging and medical education that help to develop the healthcare sector while also making it more efficient. Society also needs to improve how it takes care of age-related diseases. Sectra offers several products and solutions that enhance the efficiency of care pathways for some of the most costly diseases primarily affecting older people, such as cancer diagnosis and monitoring, orthopaedic surgery, osteoporosis and osteoarthritis. Sectra's work enables hospitals across the world to become more efficient and thus take care of more patients and save more lives.

Growing use of IT, global mobility and the connection of IT systems to the Internet are contributing to efficiency enhancements in society and simplifying everyday life. These developments also mean that disruptions to IT systems could result in serious negative consequences for society and the individual and entail an increased risk for eavesdropping and unauthorized data access. Sectra develops IT security solutions and services for secure voice and data communications. Sectra has been entrusted to deliver products that protect classified information at the very highest levels. Several of its products have been approved by the EU, NATO and national security authorities. Sectra expanded its market during the year through the launch of products and monitoring services for society's critical functions, such as electricity and water distribution. Sectra's work provides greater security for society's most critical communication and control systems, which contributes to a more stable and safer society.

Sectra's vision -  
To contribute to a  
healthier and  
safer society.

## GROUP

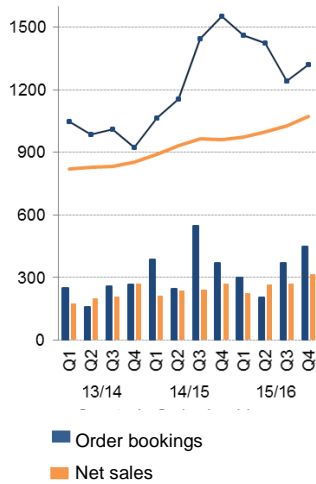
### Order bookings, sales and earnings

Results in SEK million

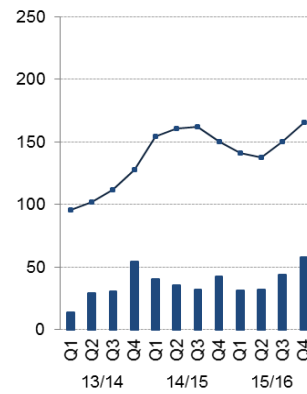
Bar – per quarter

Line – rolling 12 months

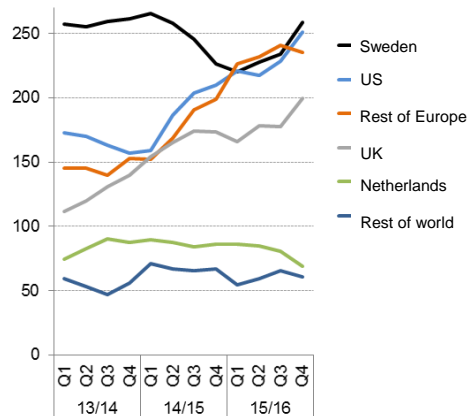
Order bookings and sales, Group



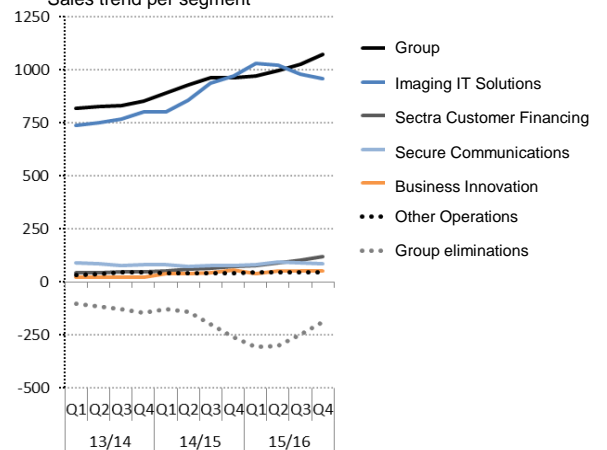
Operating profit, Group



Sales trend per geographic market



Sales trend per segment



#### Fiscal year

The Group's order bookings continued to exceed net sales by a significant margin. However, there were major variations in order bookings between the quarters and, as expected, order bookings in the UK were significantly lower than in the comparative period. Many UK healthcare providers procured new medical IT systems in 2014/2015, which contributed to Sectra's high order bookings in the preceding fiscal year. The largest increase in order bookings during the period was reported by Sectra's operations in the US and Norway (which is included in Rest of Europe). Order bookings in these markets rose more than 50%.

Net sales rose 11.7%. This increase was mainly attributable to Sectra's operations for financing multiyear managed-services agreements with customers in the healthcare sector. The financing business has grown (refer to page 12) and now accounts for 11.1% of the Group's sales. The Secure Communications business area also reported sales growth. Geographically, Sectra's operations in the US, the UK and Rest of Europe reported the highest growth compared with the year-earlier period. Growth in Rest of Europe mainly pertained to increased sales in Denmark – where Sectra acquired a company in 2015 – Norway and Germany. In Sweden, Sectra reported a certain degree of improvement after the dip in the preceding fiscal year, which was due to a decline in orders for encryption systems from the Swedish principal customer in Secure Communications.

More customers entered the operational phase, which had a positive impact on net sales, operating profit and cash flow.

The figures recognized for the comparative period include the following nonrecurring items:

	Quarter	2014/2015
Sale/licensing of patents (net sales)	Q1	16.3
Bonuses (personnel costs)	Q4	-6.0
<b>Total nonrecurring items 2014/2015</b>		<b>10.3</b>

Excluding the non-recurring items in the year-earlier period, comparative sales growth was 13.6%.

Sales-related Group eliminations amounted to a negative SEK 187.1 million (neg: 257.8) and mainly pertained to Group-financed managed-services agreements with customers in the Imaging IT Solutions business area. Within Imaging IT Solutions, most of the revenue and earnings from Group-financed managed-services agreements is recognized in conjunction with installation and deployment at the customer's site, which was the main reason for the sharp increase in Group eliminations during the comparative period. The deployments in 2014/2015 and higher number of customers deploying the company's systems in 2015/2016 contributed to increased revenue from end customers, resulting in a decrease in eliminations. As projects move to the operational phase, they contribute to a stable long-term trend at Group level, where the external revenues and earnings are recognized over the duration of the managed-services agreement, which is normally five to ten years.

The Group's operating profit rose 10.1% compared with the year-earlier period. The operating margin was 15.4% (15.6), which is higher than the Group's target level. Excluding the nonrecurring items in the comparative period, operating profit rose 18.2%. This increase was mainly due to a large number of customer projects in the Imaging IT Solutions business area transitioning from the installation phase to the operational phase. However, operating profit continued to be adversely impacted by the earnings trend in the Secure Communications business area as a result of the focus on new product areas and international expansion. The Group's net financial items amounted to an expense of SEK 10.7 million (income: 14.1). Currency fluctuations had a negative impact of SEK 10.5 million (pos: 14.9) on the Group's financial items. Changes in the British pound (GBP) accounted for the largest currency effects.

#### *Fourth quarter*

The Group's order bookings increased 21.5%. Sectra's operations in the UK and the US reported the highest order bookings during the quarter. Net sales rose 17.4% compared with the corresponding quarter in the preceding year. The operations in the UK, Sweden and the US reported the highest sales growth during the quarter.

While the variation in sales between quarters has declined somewhat as a result of the higher proportion of long-term managed-services agreements in recent years, the variation in order bookings increased for the same reason. When Sectra signs a multiyear managed-services agreement, for example, the entire order amount is recognized when the contract is signed, while the Group's sales are distributed over the duration of the agreement when the systems have been deployed at the customer's site.

The Group's operating profit rose 36.8% compared with the corresponding quarter in the preceding year. The operating margin was 18.4% (15.8). This positive earnings trend was attributable to a large number of managed-services agreements with customers in the healthcare sector moving from the installation phase to the operational phase.

The Group's net financial items amounted to an expense of SEK 9.2 million (expense: 2.8). Currency fluctuations had a negative impact of SEK 9.1 million (pos: 1.3) on the Group's financial items. Changes in the British pound (GBP) accounted for the largest currency effects during the period.

#### **Acquisitions**

Sectra acquired the Danish company it-mark ApS on April 30, 2015. The company delivers cloud-based IT services for medical imaging management (PACS), for example, to private and public healthcare providers in Denmark. The company is included in Sectra's financial statements for the Imaging IT Solutions business area as of April 30, 2015. Refer to Note 1 on page 24.

During the second quarter of the 2015/2016 fiscal year, Sectra acquired the Finnish company Exp Analytics Oy. The company sells consulting services in the field of

Managed-services agreements generate stable invoicing for many years.

