

Year-end report 2017/2018:

Positive earnings trend and healthy order book

SEK million	The quarter			Full-year		
	Q4 2017/2018	Q4 2016/2017	Change %	Q1-4 2017/2018	Q1-4 2016/2017	Change %
Order bookings	500.3	349.6	43.1	1,492.5	1,177.7	26.7
Net sales	387.9	340.8	13.8	1,266.5	1,140.9	11.0
Operating profit (EBIT) ^{1,4}	83.7	74.5	12.3	239.1	200.1	19.5
Operating margin, %	21.6	21.9	n/a	18.9	17.5	n/a
Profit before tax (EBT) ^{1,4}	113.5	78.4	44.8	249.3	199.7	24.8
Profit margin, %	29.3	23.1	n/a	19.7	17.5	n/a
Profit after tax ⁴	90.8	58.6	54.9	198.3	152.6	29.9
Earnings per share, SEK ²	2.38	1.55	53.5	5.22	4.04	29.2
Cash flow ³	101.9	60.2	69.3	222.7	235.2	-5.3
Cash flow per share ³	2.68	1.59	68.6	5.84	6.21	-5.9
Average no. of employees	661	622	6.3	645	616	4.7

¹ The fourth quarter of 2017/2018 and the reported fiscal year include nonrecurring items (refer to page 5).

² Prior to dilution. ³ Cash flow from operations after changes in working capital.

⁴ The figures for the comparative year have been adjusted downward by SEK 0.3 million before tax and SEK 0.2 million after tax to reflect a correction of the elimination of intra-Group profit in accordance with IAS 8. Refer to the "Financial statements" section on page 15 and the notes on page 23.

CEO'S COMMENTS

The 2017/2018 fiscal year was characterized by successes that strengthened Sectra's position in our niche markets of medical imaging IT and cybersecurity. We have achieved all of our financial goals and are growing through collaboration with new and existing customers and partners. Our customers have entrusted us to execute projects with innovative solutions that could ultimately lead to new advances in critical social functions. The overall aim of all our projects and business ventures is to solve major social problems that must be addressed in the foreseeable future. Helping customers to improve the efficiency and quality of patient care and increase cybersecurity in critical social functions is Sectra's most significant contribution to a more sustainable society.

It is particularly gratifying to report that the problems we have been facing in Secure Communications in recent years are now being rectified. The operating area is growing rapidly and is profitable, although there is still some way to go before we reach the desired earnings level. Our new critical infrastructure security product segment is displaying particularly strong growth, although the impact on our overall performance to date has been minor.

Our customer satisfaction surveys continue to show positive results. Within Imaging IT Solutions, Sectra secured a top ranking in our main segment—Radiology PACS—in the customer satisfaction surveys conducted by the market research company KLAS, with the most satisfied customers both in the US and globally. The US market remains our best opportunity for growth and is currently our most intensely competitive market.

It is rewarding to lead and work for a company with satisfied customers and employees who do an outstanding job every day. The Group's performance is a result of our targeted efforts to understand our customers' environments and of our culture, with employees who truly care about and assume responsibility for our customers. I am incredibly proud of the Sectra culture and the way it is ingrained in every operating area in the company. This further strengthens our reputation and helps to boost our profitability. This ultimately benefits our customers, employees and shareholders—and, above all, the patients who benefit from our medical IT systems and the citizens of the democratic, open societies protected by our security solutions.

Outlook

A year ago, our order bookings looked somewhat worrying, but after the most recent quarter we are ending the fiscal year with a healthy order book. This will provide a solid foundation for continued growth. Sectra has stable underlying operations, with favorable profitability and cash flow. We also have a number of highly exciting projects in the pipeline that could



Report presentation

with President Torbjörn Kronander and CFO Mats Franzén. The presentation will be held in English.

Time: May 29, 2018, at 12:00 noon

Location: Operaterrassen in Stockholm

To attend the conference, register here >>

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eventually become major endeavors, although, as always, there are no guarantees with such projects.

Healthcare and cybersecurity are growing and rapidly changing markets, where numerous opportunities are being created for companies like us. Sectra is well positioned in these areas, with stable solutions, a long-term future focus and high customer satisfaction. I am therefore optimistic when it comes to our ability to continue this positive trend going forward.

Torbjörn Kronander, President and CEO

THE PERIOD IN BRIEF

Figures in parentheses pertain to the corresponding period/quarter in the preceding year.

2017/2018 fiscal year

- Order bookings increased 26.7% to SEK 1,492.5 million (1,177.7).
- Net sales rose 11.0% to SEK 1,266.5 million (1,140.9). Adjusted for currency fluctuations, sales increased 12.5%.
- Operating profit rose 19.5% to SEK 239.1 million (200.1), corresponding to an operating margin of 18.9% (17.5). Adjusted for currency fluctuations, operating profit increased 22.0%.
- Cash flow after changes in working capital amounted to SEK 222.7 million (235.2).