Three acquisitions in 2015.

information security. The company is included in Sectra's financial statements for the Secure Communications business area as of September 30, 2015. Refer to Note 1 on page 23.

During the third quarter of the 2015/2016 fiscal year, Sectra acquired the Swedish company RxEye AB, which sells cloud-based IT services for efficient and secure remote viewing of medical images. The company is included in Sectra's financial statements for the Imaging IT Solutions business area as of December 30, 2015. Refer to Note 1 on page 22.

More precise growth goal for 2016/2017.

### Sectra's financial goals – new growth goal

The purpose of Sectra's Group-wide goals and strategies is to build financially sound operations that provide the company with opportunities to create customer value and thereby contribute to long-term growth in shareholder value. Sectra's financial focus is to increase its operating profit per share, while maintaining its operating margin.

All of the financial goals had been achieved as of the balance-sheet date. In order to clarify the Group's goal for growth, a more precise definition has been established: operating profit per share is to grow by at least 50% over a five-year period. The goal will be applicable from the 2016/2017 fiscal year. The previous goal was that operating profit per share would grow by at least 10% per year, on average, over a five-year period. The term "on average" could be interpreted in different ways. The financial goals are (in order of priority):

1. Stability: The equity/assets ratio is to be at least 30%.
2. Profitability: The operating margin (EBIT) is to be at least 15%.
3. Growth: Operating profit (EBIT) per share is to grow by at least 50% over a five-year period.

Equity/assets ratio

49.5%

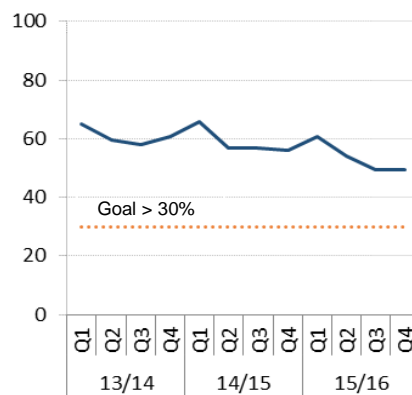
Operating margin (EBIT), rolling 12-month basis

15.4%

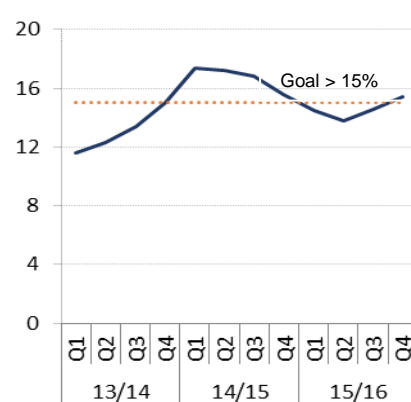
Average growth per year in operating profit per share, rolling five-year period

20.1%

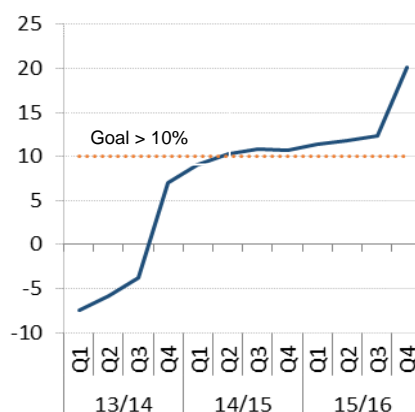
Equity/assets ratio, %



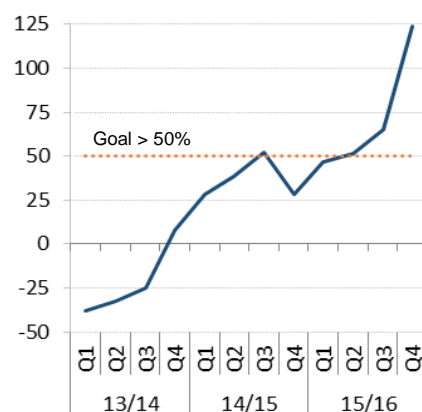
Operating profit, %



According to **previous** definition:  
Average growth in operating profit per share over five years, %



According to **new** definition  
Growth in operating profit per share over a five-year period, %



## Financial position

Sectra has a strong cash balance and balance sheet. After adjustment for exchange-rate differences, the Group's cash and cash equivalents at the end of the reporting period amounted to SEK 239.8 million (307.1). During the fiscal year, Sectra distributed SEK 168.8 million (167.7) to shareholders through a share redemption program. The Group's interest-bearing liabilities totaled SEK 75.0 million (55.9) and pertained to convertible loans held by employees and Board members. The equity/assets ratio was 49.5% (56.1).

The Group's cash flow from operations after changes in working capital amounted to SEK 185.9 million (85.0). The comparative period includes the aforementioned patent sale of SEK 16.3 million. This change is mainly attributable to increased invoicing and external revenue pertaining to Group-financed customer projects as a result of more projects entering the operational phase. Cash flow per share amounted to SEK 4.96 (2.28) for the fiscal year.

Cash flow from investing activities was a negative SEK 108.7 million (neg: 63.9) for the period. These investments mainly pertain to assets in long-term Group-financed customer projects and development projects. The Group's total cash flow was a negative SEK 69.4 million (neg: 133.2) and the figures included Sectra's share redemption program for shareholders.

## Investments, depreciation and amortization

Group investments during the fiscal year amounted to SEK 108.7 million (63.9), of which SEK 28.3 million (7.7) was attributable to the fourth quarter. Investments during the period primarily pertained to customer projects in the Group's financing business and capitalized development costs. Depreciation/amortization for the period amounted to SEK 51.5 million (42.3), of which the fourth quarter accounted for SEK 14.7 million (9.4).

Hardware-related investments in Group-financed customer projects during the period amounted to SEK 43.0 million (37.1), of which a negative SEK 1.5 million (pos: 13.7) was attributable to the fourth quarter. At the end of the period, the net carrying amount for Group-financed customer projects totaled SEK 145.5 million (62.1).

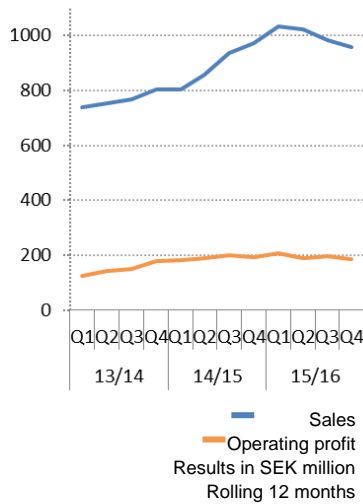
Capitalization of development costs during the period amounted to SEK 33.8 million (32.2), of which the fourth quarter accounted for SEK 10.8 million (9.0). Amortization of capitalized development projects during the period amounted to SEK 13.6 million (14.5). At the end of the period, capitalized development costs totaled SEK 85.5 million (65.2).

## Seasonal variations

Sectra's seasonal variations entail that most of the company's invoicing and earnings are traditionally generated at the end of the fiscal year. However, these seasonal variations have diminished somewhat in recent years since a major portion of sales is derived from pay-per-use or pay-by-month agreements with long durations. The equalization effect resulting from long-term managed-services agreements that are financed internally within the Group does not impact the business areas; instead it is essentially managed through the Parent Company's financing activities. The variations in order volumes in individual quarters can be substantial when customers sign extensive, multiyear agreements with the company, for example, for medical IT projects or for the development of encryption systems.

Increased  
investments in  
product  
development

Large long-term  
managed-services  
agreements help to  
reduce seasonal  
variations.



## IMAGING IT SOLUTIONS

	Q4 Feb-Apr 2016	Q4 Feb-Apr 2015	Full-year May-Apr 2015/2016	Full-year May-Apr 2014/2015
Sales, SEK million	270.1	293.9	957.8	970.6
Operating profit, SEK million	61.4	71.6	185.4	192.0
Operating margin, %	22.7	24.4	19.4	19.8
Number of employees at end of period	470	426	470	426

### Sales and earnings

Imaging IT Solutions' sales fell 1.3% during the fiscal year. Note that the comparative period includes large nonrecurring effects attributable to the UK, where several major customer installations were deployed late in the comparative period. At the business area level, most sales and earnings from managed-services agreement are recognized in conjunction with installation and deployment at the customer's site. This is also reflected in the business area's positive sales trend in the early quarters of 2015/2016 following the completion of installations at the premises of major customers that had signed multiyear managed-services agreement. Managed-services agreements financed through the Group's financing business (refer to Sectra Customer Financing on page 12) are eliminated at the Group level, with sales and earnings instead distributed over the duration of the customer contracts. Operating profit declined 3.4% compared with the year-earlier period. This change was the result of the transition to service sales and an increase in the proportion of multiyear managed-services agreement, which do not have an immediate impact on sales and earnings. The earnings trend was affected by the business area's future focus on areas such as digital pathology.

### Market

The business area's operations in the US and Norway (which is included in Rest of Europe) reported the largest increase in order bookings compared with the preceding fiscal year. During the fourth quarter, the business area signed agreements with two large US healthcare chains – Hartford HealthCare (HHC) and ProMedica – which ordered Sectra's archiving solution (VNA) for medical images. During the quarter, the business area also signed an agreement with Guy's and St. Thomas' NHS Foundation Trust, another major healthcare provider in London. The managed-services agreement extends for ten years and pertains to Sectra's IT services for managing and archiving a number of different types of medical images.

The market for medical IT systems and services is continuing to grow as a result of the population trend and the increased use of medical diagnostic imaging. To enable healthcare providers to provide better, faster and more patient-centered care, Sectra offers systems and services for the management and archiving of all types of medical images. The size of the customer varies from small private clinics to some of the largest healthcare providers in the world. Regardless of their size, Sectra's customers are able to manage all of their medical images in a consolidated system. Sectra's technology also enables integrated diagnostics, which facilitates collaboration between radiologists and pathologists by allowing images from both diagnostic specialties to be archived and viewed in a single system.

Medical imaging management in cancer diagnosis is a key part of the business area's strategy for the future. Most users are currently active in the fields of radiology and mammography, areas that make extensive use of medical images. The use of medical images in other areas,

Continued sales success in the US and the UK

Following Sectra's top ranking in customer satisfaction surveys, more healthcare providers across the world have become aware of the company's stable products and satisfied customers.





such as pathology, is growing, partly as a result of more customers implementing systems for consolidated imaging management for integrated diagnostics.

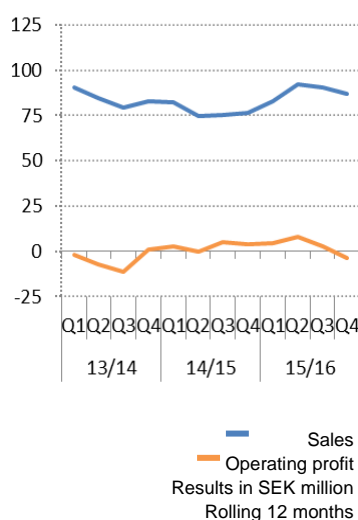
More than 1,700 healthcare providers worldwide use Sectra's systems and services, and the company is one of the world's leading suppliers of IT systems for managing medical images (PACS) and patient information (RIS). Sectra commands a market-leading position in these product segments in Sweden, Norway, the Netherlands and Portugal, a prominent position in the UK and is growing in the US. Sectra is also the market leader in a number of other countries in the niche of mammography imaging management.

## The way forward

The business area is focusing on offering customers stable, efficient and future-proof solutions for managing and communicating all types of medical images. Examples of focus activities:

- Grow within radiology by adding new customers in regions where Sectra already has an established presence. This includes an increased focus on the US, where Sectra has a very high level of customer satisfaction, but a relatively small market share.
- Assess individual new markets for direct sales.
- Develop partnerships with existing customers through which Sectra's products and services can contribute to further efficiency enhancements. For example, sales of the solution for digital pathology.
- Continued product development and broadening of the product portfolio. Special focus on medical imaging management in cancer diagnosis, an area that is a key part of the business area's strategy for the future.
- Greater internal efficiency. Partly by establishing a service-oriented organization that can support the sale of cloud solutions and increased centralization to ensure optimal utilization of specialist expertise.
- Increased customer satisfaction by continuously measuring and monitoring customer opinions about Sectra's support and products.

The use of medical images for cancer diagnosis is a common thread that runs through Sectra's offering.



Future focus on IT security services for critical social functions.

## SECURE COMMUNICATIONS

	Q4 Feb-Apr 2016	Q4 Feb-Apr 2015	Full-year May-Apr 2015/2016	Full-year May-Apr 2014/2015
Sales, SEK million	23.2	26.5	87.2	76.7
Operating profit, SEK million	-2.8	3.5	-3.7	3.8
Operating margin, %	-12.1	13.2	-4.2	5.0
Number of employees at end of period	64	55	64	55

### Sales and earnings

Secure Communications' sales increased 13.7% during the fiscal year. This increase was mainly attributable to sales to international customers, including orders from several new customers as well as deliveries of additional orders to Swedish customers. Operating profit was charged with activities to broaden the business area's offering to include new customer segments and expand into new geographic markets. These activities are part of the business area's growth strategy and could help to reduce its dependency on the company's principal customer in Sweden, where the market situation for encryption systems in the Secret segment has been weak for several years. The fourth quarter was also charged with costs related to the change of President. The new President of the business area is Simo Pykälistö, CFO and Executive Vice President of Sectra AB.

### New product area:

#### Security analysis and monitoring services for critical social functions

With its new analysis and monitoring services, the business area entered the fast-growing market for IT security for customers in the area of critical infrastructure during the quarter. This offering has been developed in partnership with players in the Swedish energy sector.

Within the energy sector, for example, computerized systems for monitoring and controlling industrial processes are used in a wide range of applications. These systems are becoming increasingly dependent on external information and connected with internal and external networks. This development is contributing to improved efficiency but also making the systems themselves more vulnerable. Interruptions in the operating environment – for example, in electricity production and distribution – can lead to significant disruptions in society, resulting in major financial consequences.

Sectra's critical infrastructure operations are still in the establishment phase but show considerable potential. So far, no competitor has established as clear a niche as Sectra in the critical infrastructure sector or an offering of both IT security products and monitoring services for this segment and no competitor has as strong a brand in the most advanced types of data security. In this segment, Sectra mainly competes with companies offering general data security services.

*Simo Pykälistö, CFO and Executive Vice President of Sectra AB, took over as President of the Secure Communications business area on April 1, 2016.*



## **Market**

The ability to safely and efficiently transmit sensitive information is central to the stability and security of society, particularly when it comes to critical social functions and infrastructure, government contacts or national security. Sectra has extensive experience of protecting society's most critical communication and is a strong brand in the area of encryption and secure mobile communication. IT developments in society, political instability in the world and the growth of cybercrime are contributing to a greater need for Sectra's expertise and product offerings, including in new market segments, such as critical infrastructure.

Sectra offers products and services for secure voice and data communications and the protection of society's most sensitive IT infrastructure. Customers include government authorities, companies in critical social sectors and defense organizations. Sweden and the Netherlands comprise the business area's largest markets. In the short and medium term, the business area will remain dependent on its relationships with Swedish authorities and defense customers. The market situation in Sweden remains unchanged. When and how Swedish customers decide on product orders is thus important to the performance of the business area. Demand for crypto products from customers in other European countries is favorable.

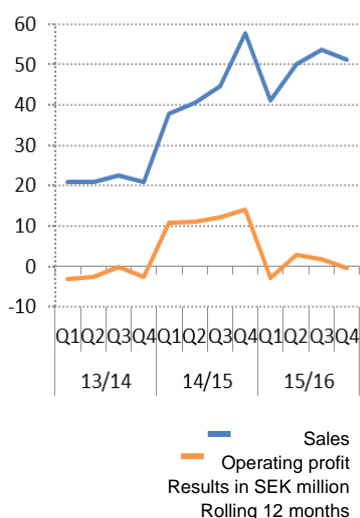
The business area's products for secure mobile communication are used in most European countries, and by the EU and NATO. This is the result of close and long-lasting partnerships with customers as well as national security authorities in many countries. Being trusted to protect a nation's most sensitive information requires a high degree of confidence in the provider. Sectra has the experience and knows what is required to meet the most high-level security standards while also satisfying organization and end-user expectations of high flexibility and mobility.

## The way forward

The business area is focusing on offering customers stable, accessible and easy-to-use IT security solutions for control systems and communication systems for sensitive information. Examples of the business area's focus activities:

- Increased sales of security-approved communication solutions in the Netherlands, Finland and the rest of Europe due to the company's offering of a complete system concept with solutions for various security levels able to handle multiple security domains (groups of users with a regulatory right to access classified information) in a single unit, which simplifies user management.
- Partnership with Samsung to further develop Sectra Tiger/R and enable the company's operations to be expanded into new customer segments for government authorities and private businesses.
- Grow in the area of critical infrastructure by offering security analyses and system monitoring services for operating and control systems. Primarily focusing on the energy sector in the Nordic region and other areas of Northern Europe.