Fourth quarter

- Order bookings increased 43.1% to SEK 500.3 million (349.6).
- Net sales rose 13.8% to SEK 387.9 million (340.8). Adjusted for currency fluctuations, sales increased 13.9%.
- Operating profit rose 12.3% to SEK 83.7 million (74.5), corresponding to an operating margin of 21.6% (21.9). Adjusted for currency fluctuations, operating profit increased 13.0%.
- Profit before tax rose 44.8% to SEK 113.5 million (78.4). Net financial items increased SEK 25.9 million to SEK 29.8 million, of which the sale of all shares in the associated company Commit; Oy accounted for SEK 9.8 million.
- Cash flow after changes in working capital amounted to SEK 101.9 million (60.2).

Events during the fourth quarter

- A major company in critical infrastructure ordered Sectra's service for monitoring network traffic in critical process systems. The agreement extends for five years and covers system monitoring at several locations in Sweden.
- The EU approved Sectra's encrypted smartphone, Sectra Tiger/R, for the communication of information at the RESTRICTED security level. The product can thus be used by EU agency officials handling classified EU information.
- Dalarna County Council in Sweden selected Sectra's IT solution for reviewing pathology images in order to achieve more efficient integrated diagnostics and more patient-centered cancer care.
- A nationwide telepathology solution was deployed in the Netherlands. The project, which was initiated in 2016/2017, is the first of its kind in the world, and the solution was implemented by Sectra, together with the subcontractors Deutsche Telekom Healthcare Solutions and RAM Infotechnology.

SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

- The Board and the President propose that the 2018 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 (refer to page 13). No ordinary dividend is proposed.
- Texas Scottish Rite Hospital for Children in the US, renowned for its treatment of orthopaedic conditions, signed a multiyear agreement for Sectra's IT solution for reviewing radiology images.
- Sectra entered into a proof of concept agreement with NSW Health in Australia. The agreement marks the first phase of negotiations with NSW Health, which has selected Sectra as a preferred supplier in its procurement of a complete medical image management solution for the state of New South Wales. Under the agreement, Sectra must demonstrate that the solutions included in the tender function properly in the customer's environment. Before signing the main contract, the parties must also reach an agreement in the final negotiations of the contract terms.

THE FUTURE

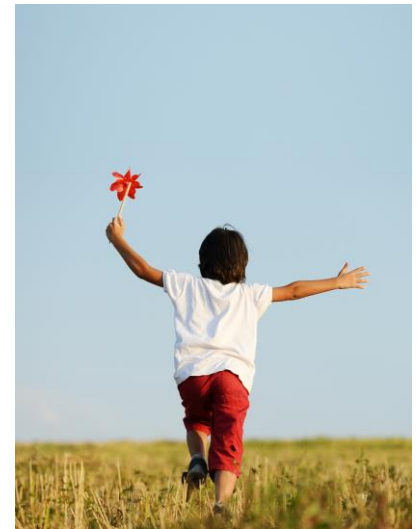
Sectra plays a key role in meeting the needs in the areas of medical imaging IT and cybersecurity, two changing, growing markets with additional scope for expansion. Sectra's customers operate in some of society's most critical functions. The company's job is to help its customers become more efficient and give them the tools to—in turn—make people's lives healthier, safer and more secure. By following Sectra's vision, this is how the company creates value for its customers, shareholders and society as a whole.

IT support for more efficient care

To maintain a high quality of care despite today's population development, the healthcare sector is being forced to accomplish more with the same or fewer resources. The growing population of senior citizens is shining a spotlight on diseases affecting the elderly. The treatment of patients with cancer and skeletal diseases—some of the most costly and resource-intensive areas in the healthcare sector—entails enormous challenges. These areas are dependent on medical diagnostic imaging—a niche market in which healthcare providers across the globe use Sectra's expertise and solutions to increase productivity, improve the quality of care and coordinate their resources. Sectra also helps to raise the quality of medical education by providing solutions for interacting with medical images and sharing educational materials. Sectra's work enables hospitals across the world to become more efficient, and thus take care of more patients and save more lives.

IT solutions for a more stable and safer society

The ability to safely and efficiently handle and transmit sensitive information is central to the stability and security of society, particularly when it comes to important social functions and critical infrastructure. The players in these areas rely on products and services that increase cybersecurity—a niche market where Sectra has extensive experience of protecting society's most critical communications, and is a strong brand in the area of encryption and secure mobile communications. IT developments in society, political instability in the world, and the growth of cybercrime are creating a greater need for Sectra's expertise and product offerings. Sectra helps customers to provide increased security for society's most critical communication and control systems, thereby contributing to a more stable and safer society.



Unless otherwise stated, the results shown in the following diagrams refer to amounts restated in SEK million, bars refer to the result per quarter and lines refer to rolling 12 months.

GROUP

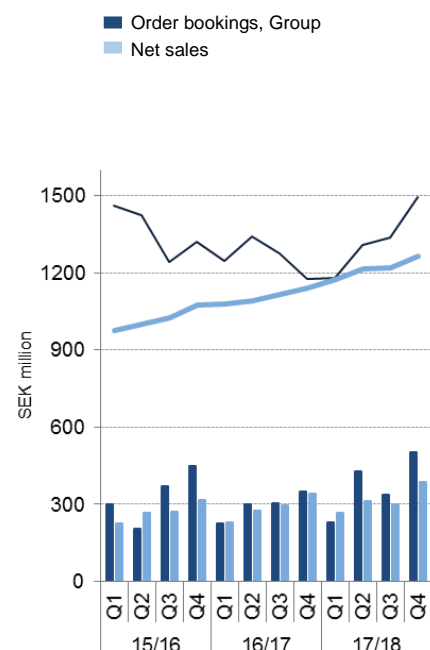
Order bookings, sales and earnings

2017/2018 fiscal year

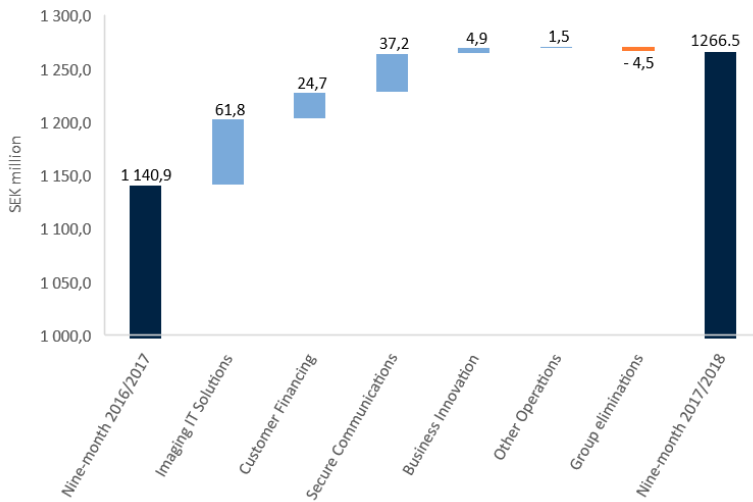
The trend in order bookings improved during the fiscal year as a result of Sectra entering into several comprehensive, long-term agreements. However, several of the new orders will tie up considerable capital during the installation phase, which will place a greater burden on cash flow. The Group's order bookings totaled SEK 1,492.5 million, up 26.7% from the comparative year. All business segments reported increased order bookings. Geographically, the increase in order bookings was mainly attributable to Sectra's operations in the Netherlands, the UK and Sweden.

Net sales rose 11.0% to SEK 1,266.5 million. Adjusted for currency fluctuations, the increase was 12.5%. All business segments reported sales growth. Geographically, Sectra displayed sales growth in essentially all markets, with the largest increases reported in the Netherlands, Sweden and the US. The rest of Europe was on par with the comparative year. Sales-related Group eliminations amounted to a negative SEK 171.1 million (neg: 166.5), and mainly pertained to ongoing internal sales and Group-financed managed-services agreements with customers. At the Group level, sales from these agreements will be recognized as revenue over the duration of the agreements, which is normally between five and ten years.