## BUSINESS INNOVATION



	Q4 Feb-Apr 2016	Q4 Feb-Apr 2015	Full-year May-Apr 2015/2016	Full-year May-Apr 2014/2015
Sales, SEK million	14.5	16.9	51.3	57.8
Operating profit, SEK million	-2.7	-0.5	-0.3	14.1
Operating margin, %	-18.6	-3.0	-0.6	24.3
Number of employees at end of period	29	27	29	27

### Sales and earnings

The change in Business Innovation's sales and earnings was attributable to the fact that the figures for the comparative period include the sale and licensing of patents, which had a positive impact of SEK 16.3 million on sales and operating profit. The sale pertained to patents resulting from research activities that had not been utilized by Sectra itself. However, Sectra retained a perpetual right to use the patents in its own products. This type of patent transaction constitutes a nonrecurring effect and is unlikely to happen again. Excluding the nonrecurring item, the segment's operating sales rose 25.1%.

### Market

Business Innovation is Sectra's incubator for early-stage business units, projects and ideas that are not yet large enough to become independent business areas. This is where Sectra evaluates and utilizes opportunities to commercialize new technologies and new segments in the Group's main and related areas. Through Business Innovation, Sectra participates in research that can lead to a better quality of life for the individual, increased customer value and cost savings for healthcare and society.

This segment includes products and services that contribute to more efficient and better care for osteoporosis, IT systems for planning and monitoring orthopaedic surgery, medical education, and research projects. Sectra's patent portfolio is also managed and developed in this segment.

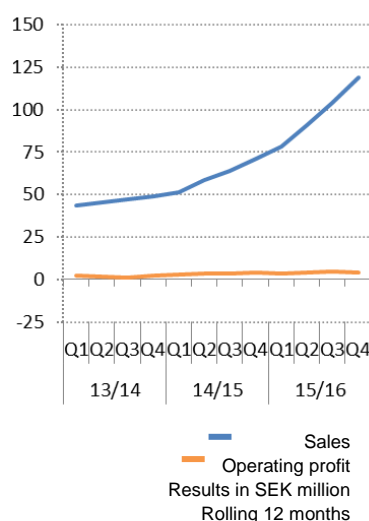
On May 1, 2016, the company carried out a reorganization, merging the Osteoporosis business unit and Orthopaedics business unit to form a single business unit for products and services related to skeletal diseases and injuries.

## The way forward

Examples of focus activities in Business Innovation:

- *Medical education* – grow in key markets, such as the US and China, and expand into new markets. Essentially all sales outside Sweden are conducted through distributors.
- *Orthopaedics* – grow in the countries where the business unit has its own sales organization, increase sales of cloud-based services for planning joint replacement surgeries through collaboration with implant suppliers, and grow in the trauma segment through sales of new solutions for 3D image planning.
- *Osteoporosis* – convince public healthcare providers to implement Sectra's method for early detection of osteoporosis symptoms in their healthcare flows. However, the decision-making and implementation processes in the public healthcare sector are very slow and, in parallel with this long-term work, the business unit is also focusing on increasing sales in the private mammography clinic segment.
- *Research* – make further progress in the digital pathology and visualization research projects.

## SECTRA CUSTOMER FINANCING



	Q4 Feb-Apr 2016	Q4 Feb-Apr 2015	Full-year May-Apr 2015/2016	Full-year May-Apr 2014/2015
Sales, SEK million	35.2	20.2	119.2	71.3
Operating profit, SEK million	0.7	1.1	4.3	4.0
Operating margin, %	0.2	5.5	3.6	5.7
Number of employees at end of period	0	0	0	0

Sectra Customer Financing is a unit for financing major managed-services agreements with healthcare customers and asset management.

Sales in this segment increased 67.2% during the fiscal year. The segment accounts for 11.1% of the Group's revenue and is recognized separately as of the fourth quarter of 2015/2016. The operations were previously included in Other Operations.

## OTHER OPERATIONS

	Q4 Feb-Apr 2016	Q4 Feb-Apr 2015	Full-year May-Apr 2015/2016	Full-year May-Apr 2014/2015
Sales, SEK million	10.8	10.2	45.2	42.8
Operating loss, SEK million	-4.3	-9.5	-9.0	-20.2
Operating margin, %	-39.8	-93.1	-20.0	-47.2
Number of employees at end of period	62	57	62	57

Other Operations pertain to Sectra's joint functions for administration, Group finances, IT, regulatory affairs, marketing communication and investor relations activities. The figures for the comparative period have been restated as a result of the separate recognition of Sectra Customer Financing as an independent segment as of the fourth quarter of 2015/2016. These operations were previously reported under Other Operations.

## Sales and earnings

Sales from Other Operations rose 5.6% during the period. The operating loss for the period improved to SEK 9.0 million (loss: 20.2). Profit in the comparative period was charged with investments in the Group's IT operations and nonrecurring bonuses totaling SEK 6.0 million.

The unit for financing multiyear managed-services agreements with healthcare customers has grown and is now the Group's second-largest operation.

## PARENT COMPANY

The Parent Company, Sectra AB, includes the operating segments Business Innovation and Sectra Customer Financing as well as the head office's functions for Group finances, IT, regulatory affairs, marketing communication and investor relations activities. The Parent Company's income statement and balance sheet are reported on page 21.

Sales in the Parent Company totaled SEK 95.6 million (99.9) for the period, of which SEK 24.9 million (27.4) was attributable to the fourth quarter. The comparative figures for the fiscal year include a nonrecurring item that had a positive impact of SEK 16.3 million on sales and operating profit. The Parent Company reported an operating loss of SEK 6.9 million (loss: 4.1) for the fiscal year, of which the fourth quarter accounted for a loss of SEK 6.8 million (loss: 9.6). Profit after net financial items amounted to SEK 60.8 million (83.1), of which SEK 41.9 million (67.3) pertained to the fourth quarter. Net financial items include anticipated dividends and other dividends from subsidiaries in an amount of SEK 62.0 million (80.0). Currency fluctuations had an adverse impact of SEK 0.1 million (pos: 2.9) on financial items for the period.

## THE SHARE

### Sectra's share redemption program 2015

During September and October, Sectra carried out a share redemption program, whereby SEK 4.50 per share, a total of SEK 168.8 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 October 16, 2015.

The redemption of Sectra's redemption shares for 2015 (designated SECT IL A and SECT IL B) is to be declared as a sale of shares on Form K4 for the 2015 tax assessment. According to the Swedish Tax Agency's general recommendations, 95.8% of the acquisition cost of an original Class A or B share in Sectra AB should be assigned to a remaining share and 4.2% to the redemption share. For more information and general guidelines from the Swedish Tax Agency, visit [www.sectra.com/redemption2015](http://www.sectra.com/redemption2015).

### Share-based incentive programs

On the balance-sheet date, Sectra's share capital totaled SEK 37,503,335, distributed between 37,503,335 shares. Of these shares, 2,620,692 are Class A shares and 34,882,643 are Class B shares. On full conversion/exercise of outstanding convertibles, the number of Class B shares will increase by 838,411, corresponding to 2.2% of the share capital and 1.4% of the voting rights in the company.

During the third quarter, Sectra redeemed employee stock options (2012/2015 program) issued to employees in North America through a cash settlement totaling SEK 5.5 million. During the first quarter, employees redeemed convertibles (2011/2015 program) totaling SEK 9.0 million, corresponding to 232,318 Class B shares.

The AGM, held on September 7, 2015, resolved to issue additional convertibles to the Group's employees and external Board members. The convertibles could be subscribed during the period November 3-11, 2015. Employees were subsequently allocated 188,084 convertibles and Board members were allocated 24,928 convertibles, corresponding to a total of 213,012 Class B shares at a combined nominal amount of SEK 28.1 million. The dilution effect of the two convertible programs is 0.6% of the share capital and 0.3% of the voting rights.

The conversion price for convertibles to employees is SEK 130.70, and the duration is from December 1, 2015 to December 30, 2018. Conversion is possible during December 10-14, 2018. The conversion price for convertibles to external Board members is SEK 140.40, and the duration is from December 1, 2015 to December 30, 2019. Conversion is possible during December 9-13, 2019.

Due to Sectra's share redemption program for 2015 (see above), the Board decided to recalculate conversion prices for outstanding convertibles and employee stock option programs. As a result of this recalculation, the financial compensation that the holders of convertibles will receive in relation to the shareholders is reasonable. For dilution effects and current conversion prices after the recalculation, refer to the information on Sectra's website:

[www.sectra.com/shareprograms](http://www.sectra.com/shareprograms)

After the balance-sheet date, holders of convertibles redeemed convertibles (2011/2016 and 2012/2016 programs) totaling SEK 9.0 million, corresponding to 182,770 Class B shares. After the conversion is registered, Sectra's share capital will amount to SEK 37,686,105, distributed between 37,686,105 shares. Of these shares, 2,620,692 are Class A shares and 35,065,413 are Class B shares.