TRENDS

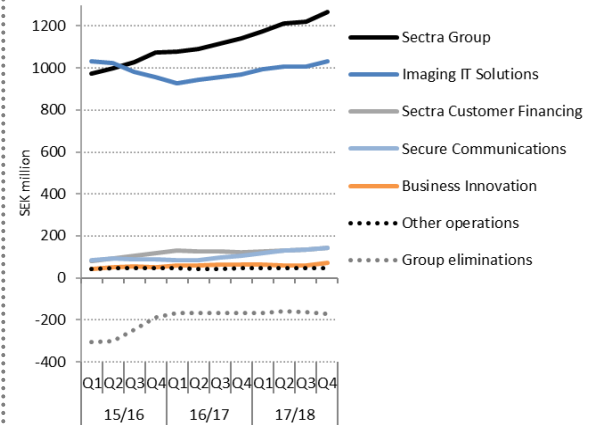


Sales trend per operating area compared with the preceding fiscal year

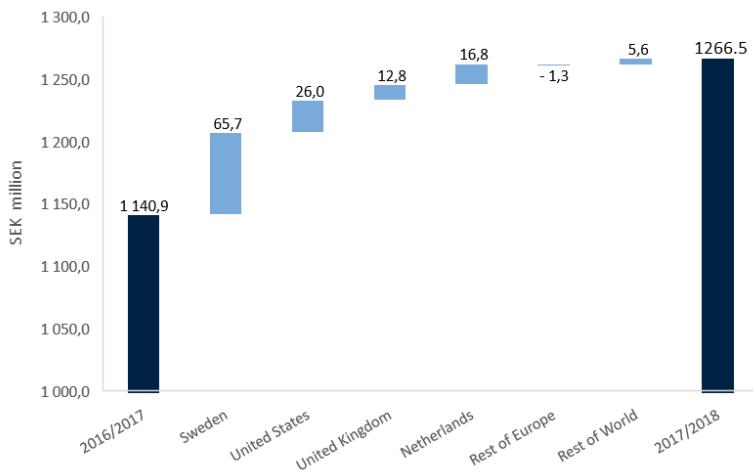


TRENDS

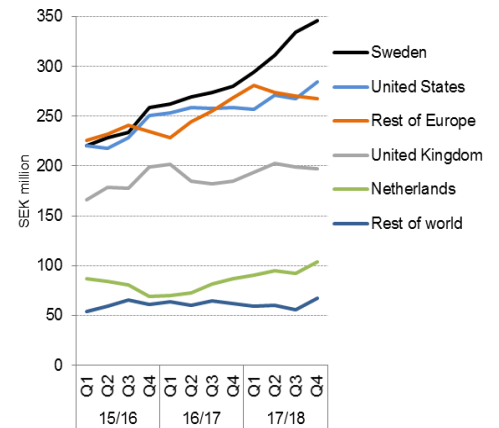
Sales per operating area



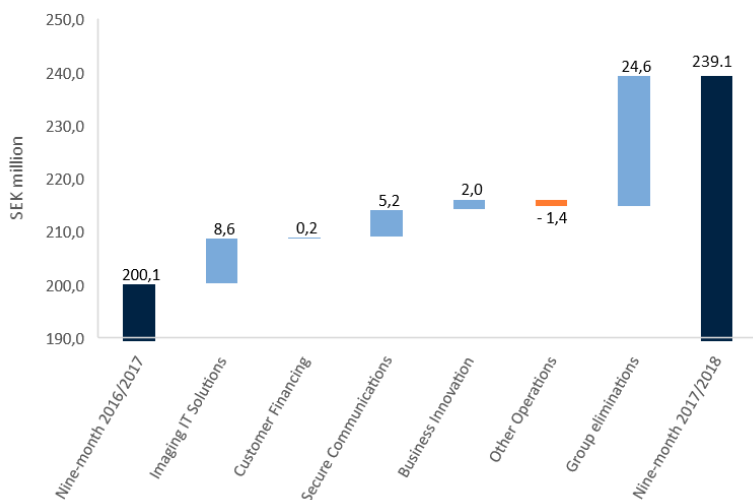
Sales trend per geographic market Compared with the preceding fiscal year



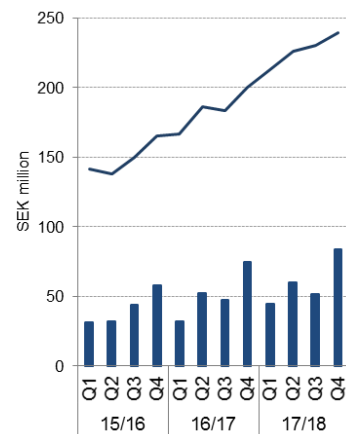
Sales per geographic market



Operating profit trend per operating area compared with the preceding fiscal year



Operating profit, Group



■ Total ■ Increase ■ Decrease

All operating areas improved their operating profit. The Group's operating profit rose 19.5% to SEK 239.1 million. Adjusted for currency fluctuations, operating profit increased 22.0%. The operating margin rose 1.4 percentage points to 18.9%, which exceeded Sectra's financial goal of 15%. The net change in eliminations related to operating profit amounted to SEK 18.6 million (neg: 5.8), and was partly attributable to Group-financed managed-services agreements.

The Group's net financial items increased SEK 10.6 million to SEK 10.2 million. The increase was attributable to a nonrecurring item in the fourth quarter (see below). Currency fluctuations had an impact of SEK 1.6 million (neg: 0.4) on the Group's financial items. Changes in the USD and GBP (refer to page 20) accounted for the largest currency effects. Sectra does not hedge its operations, and currency fluctuations therefore have an immediate impact on financial figures rather than over time.

Profit after net financial items increased 24.8% to SEK 249.3 million, corresponding to a profit margin of 19.7%. Excluding nonrecurring items, profit after net financial items rose 20.3%. Earnings per share totaled SEK 5.22 (4.04).

The figures above include earnings effects of nonrecurring items (amounts in SEK million):

Contract adjustment in the UK, Q2 2017/2018 (refer to page 7)	-0.7
Sale of 100% of shares in associated company Commit; Oy, Q4 2017/2018	9.8
Net effect on profit after net financial items 2017/2018	9.1
Reversal of contingent consideration, Q3 2016/2017	12.4
Impairment of goodwill and other intangible assets, Q3 2016/2017	-12.3
Net effect on profit after net financial items 2016/2017	0.1

Fourth quarter

Order bookings for the fourth quarter amounted to SEK 500.3 million, up 43.1% from the comparative quarter. Secure Communications and Imaging IT Solutions' operations in the UK accounted for the largest increases. However, all business segments reported increased order bookings for the quarter. While the variation in sales between quarters 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.

Net sales rose 13.8% to SEK 387.9 million. Adjusted for currency fluctuations, the increase was 13.9%. Sales grew in all operating areas compared with the corresponding quarter of the preceding year. Geographically, Sectra experienced particularly strong sales growth in Sweden and the UK.

Sales-related Group eliminations amounted to a negative SEK 44.3 million (neg: 37.1). Eliminations primarily pertain to future revenue related to Group-financed managed-services agreements with healthcare customers.

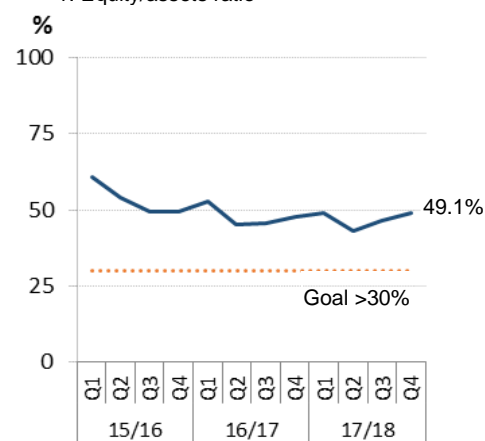
The Group's operating profit rose 12.3% to SEK 83.7 million, corresponding to an operating margin of 21.6%. Adjusted for currency fluctuations, operating profit increased 13.0%. The net change in eliminations related to operating profit amounted to a negative SEK 16.2 million (neg: 9.3).

The Group's net financial items increased SEK 25.9 million to SEK 29.8 million, of which the sale of all of the shares in the associated company Commit; Oy accounted for SEK 9.8 million. Excluding nonrecurring items, profit after net financial items rose 32.3%. Currency fluctuations had an impact of SEK 20.3 million (3.4) on the Group's financial items. Changes in the USD and GBP accounted for the largest currency effects. Profit after net financial items increased 44.8% to SEK 113.5 million, corresponding to a profit margin of 29.3%. Earnings per share totaled SEK 2.38 (1.55).

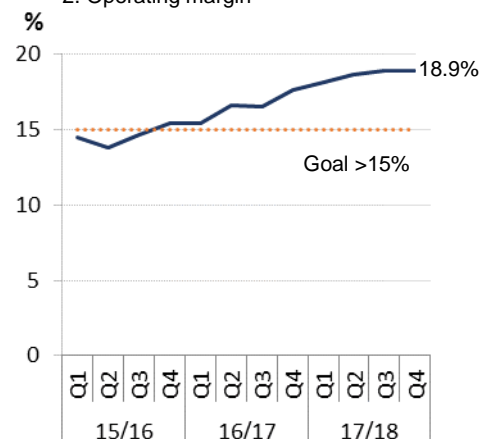
SECTRA'S FINANCIAL GOALS

All of the financial goals have been achieved. Goals in order of priority:

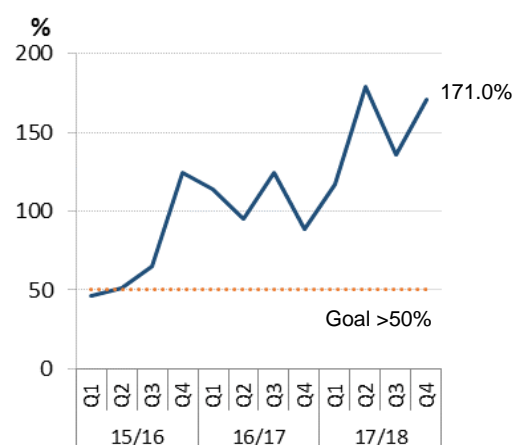
1. Equity/assets ratio



2. Operating margin



3. Growth in operating profit per share



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 in recent years since a major portion of sales is derived from pay-per-use or pay-by-month agreements with long durations. In many cases, the equalization effect resulting from long-term managed-services agreements that are financed internally within the Group does not impact the individual operating 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 encryption systems.

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 282.3 million (273.2). During the second quarter, Sectra distributed SEK 170.7 million (169.6) to its shareholders through a share redemption program.

The Group's debt/equity ratio was 0.09 (0.14). Interest-bearing liabilities amounted to SEK 56.6 million (77.6) and pertained to convertible loans held by employees and Board members. Three convertible loans totaling SEK 21.0 million were converted to shares during the fiscal year (refer to "Share-based incentive programs" on page 13). During the comparative year, Sectra issued SEK 25 million in convertible loans to employees/Board members, which did not happen in 2017/2018.

The Group's cash flow from operations after changes in working capital amounted to SEK 222.7 million (235.2). Cash flow per share totaled SEK 5.84 SEK (6.21) for the fiscal year.

Cash flow from investing activities was a negative SEK 42.0 million (neg: 59.6) for the fiscal year. These investments mainly pertained to assets in long-term Group-financed customer projects and development projects.

The Group's total cash flow amounted to SEK 8.1 million (29.5), of which SEK 92.8 million (47.8) pertained to the fourth quarter. This result includes the share redemption program for shareholders. Excluding the share redemption program, total cash flow amounted to SEK 178.9 million (199.1).

Investments and depreciation/amortization

Group investments during the fiscal year amounted to SEK 42.0 million (59.6), of which SEK 9.1 million (12.5) was attributable to the fourth quarter. Investments primarily pertained to customer projects in the Group's financing activities and capitalized development costs. Depreciation/amortization for the fiscal year amounted to SEK 65.0 million (58.3), of which SEK 17.4 million (14.6) pertained to the fourth quarter. The comparative year also included impairment of goodwill and other intangible assets amounting to SEK 12.3 million, which was attributable to the acquisition of RxEye in 2015.

Hardware-related investments in Group-financed customer projects during the fiscal year totaled SEK 24.7 million (18.9), of which SEK 8.7 million (neg: 1.3) was attributable to the impact of currency fluctuations on the size of the investment amounts. At the end of the fiscal year, the net carrying amount for Group-financed customer projects totaled SEK 128.7 million (120.1).