### Authorization

The 2015 AGM authorized the Board, for the period until the next AGM, to decide on the new issue of not more than 3,700,000 Class 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 Class 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 authorizations.

## AGM, NOMINATION COMMITTEE AND ANNUAL REPORT

### Proposed share redemption program/dividend for 2016

For the 2015/2016 fiscal year, the Board and the President propose that the AGM resolve to distribute SEK 4.50 per share to the shareholders through a 2:1 share split in combination with a mandatory redemption process. The corresponding distribution to the shareholders in the preceding year was SEK 4.50 per share. No ordinary dividend is proposed.

The proposal is in line with Sectra's dividend policy. At the end of the fiscal year, the Group's equity/assets ratio was 49.5%. The dividend policy and Sectra's financial goals state that the equity/assets ratio is to exceed 30%, and it will continue to do so, by a healthy margin, following a resolution in favor of the Board's proposed redemption process. The Board deems that the company's current balance sheet and cash flow are of adequate strength to secure the development of the business, while providing the shareholders with a high return. Additional information regarding the proposed share split and mandatory redemption process will be published in the notice of the AGM and the full proposal to the AGM.

### 2016 Annual General Meeting

The 2015 AGM resolved to appoint a Nomination Committee comprising four members, one of whom is the Chairman of the Board and three of whom represent the largest shareholders in the company based on the number of votes. The Nomination Committee was formed based on known shareholdings in the company on October 31, 2015. 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)
- Nils Bolmstrand (representing Nordea, Sectra's third-largest shareholder)

Jan-Olof Brüer, who is the company's second-largest shareholder in terms of votes, was appointed Chairman of the Nomination Committee. Torbjörn Kronander, the company's largest shareholder in terms of votes, decided to abstain from the chairmanship due to his role as CEO of Sectra AB.

The AGM is scheduled for September 6, 2016, at 4:00 p.m. in Linköping, Sweden. The Nomination Committee's proposals will be presented in the notice of the AGM and be available on the company's website not earlier than six weeks and not more than four weeks prior to the Meeting date. The Nomination Committee will prepare and submit proposals regarding the:

- 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

AGM scheduled for  
September 6, 2016.

- Chairman of the AGM

Shareholders who wish to submit proposals may do so in writing to the Board or the Nomination Committee by e-mail: [info.investor@sectra.com](mailto:info.investor@sectra.com), or by mail: Sectra AB, Attn. Nomination Committee (or Board of Directors), Teknikringen 20, SE-583 30 Linköping, Sweden.

### Annual Report 2015/2016

The publishing of the Annual Report will be announced in a press release and the report itself will be published on the company's website not later than August 16, 2016, three weeks prior to the AGM. A printed copy can be ordered via:

- Sectra's website: [www.sectra.com/subscribe](http://www.sectra.com/subscribe)
- Telephone: +46 (0)13 23 52 00
- E-mail: [info.investor@sectra.se](mailto:info.investor@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 have been 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.

As of the 2015/2016 fiscal year, other operating income is recognized separately from net sales. Comparative periods have not been adjusted since the amounts are deemed to be of little value and are thus not expected to have a material impact on net sales. In all other respects, the accounting policies and calculation methods remain unchanged compared with those applied in the 2014/2015 Annual Report. New policies and amendments that have come into effect as of the 2015/2016 fiscal year have not had any 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 2014/2015 fiscal year in Note 30 on page 62. No significant events have occurred that would alter the conditions reported therein.

## FOR FURTHER INFORMATION

Contact Sectra's CEO Torbjörn Kronander, telephone +46 (0)13 23 52 27 or e-mail [info.investor@sectra.se](mailto:info.investor@sectra.se).

### Presentation of the interim report followed by information about Sectra's focus on IT security for critical infrastructure

A presentation will be held by Torbjörn Kronander, President and CEO of Sectra AB, and Simo Pykälistö, President of the Secure Communications business area and CFO and Executive Vice President of Sectra AB. The presentation will be held in English.

Time: May 31, 2016, at 12:00-2:00 p.m. (CET).

Location: Operaterrassen in Stockholm, Sweden

Register to participate here: [www.financialhearings.com](http://www.financialhearings.com)

Follow the report presentation live online: [www.sectra.com/irwebcast](http://www.sectra.com/irwebcast)

Watch a recorded version after the conference: [www.sectra.com/irwebcast](http://www.sectra.com/irwebcast)

## Financial calendar

Presentation of year-end report	May 31, 2016 at 12:00 noon (CET) in Stockholm
2016 AGM	September 6, 2016 at 4:00 p.m. in Linköping, Sweden
Three-month report	September 5, 2016
Six-month report	December 7, 2016
Nine-month report	March 7, 2017
Year-end report	May 30, 2017

## ASSURANCE

The Board of Directors and the President of Sectra AB (publ) hereby assure that the year-end report for the period May 2015–April 2016 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 31, 2016

Torbjörn Kronander  
President, CEO  
and Board member

Carl-Erik Ridderstråle  
Chairman

Erika Söderberg Johnson  
Board member

Anders Persson  
Board member

Christer Nilsson  
Board member

Jakob Svärdröm  
Board member

Jan-Olof Brüer  
Board member

Deborah Capello  
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 Market Act and/or the Financial Instruments Trading Act. The information was issued to the media for publication on May 31, 2016, at 8:00 a.m. (CET).*



## GROUP FINANCIAL SUMMARY

### Consolidated income statements

SEK thousand	3 months Feb-Apr 2016	3 months Feb-Apr 2015	Full-year May-Apr 2015/2016	Full-year May-Apr 2014/2015
<b>Net sales</b>	<b>315,118</b>	<b>268,329</b>	<b>1,073,560</b>	<b>961,392</b>
Capitalized work for own use	10,807	8,953	33,836	32,180
Other operating income <sup>1</sup>	1,540	0	3,452	0
Goods for resale	-54,644	-33,736	-153,798	-152,457
Personnel costs	-138,909	-132,761	-521,855	-475,781
Other external costs	-61,232	-59,037	-218,185	-172,716
Depreciation/amortization and impairment	-14,666	-9,374	-51,493	-42,324
<b>Operating profit</b>	<b>58,014</b>	<b>42,374</b>	<b>165,517</b>	<b>150,294</b>
Net financial items	-9,266	-2,784	-10,749	14,122
<b>Profit after net financial items</b>	<b>48,748</b>	<b>39,590</b>	<b>154,768</b>	<b>164,416</b>
Taxes	-5,435	-4,976	-29,071	-38,339
<b>Profit for the period</b>	<b>43,313</b>	<b>34,614</b>	<b>125,697</b>	<b>126,077</b>
<b>Profit for the period attributable to:</b>				
Parent Company owners	43,313	34,614	125,697	126,077
Non-controlling interest	0	0	0	0
<b>Earnings per share</b>				
Before dilution, SEK	1.15	0.93	3.35	3.38
After dilution, SEK	1.13	0.91	3.29	3.31
<b>No. of shares</b>				
Before dilution	37,503,335	37,271,017	37,503,335	37,271,017
After dilution <sup>2</sup>	38,341,746	38,202,938	38,341,746	38,202,938
Average, before dilution	37,503,335	37,251,457	37,483,975	37,256,347
Average, after dilution	38,341,746	38,202,938	38,249,201	38,125,317

<sup>1.</sup> As of the 2015/2016 fiscal year, other operating income is recognized separately from net sales. Comparative periods have not been adjusted since the amounts are deemed to be of little value and are thus not expected to have a material impact on net sales.

<sup>2.</sup> Dilution of the number of shares is based on the convertible programs issued in 2011/2012 (55,703), 2012/2013 (170,570), 2013/2014 (245,797), 2014/2015 (153,329) and 2015/2016 (213,012). On full conversion/exercise of convertibles and employee stock options, the number of shares will increase 838,411.