Capitalization of development costs during the fiscal year amounted to SEK 28.2 million (29.4), of which SEK 7.7 million (6.2) pertained to the fourth quarter. Amortization of capitalized development projects during the fiscal year amounted to SEK 21.7 million (16.8), of which SEK 5.9 million (4.1) pertained to the fourth quarter. At the end of the period, capitalized development costs totaled SEK 104.6 million (98.1).

IMAGING IT SOLUTIONS

	Q4 Feb–Apr 2018	Q4 Feb–Apr 2017	Change %	Full-year May 2017– Apr 2018	Full-year May 2016– Apr 2017	Change %
Net sales, SEK million	312.7	285.8	9.4	1,032.3	970.5	6.4
Operating profit, SEK million	92.8	92.7	0.1	219.2	210.6	4.1
Operating margin, %	29.7	32.4	n/a	21.2	21.7	n/a
Average no. of employees	495	461	7.4	479	464	3.2

Sales and earnings

An expanded customer base and continued confidence from existing customers contributed to a stable trend in terms Imaging IT Solutions' sales and profitability. Sales and earnings in the second quarter were charged with a negative contract adjustment of SEK 8.0 million in the UK. The earnings effect of the adjustment at the Group level amounted to SEK 0.7 million and was attributable to the reversal of a Group-wide reserve.

The operating area is implementing long-term growth initiatives in new product areas, such as digital pathology, and an expansion into additional geographic markets through the establishment of its own operations and through new distributors. These activities were charged to operating profit but have the potential to contribute to a positive performance moving forward.

Market

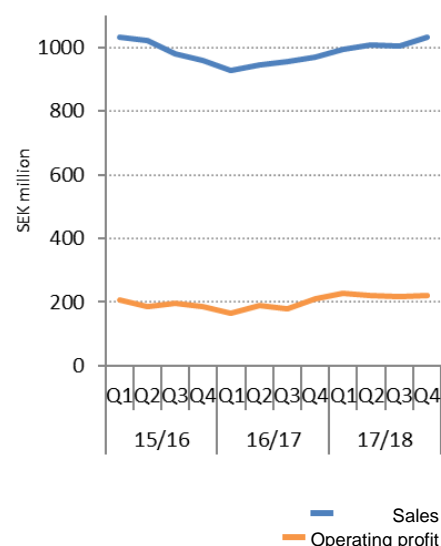
Sectra's market segment in the area of IT systems and services for medical image management is continuing to grow. Factors such as the population trend, medical advances, the consolidation of healthcare resources and patient data, and the increased use of medical diagnostic imaging are fueling growth. To enable healthcare providers to provide better, faster and more patient-centered care, Sectra offers systems and services for the management, archiving and communication of all types of medical images. The operations mainly focus on units that generate large volumes of images, such as radiology, mammography, pathology and cardiology. Since the components are built on the same technical platform, customers can easily extend a departmental solution to create a multimedia archive (VNA) that supports all image management (enterprise imaging) across entire regions. A key component of the operating area's growth strategy is medical image management in cancer diagnostics and follow-up, a field that is expected to grow rapidly in the future.

More than 1,800 healthcare providers worldwide use Sectra's medical systems and services, with customers including some of the largest healthcare providers in the world. Sweden, the US, the UK and the Netherlands are the operating area's largest markets. In a few countries, Sectra commands such a large market share that its growth potential in certain product segments is limited. However, this is not the case in the US, where the company still holds a relatively small market share. However, a focus on high customer satisfaction has resulted in several important healthcare providers choosing Sectra's solutions, and the US customer base is growing.

The way forward

Offering customers stable, efficient and future-proof solutions for managing, archiving and communicating all types of medical images. Examples of the operating area's focus activities:

- Ensure high customer satisfaction by continuously measuring and monitoring customer opinions about Sectra's products and support.
- Grow within radiology and other areas of medical imaging, both in regions where new operations have been established and in countries where Sectra already has an established customer base. This includes a continued focus on the US.



- Develop partnerships with existing customers through which Sectra's existing products and services can contribute to further efficiency enhancements. For example, sales of solutions for digital pathology, cardiology and multimedia archives (VNA).
- Contribute to greater efficiency for customers by responding to demand for deliveries of IT solutions via the cloud, primarily in the form of software as a service (SaaS).
- Continued product development and broadening of the product portfolio. Special focus on medical imaging in cancer diagnostics, not least through expanded integration of radiology, mammography and digital histopathology.
- Greater internal efficiency. Partly by establishing a service-oriented organization that can support sales of cloud solutions and partly through increased centralization and globalization to ensure optimal utilization of Sectra's specialist expertise.

Sectra holds a strong position in IT systems for managing medical images. Sectra has won the industry's most prestigious award for customer satisfaction—"Best in KLAS"—in the PACS product segment for five consecutive years.



SECURE COMMUNICATIONS

	Q4 Feb–Apr 2018	Q4 Feb–Apr 2017	Change %	Q1–4 May 2017– Apr 2018	Q1–4 May 2016– Apr 2017	Change %
Net sales, SEK million	40.9	33.7	21.4	142.9	105.7	35.2
Operating profit/loss, SEK million	4.1	-1.6	n/a	6.9	1.7	305.9
Operating margin, %	10.0	-4.8	n/a	4.8	1.6	n/a
Average no. of employees	76	67	13.4	76	64	18.8

Sales and earnings

Secure Communications reported a positive sales trend. The operating area's increase in sales was mainly attributable to products and development assignments in the secure communications product area. Operating profit was charged with ongoing growth initiatives to broaden the operating area's offering to the critical infrastructure product segment, to further strengthen the offering in the secure communications segment, and to expand into additional geographic markets.

Market

Sectra's market segment for secure communications continues to grow. Factors such as IT developments in society, political instability in the world, and the growth of cybercrime are fueling this trend and creating a greater need for Sectra's expertise and product offerings. Most of the operating area's revenue currently comes from security-approved communication solutions and customer-specific development projects. Due to approval processes and export restrictions on crypto products, these types of sales are directed exclusively at customers in the European market.

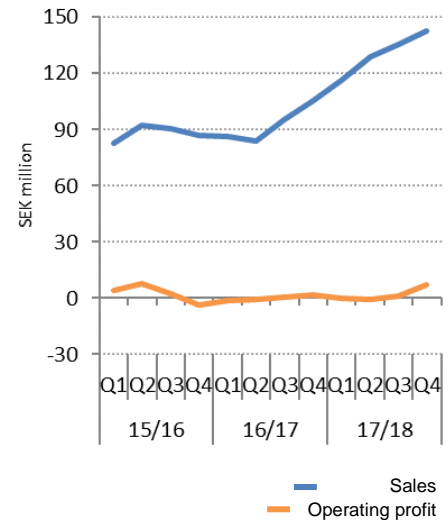
The operating area's growth strategy includes activities to expand into new geographic markets and broaden its offering to the cybersecurity for critical infrastructure customer segment. Sectra's services for increased security in operational technology (OT) and control systems in critical infrastructure have been well received in the Nordic market and the number of customers is increasing rapidly. The critical infrastructure operations were introduced in the 2015/2016 fiscal year and are currently in an establishment phase, but show considerable long-term potential. This product segment is not subject to the same restrictions as the crypto products.

Sweden and the Netherlands comprise the operating area's largest markets. Sectra's products for secure mobile communications are used in most European countries, and by the EU and NATO. Being trusted to protect a nation's most sensitive information requires that the customer has a high degree of confidence in Sectra as a provider.

The way forward

Offering customers stable, accessible and easy-to-use solutions for ultra-secure communications and critical IT security. Examples of the operating area's focus activities:

- Increased sales of security-approved communication solutions in the Nordic region, the Baltic countries, the Netherlands and the rest of Europe.
- International partnership with the Korean company Samsung to further develop the Sectra Tiger/R secure mobile telephony solution and enable the company's operations to be expanded into new customer segments for government authorities, critical infrastructure, and enterprises.
- Growth in the area of critical infrastructure by offering security and threat analyses and system monitoring services for critical OT and control systems. Primarily focusing on the energy sector and critical process industry in the Nordic region and other areas of Northern Europe.



In the area of secure mobile communications, Sectra is focusing on growing in new customer segments for government authorities, critical infrastructure and enterprises. Part of this work involves the international partnership with Korean company Samsung to further develop the secure Sectra Tiger/R. This partnership has resulted in a unique smartphone solution based on Sectra's encryption technology and the Samsung Knox security platform.



BUSINESS INNOVATION

	Q4 Feb–Apr 2018	Q4 Feb–Apr 2017	Change %	Q1–4 May 2017– Apr 2018	Q1–4 May 2016– Apr 2017	Change %
Net sales, SEK million	26.6	15.2	75.0	70.3	65.4	7.5
Operating profit/loss, SEK million	7.0	-2.7	n/a	7.0	5.0	40.0
Operating margin, %	26.3	-17.8	n/a	10.0	7.7	n/a
Average no. of employees	36	37	-2.7	36	34	5.9

Business Innovation is Sectra's incubator for early-stage business units, projects and ideas that are not yet large enough to become independent operating areas or are not a natural match with the existing areas. Within Business Innovation, the company evaluates and utilizes opportunities to:

- Commercialize new technologies and new segments in the Group's core and related areas.
- Participate in research that can lead to a better quality of life for the individual, increased customer value, and cost savings for healthcare and society.

The segment comprises the smaller Orthopaedics and Medical Education business units as well as Sectra's research department. Sectra's patent portfolio is also managed and developed within Business Innovation.

Sales and earnings

Business Innovation delivered a strong end to the fiscal year. The performance of Business Innovation's two business units varies significantly between quarters and periods. Sectra's offerings in both business Orthopaedics and Medical Education are currently undergoing a generational shift, which is impacting the financial results. However, both business units have attracted considerable market attention, and new managers were appointed during the fiscal year, who are now working to accelerate the development and launch of the new products.