### Consolidated statement of comprehensive income

SEK thousand	3 months Feb-Apr 2016	3 months Feb-Apr 2015	Full-year May-Apr 2015/2016	Full-year May-Apr 2014/2015
<b>Profit for the period</b>	<b>43,313</b>	<b>34,614</b>	<b>125,697</b>	<b>126,077</b>
<b>Items that may be reclassified to profit and loss</b>				
Change in translation differences for the period from translating foreign subsidiaries	-13,114	9,641	-26,736	40,368
<b>Total other comprehensive income for the period</b>	<b>-13,114</b>	<b>9,641</b>	<b>-26,736</b>	<b>40,368</b>
<b>Total comprehensive income for the period</b>	<b>30,199</b>	<b>44,255</b>	<b>98,961</b>	<b>166,445</b>

## Consolidated balance sheets

SEK thousand	Apr 30, 2016	Apr 30, 2015
<b>Assets</b>		
Intangible assets	187,439	149,703
Tangible assets	112,565	75,945
Financial assets	1,798	1,766
Deferred tax assets	36,489	26,635
<b>Total fixed assets</b>	<b>338,291</b>	<b>254,049</b>
Other current assets	524,789	528,682
Cash and cash equivalents	239,768	307,076
<b>Total current assets</b>	<b>764,557</b>	<b>835,758</b>
<b>Total assets</b>	<b>1,102,848</b>	<b>1,089,807</b>
<b>Equity and liabilities</b>		
Equity (incl. profit for the period)	545,603	611,775
Provisions	49,140	8,595
Deferred tax liabilities	45,906	40,120
Long-term liabilities	52,565	46,941
Current liabilities	409,634	382,376
<b>Total equity and liabilities</b>	<b>1,102,848</b>	<b>1,089,807</b>

No changes have occurred in pledged assets and contingent liabilities since the 2014/2015 Annual Report.

## Consolidated statement of changes in equity

SEK thousand	Full-year May-Apr 2015/2016	Full-year May-Apr 2014/2015
Equity at start of period	611,775	611,702
Comprehensive income for the period	98,961	166,445
Share-related payments	140	335
Dividend/redemption of shares	-168,765	-167,720
Settlement of share-related payments	3,492	1,012
<b>Equity at end of period</b>	<b>545,603</b>	<b>611,775</b>

## Consolidated cash-flow statements

SEK thousand	Full-year May-Apr 2015/2016	Full-year May-Apr 2014/2015
Cash flow from operations before changes in working capital	163,838	165,639
<b>Cash flow from operations after changes in working capital</b>	<b>185,853</b>	<b>85,039</b>
Investing activities	-108,668	-63,931
Financing activities	-146,626	-154,288
<b>Total cash flow for the period</b>	<b>-69,441</b>	<b>-133,180</b>
<b>Change in cash and cash equivalents</b>		
Cash and cash equivalents, opening balance	307,076	441,945
Exchange-rate difference in cash and cash equivalents	2,133	-1,689
Cash and cash equivalents, closing balance	239,768	307,076
Unutilized credit facilities	15,000	15,000

## Key figures

	Full-year Apr 30, 2016	Full-year Apr 30, 2015
Order bookings, SEK million	1,322.0	1,550.4
Operating margin, %	15.4	15.6
Profit margin, %	14.4	17.1
Average number of employees	587	546
Cash flow per share, SEK	4.96	2.28
Cash flow per share after full dilution, SEK	4.85	2.23
Value added, SEK million	687.4	626.1
P/E ratio, multiple	33.0	35.3
Share price at end of period, SEK	110.75	119.5
Return on equity, %	21.7	20.6
Return on capital employed, %	24.2	25.1
Return on total capital, %	14.2	15.8
Equity/assets ratio, %	49.5	56.1
Liquidity, multiple	1.9	2.2
Equity per share, SEK	14.55	16.44
Equity per share after full dilution, SEK	14.23	16.01

## Quarterly consolidated income statement and key figures

SEK million	2015/2016				2014/2015				2013/2014		
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Net sales	315.1	268.9	264.7	224.9	268.3	241.6	239.0	212.4	270.6	209.6	198.3
Capitalized work for own use	10.8	12.8	5.4	4.8	9.0	12.0	7.4	3.8	2.2	1.3	6.4
Other operating income	1.5	0.4	0.4	1.0	0	0	0	0	0	0	0
Reversal of contingent consideration	0	0	0	0	0	0	0	0	16.2	0	0
Operating expenses	-254.7	-224.4	-225.1	-189.5	-225.5	-211.8	-200.0	-163.5	-204.5	-168.4	-162.9
Depreciation/amortization and impairment	-14.7	-13.7	-13.3	-9.8	-9.4	-9.9	-10.9	-12.2	-30.4	-11.9	-12.4
<b>Operating profit</b>	<b>58.0</b>	<b>44.0</b>	<b>32.1</b>	<b>31.4</b>	<b>42.4</b>	<b>31.9</b>	<b>35.5</b>	<b>40.5</b>	<b>54.1</b>	<b>30.6</b>	<b>29.4</b>
Net financial items	-9.3	-7.1	2.5	3.1	-2.8	11.6	1.8	3.5	1.9	7.7	2.7
<b>Profit after net financial items</b>	<b>48.7</b>	<b>36.9</b>	<b>34.6</b>	<b>34.5</b>	<b>39.6</b>	<b>43.5</b>	<b>37.3</b>	<b>44.0</b>	<b>56.0</b>	<b>38.3</b>	<b>32.1</b>
Tax on earnings for the period	-5.4	-8.1	-7.8	-7.8	-5.0	-15.2	-8.3	-9.9	-17.9	-9.5	-7.0
<b>Profit for the period</b>	<b>43.3</b>	<b>28.8</b>	<b>26.8</b>	<b>26.7</b>	<b>34.6</b>	<b>28.3</b>	<b>29.0</b>	<b>34.1</b>	<b>38.1</b>	<b>28.8</b>	<b>25.1</b>
Order bookings, SEK million	447.8	369.0	205.3	299.9	368.6	549.4	244.3	388.1	264.6	256.5	156.9
Operating margin, %	18.4	16.4	12.1	14.0	15.8	13.2	14.9	19.0	20.0	14.6	14.8
Cash flow per share, SEK	1.65	1.74	1.39	0.18	1.42	-0.63	0.75	0.75	0.52	1.46	1.57
Cash flow per share after full dilution, SEK	1.62	1.70	1.36	0.17	1.39	-0.62	0.73	0.74	0.51	1.42	1.53
Earnings per share, SEK	1.15	0.77	0.72	0.71	0.93	0.76	0.78	0.92	1.03	0.78	0.68
Return on equity, %	7.5	5.1	4.8	4.2	5.7	4.8	5.1	5.3	6.0	4.7	4.2
Return on capital employed, %	7.7	5.9	5.7	5.1	6.0	6.8	6.1	6.5	8.4	5.9	5.1
Equity/assets ratio, %	49.5	49.5	54.1	60.8	56.1	56.7	57.0	65.8	60.7	57.9	59.4
Equity per share, SEK	14.55	13.74	13.61	17.68	16.44	15.28	14.27	17.86	16.49	15.29	14.40

## Five-year summary

	2015/2016	2014/2015	2013/2014	2012/2013	2011/2012
Order bookings, SEK million	1,322.0	1,550.4	925.7	916.0	701.1
Net sales, SEK million	1,073.6	961.4	853.8	817.0	823.1
Operating profit, SEK million	165.5	150.3	128.1	85.9	103.5
Profit after net financial items, SEK million	154.8	164.4	141.5	86.6	127.9
Profit for the period after tax from remaining operations, SEK million	125.7	126.1	103.9	62.2	92.8
Operating margin, %	15.4	15.6	15.0	10.5	12.6
Profit margin, %	14.4	17.1	16.6	10.6	15.5
Earnings per share before dilution, SEK	3.35	3.38	2.80	1.68	2.52
Earnings per share after dilution, SEK	3.29	3.31	2.73	1.64	2.46
Dividend/redemption program per share, SEK	4.50	4.50	4.50	4.50	5.00
Share price at end of year, SEK	110.75	119.5	77.75	53.0	43.0
P/E ratio, multiple	33.0	35.3	27.8	31.5	17.1

## Including discontinued operations

Profit for the period after tax, SEK million	125.7	126.1	103.9	62.2	385.8
Return on equity, %	21.7	20.6	16.3	8.6	58.0
Return on capital employed, %	24.2	25.1	21.1	11.6	59.7
Return on total capital, %	14.2	15.8	13.7	7.9	40.8
Equity per share before dilution, SEK	14.55	16.44	16.49	17.94	21.37
Equity per share after dilution, SEK	14.23	16.01	16.05	17.53	20.77
Equity/assets ratio, %	49.5	56.1	60.7	61.4	69.4

## OPERATING SEGMENTS

### Sales by business segment

SEK million	3 months Feb-Apr 2016	3 months Feb-Apr 2015	Full-year May-Apr 2015/2016	Full-year May-Apr 2014/2015
Imaging IT Solutions	270.1	293.9	957.8	970.6
Secure Communications	23.2	26.5	87.2	76.7
Business Innovation	14.5	16.9	51.3	57.8
Sectra Customer Financing	35.2	20.2	119.2	71.3
Other Operations	10.8	10.2	45.2	42.8
Group eliminations	-38.7	-99.4	-187.1	-257.8
<b>Total</b>	<b>315.1</b>	<b>268.3</b>	<b>1,073.6</b>	<b>961.4</b>

### Operating profit by business segment

SEK million	3 months Feb-Apr 2016	3 months Feb-Apr 2015	Full-year May-Apr 2015/2016	Full-year May-Apr 2014/2015
Imaging IT Solutions	61.4	71.6	185.4	192.0
Secure Communications	-2.8	3.5	-3.7	3.8
Business Innovation	-2.7	-0.5	-0.3	14.1
Sectra Customer Financing	0.7	1.1	4.3	4.0
Other Operations	-4.3	-9.5	-9.0	-20.2
Group eliminations	5.7	-23.8	-11.2	-43.4
<b>Total</b>	<b>58.0</b>	<b>42.4</b>	<b>165.5</b>	<b>150.3</b>

### Sales by geographic market

SEK million	3 months Feb-Apr 2016	3 months Feb-Apr 2015	Full-year May-Apr 2015/2016	Full-year May-Apr 2014/2015
Sweden	76.4	51.3	258.9	226.5
US	78.1	55.6	250.7	209.9
UK	59.8	38.4	199.2	173.1
Netherlands	19.0	33.2	69.2	86.0
Rest of Europe	62.7	66.1	235.0	199.0
Rest of world	19.1	23.7	60.6	66.9
<b>Total</b>	<b>315.1</b>	<b>268.3</b>	<b>1,073.6</b>	<b>961.4</b>

## PARENT COMPANY

### Parent Company income statements

SEK thousand	3 months Feb-Apr 2016	3 months Feb-Apr 2015	Full-year May-Apr 2015/2016	Full-year May-Apr 2014/2015
<b>Net sales</b>	<b>24,948</b>	<b>27,387</b>	<b>95,614</b>	<b>99,916</b>
Capitalized work for own use	1,356	418	3,624	3,577
Other operating income <sup>1</sup>	212	0	1,035	0
Personnel costs	-14,089	-17,078	-38,884	-45,313
Other external costs	-18,555	-20,249	-66,267	-61,886
Depreciation/amortization	-699	-115	-2,007	-426
<b>Operating profit</b>	<b>-6,827</b>	<b>-9,637</b>	<b>-6,885</b>	<b>-4,132</b>
Net financial items	48,752	76,960	67,704	87,193
<b>Profit after net financial items</b>	<b>41,926</b>	<b>67,323</b>	<b>60,818</b>	<b>83,061</b>
Appropriations	88,097	130,106	88,097	130,107
<b>Profit before tax</b>	<b>130,023</b>	<b>197,430</b>	<b>148,915</b>	<b>213,168</b>
Tax on earnings for the period	-15,180	-25,432	-19,430	-28,927
<b>Profit for the period</b>	<b>114,843</b>	<b>171,998</b>	<b>129,485</b>	<b>184,241</b>

<sup>1</sup> As of the 2015/2016 fiscal year, other operating income is recognized separately from net sales. Comparative periods have not been adjusted since the amounts are deemed to be of little value and are thus not expected to have a material impact on net sales.

### Parent Company statement of comprehensive income

SEK thousand	3 months Feb-Apr 2016	3 months Feb-Apr 2015	Full-year May-Apr 2015/2016	Full-year May-Apr 2014/2015
<b>Profit for the period</b>	<b>114,843</b>	<b>171,998</b>	<b>129,485</b>	<b>184,241</b>
<b>Other comprehensive income</b>				
Fund for fair value	-10,133	2,458	-15,577	19,519
<b>Total other comprehensive income for the period</b>	<b>-10,133</b>	<b>2,458</b>	<b>-15,577</b>	<b>19,519</b>
<b>Total comprehensive income for the period</b>	<b>104,710</b>	<b>174,456</b>	<b>113,908</b>	<b>203,760</b>

### Parent Company balance sheets

SEK thousand	Apr 30, 2016	Apr 30, 2015
<b>Assets</b>		
Intangible assets	7,692	4,785
Tangible assets	9,627	6,662
Financial assets	285,591	179,785
<b>Total fixed assets</b>	<b>302,910</b>	<b>191,232</b>
Other current assets	474,223	556,977
Cash and cash equivalents	202,177	267,016
<b>Total current assets</b>	<b>676,400</b>	<b>823,993</b>
<b>Total assets</b>	<b>979,310</b>	<b>1,015,225</b>
<b>Equity and liabilities</b>		
Equity (incl. profit for the period)	436,021	487,343
Untaxed reserves	168,351	149,505
Long-term liabilities	52,565	46,941
Current liabilities	322,373	331,436
<b>Total equity and liabilities</b>	<b>979,310</b>	<b>1,015,225</b>

### Pledged assets and contingent liabilities

SEK thousand	Apr 30, 2016	Apr 30, 2015
Chattel mortgages	11,000	11,000
<b>Total pledged assets</b>	<b>11,000</b>	<b>11,000</b>
Guarantees on behalf of Group companies	321,544	357,729
<b>Total contingent liabilities</b>	<b>321,544</b>	<b>357,729</b>

## NOTES

**Note 1 Acquisitions****RxEye AB**

On December 30, 2015, the Group acquired 100% of the shares in the Swedish company RxEye AB, which sells cloud-based IT services for efficient and secure remote viewing of medical images. Through its cloud services, RxEye has established a network for distance viewing of radiology and pathology images. The company's customers are located in Europe, and more than 2,000 users in Sweden, Norway and France are connected to the network. The company now has a total of six employees and had sales of approximately SEK 7 million in the 2015 fiscal year. The acquisition was part of Sectra's efforts to expand the operations of Imaging IT Solutions.

The total consideration transferred on the date of acquisition amounted to SEK 17.2 million, of which SEK 2.6 million comprised a cash consideration and SEK 14.6 million comprised a contingent consideration, which was recognized as a provision in the Group. The fair value of the contingent consideration was calculated based on the likelihood that the sales objectives set for 2021 would be achieved. The acquisition was fully financed with Sectra's existing funds.

The goodwill that arose in connection with the transaction was attributable to expected growth opportunities for RxEye's products in the markets where Sectra operates.

Payment of the contingent consideration is based on the sales performance of the company's products and the operations of the entire Imaging IT Solutions business area in certain markets. The range for the contingent consideration is between SEK 0.0 million and SEK 110 million.

The operations were consolidated into the Sectra Group's Imaging IT Solutions business area from the date of acquisition on December 30, 2015, at which time Sectra obtained a controlling influence over the acquired unit. During the period, the company reported sales of SEK 3.4 million and an operating loss of SEK 33.0 million. Since the acquisition date, the company's sales totaled SEK 1.0 million and the operating loss amounted to SEK 0.9 million.

**Acquired net assets and goodwill, December 30, 2015**

SEK million	Carrying amount of the acquired company	Value according to acquisition analysis
Customer relations	0.0	6.6
Current receivables	1.8	1.8
Cash and cash equivalents	5.6	5.6
Deferred tax	0.0	-1.2
Current liabilities	-6.3	-6.3
<b>Total acquired net assets</b>	<b>1.1</b>	<b>6.5</b>
Fair value of consideration transferred		17.2
<b>Goodwill</b>		<b>10.7</b>
<hr/>		
Net outflow of cash and cash equivalents attributable to the acquisition <sup>1</sup>		
Cash consideration transferred		1.5
Cash and cash equivalents not yet paid		1.1
Cash and cash equivalents in the acquired company on the date of acquisition		-5.6
<b>Total</b>		<b>-3.0</b>

<sup>1</sup> Excluding acquisition-related expenses of SEK 0.3 million, which were recognized as external costs in the consolidated income statement for the 2015/2016 fiscal year.

## EXP Analytics Oy

On September 30, 2015, the Group acquired 100% of the shares in the Finnish company EXP Analytics Oy, which sells consulting services in the field of information security. The acquisition was part of Sectra's efforts to expand the Secure Communications business area into the Finnish market. The acquired company has four employees.

The total consideration transferred on the date of acquisition amounted to SEK 11.9 million, of which SEK 1.7 million comprised a cash consideration, SEK 9.7 million a contingent consideration recognized as a provision in the Group, and SEK 0.5 million a contingent consideration recognized as a current liability in the Group. The fair value of the contingent consideration was calculated based on the likelihood that the sales and earnings objectives set for 2020 would be achieved. The acquisition was fully financed with Sectra's existing funds.

The goodwill that arose in connection with the transaction was attributable to expected growth opportunities for Secure Communications in the Finnish and Estonian market, as well as the experience and expertise of the company's employees.

Payment of the contingent consideration is based on the sales and earnings trend for both the company and the entire Secure Communications segment. The payment range is between EUR 0.3 million and EUR 1.8 million, which is based on market conditions for the company.

The operations were consolidated into the Sectra Group's Secure Communications business area from the date of acquisition on September 30, 2015, at which time Sectra obtained a controlling influence over the acquired unit. During the period, the company reported sales of EUR 0.4 million (approximately SEK 3.8 million) and an operating loss of EUR 0.1 million (loss of approximately SEK 0.9 million). Since the acquisition date, the company's sales and earnings totaled EUR 0.07 million (approximately SEK 0.6 million) and the operating loss amounted to EUR 0.15 million (loss of approximately SEK 1.4 million).

### Acquired net assets and goodwill, September 30, 2015

SEK million	Carrying amount of the acquired company	Value according to acquisition analysis
Customer relations	0.0	0.0
Tangible assets	0.3	0.3
Current receivables	1.8	1.8
Cash and cash equivalents	0.3	0.3
Deferred tax	0.0	0.0
Current liabilities	-1.2	-1.2
<b>Total acquired net assets</b>	<b>1.2</b>	<b>1.2</b>
Fair value of consideration transferred		11.9
<b>Goodwill</b>		<b>10.7</b>
Net outflow of cash and cash equivalents attributable to the acquisition <sup>1</sup>		
Cash consideration transferred		0.9
Cash and cash equivalents not yet paid		0.7
Cash and cash equivalents in the acquired company on the date of acquisition		-0.3
<b>Total</b>		<b>1.3</b>

<sup>1</sup> Excluding acquisition-related expenses of SEK 0.1 million, which were recognized as external costs in the consolidated income statement for the 2015/2016 fiscal year.

## it-mark ApS

On April 30, 2015, the Group acquired 100% of the shares in the Danish company it-mark ApS, which sells IT services to the healthcare sector in Denmark. The acquisition was part of Sectra's efforts to expand the Medical Systems business area into the Danish market. The company has 11 employees and reported sales of DKK 13.4 million (approximately SEK 16.0 million) for the 2014 fiscal year, with an operating margin of 10.2%.

The total consideration transferred on the date of acquisition amounted to SEK 19.4 million, of which SEK 12.4 million comprised a cash consideration and SEK 6.2 million comprises a contingent consideration, which was recognized as a provision in the Group. The fair value of the contingent consideration was calculated based on the likelihood that the earnings objective set for April 30, 2020 would be achieved. The acquisition was fully financed with Sectra's existing funds.

The operations were consolidated into the Sectra Group's Imaging IT Solutions business area from the date of acquisition on April 30, 2015, at which time Sectra obtained a controlling influence over the acquired unit. In December 2015, Sectra's Danish companies – it-mark ApS and Sectra A/S – were merged. During the period, sales in the merged company as a whole amounted to DKK 24.3 million (approximately SEK 30.2 million) and operating profit totaled DKK 4.9 million (approximately SEK 6.1 million).

### Acquired net assets and goodwill, April 30, 2015

SEK million	Carrying amount of the acquired company	Value according to acquisition analysis
Customer relations	0.0	19.3
Tangible assets	1.0	1.0
Current receivables	3.0	3.0
Cash and cash equivalents	3.7	3.7
Deferred tax	0.0	-3.5
Current liabilities	-4.1	-4.1
<b>Total acquired net assets</b>	<b>3.6</b>	<b>19.4</b>
Fair value of consideration transferred		19.4
<b>Goodwill</b>		<b>0.0</b>
Net outflow of cash and cash equivalents attributable to the acquisition <sup>1</sup>		
Cash consideration transferred		12.4
Cash and cash equivalents in the acquired company on the date of acquisition		-3.7
<b>Total</b>		<b>8.7</b>

1) Excluding acquisition-related expenses of SEK 0.5 million, which were recognized as external costs in the consolidated income statement for the 2014/2015 fiscal year.

## DEFINITION OF KEY FIGURES

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



## GLOSSARY

### **Arthrosis**

Also referred to as osteoarthritis. A disease resulting from the breakdown (degeneration) of joint cartilage, primarily affecting older and overweight individuals. Strain and movement causes pain. Most commonly affects the wrist, hip, knee and toe joints. Common cause of joint replacement surgery.

### **Cloud**

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

### **Critical infrastructure**

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

### **Crypto**

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

### **Integrated diagnostics**

Diagnostic collaboration between different medical specialties, for example, between pathologists and radiologists for diagnosing, treating and monitoring cancer patients.

### **Mammography**

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

### **Orthopaedics**

A surgical specialty for disorders affecting the musculoskeletal system.

### **Osteoporosis**

Commonly referred to as "brittle bone disease," 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 medical images, primarily digital radiology images.

### **Pathology/histopathology/microscopy**

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

### **Radiology**

A health science discipline and medical specialty that uses technologies for imaging the human body, such as X-ray, magnetic resonance imaging (MRI) and ultrasound.

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

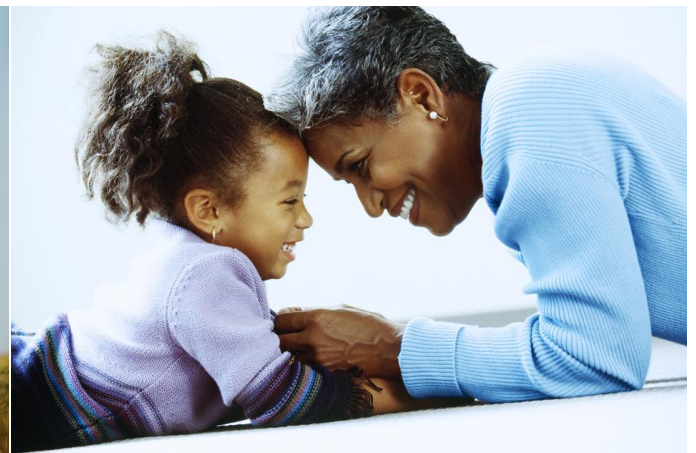
An IT system for managing radiology patient data, such as appointment bookings and patient information at radiology clinics.

### **Vendor-neutral archive (VNA)**

IT solution for managing and archiving files such as medical images, audio files and film sequences in a shared multimedia archive.

### **Visualization table**

Large, interactive touch screen with an image viewing program that enables interaction with 3D images of human and animal bodies.



## ABOUT SECTRA

### Mission statement

To increase the effectiveness of healthcare, while maintaining or increasing the quality of care.

To strengthen the stability and efficiency of society's most important functions through solutions for critical IT security.

### Niche areas

**Imaging IT Solutions** helps healthcare providers care for more patients, while retaining the same, or higher, level of quality through efficient image management. Increased use of medical images and aging populations that are living longer pose huge challenges to healthcare. 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.

**Secure Communications** helps society's critical functions safely and efficiently transmit sensitive information. Sectra's solutions and services protect the most sensitive and confidential information handled by its customers. Several of the products are approved by the EU, NATO and national security authorities.

**Business Innovation** gathers smaller activities that could eventually 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, and medical education.

## Are you a Sectra shareholder?

Your feedback is important to Sectra! We would like to thank you for taking the time to answer eight questions in Sectra's shareholder survey at: [www.sectra.com/shareholder2016](http://www.sectra.com/shareholder2016)

### Group-wide strategies

- Customers and customer satisfaction are always assigned top priority in order to enable long-term growth.
- International expansion mainly in areas and regions where Sectra holds an established position. This will primarily be achieved through organic growth, supplemented by acquisitions that also strengthen the Group's organic growth.
- Expansion into new geographic markets following thorough analysis and at controlled pace as Sectra achieves a strong position in existing markets.
- Close relationships with demanding customers to ensure that Sectra's solutions meet market demands for quality, functionality and usability.
- A strong, innovative corporate culture to attract and retain talented employees with the ability to solve our customers' problems and meet – in many cases, to exceed – their expectations.
- Close collaboration with universities and research institutions to capture ideas and new product areas that Sectra's customers may find useful.

### Ten good reasons to invest in Sectra

- Growth potential in the healthcare, secure communications and critical infrastructure sectors.
- Established brand in niche areas, where customer confidence is a critical success factor.
- Stable, profitable company, with more than 50% of sales comprising recurring revenue from long-term customer contracts.
- Multinational reach and thousands of customers worldwide.
- High level of customer satisfaction and the aim to make customers even more satisfied.
- Products and services that contribute to improved quality of life and a safer society.
- Self-financed portfolio of exciting innovation projects with reported and controlled costs. While some of these projects are unlikely to succeed, a single success story would be sufficient to add significant value.
- Members of management are shareholders.
- Principal owners dedicated to the long-term development of the company.
- A very strong corporate culture based on the employees' expertise and attitudes and their drive to solve customer problems.