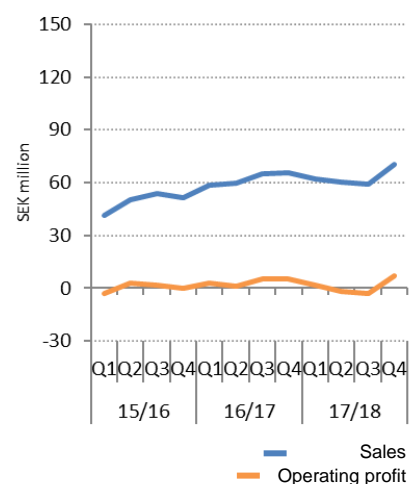
New management in Orthopaedics and Medical Education

Gustaf Schwang was appointed General Manager of the Orthopaedics business unit on September 1, 2017. Gustaf joined Sectra from the medical technology company Elekta and has extensive experience of sales and international business development. Sofia Bertling was appointed General Manager of the Medical Education business unit on February 1, 2018. She previously served as CEO of the medical technology company Hermes Medical Solutions and is experienced in leading strong growth companies in a global market.

Segments and market

The **Orthopaedics** business unit offers IT systems for image-based planning and follow-up of orthopaedic surgery in 2D and 3D—for example, hip, knee, spine, and trauma surgery. The business unit includes several new products based on visualization and image analysis that can be used for pre-operative orthopaedic planning and post-operative follow-up of patients experiencing pain potentially caused by a loose implant. These new products are designed to help customers reduce the number of unnecessary repeat surgeries. In the orthopaedics segment, Sectra is currently the market leader in Scandinavia in its niche and commands a strong market position in several other countries, including the Netherlands and the UK. The business unit is also advancing its position in the US.

The **Medical Education** business unit delivers products and services for basic and specialist training of medical students, healthcare personnel and veterinarians. The offering comprises a cloud-based education portal, and presentation and teaching aids. For a monthly subscription fee, portal users receive access to images from actual patient cases from other customers, such as universities, training centers and hospitals using Sectra's solution for medical education. The business unit is currently transitioning from supplying visualization devices for a one-time fee to



the subscription model with a greater focus on content. Sales are mainly carried out through distribution partners in more than 40 countries in Africa, Europe, the Middle East, North America, South America and South-East Asia as well as in China.

Sectra's **research department** is currently participating in approximately ten research projects, including projects in orthopaedic surgery, digital pathology and artificial intelligence (AI)/machine learning.

The way forward

Examples of focus activities in Business Innovation:

- Orthopaedics—contribute to improved orthopaedic pre-operative planning and reduce the amount of time spent in the operating room through the development and sale of software and cloud-based services for planning and follow-up based on 2D and 3D images. Focus on expanding the trauma, spine and implant surgery (hip, knee and shoulder) segments through direct sales in countries where the business unit has its own sales organization and in cooperation with implant suppliers.
- Medical Education—grow in key markets, such as China and the US, and expand into new markets through distributors. Generate more recurring and long-term revenue through increased focus on subscription services for cloud-based content.
- Research—projects in product areas and technologies with the potential to generate business within three to five years, and research partnerships with universities and colleges. Particular focus on the area of AI/machine learning.



Use of the Sectra Education Portal continues to grow, and the solution is in place at roughly 300 educational institutions and hospitals in some 40 countries. The portal enables customers to archive and share educational materials and specialist expertise with users worldwide.

SECTRA CUSTOMER FINANCING

	Q4 Feb–Apr 2018	Q4 Feb–Apr 2017	Change %	Q1–4 May 2017– Apr 2018	Q1–4 May 2016– Apr 2017	Change %
Net sales, SEK million	40.1	30.9	29.8	145.0	120.3	20.5
Operating profit, SEK million	2.6	1.3	100.0	4.9	4.7	4.3
Operating margin, %	6.5	4.2	n/a	3.4	3.9	n/a
Average no. of employees	0	0	n/a	0	0	n/a

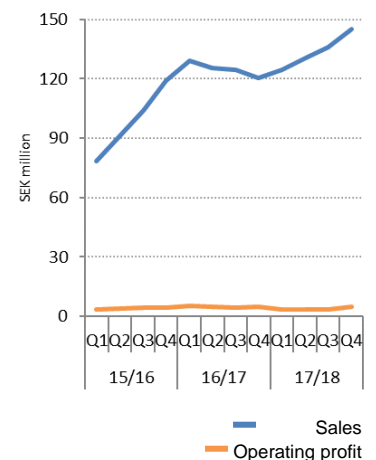
Sectra Customer Financing is Sectra's unit for the financing of major managed-services agreements with healthcare customers and asset management.

Sales and earnings

The segment reported continued sales growth. Adjusted for currency fluctuations, sales growth amounted to 22.7% during the fiscal year. The majority of sales come from multiyear customer contracts with healthcare providers in the UK. Accordingly, the segment has a significant currency exposure to the GBP, which has had a negative impact on its results since Brexit in 2016. This also means that the movement of the GBP in relation to the SEK also has a major impact on the operating area's forecast revenue.

The growth of the area in recent years is linked to Imaging IT Solutions' successful sales of multiyear managed-services agreements for medical IT systems, particularly in the UK in 2014–2016. Financing of major managed-services agreements is usually handled by Sectra Customer Financing, which takes over projects after deployment and thereafter recognizes revenue and earnings over the duration of the managed-services agreement. Within Imaging IT Solutions, most of the revenue and expenses for managed-services agreements are recognized in conjunction with installation and deployment at the customer's site, which are then eliminated at the Group level.

For more information, visit www.sectra.com/customerfinancing.



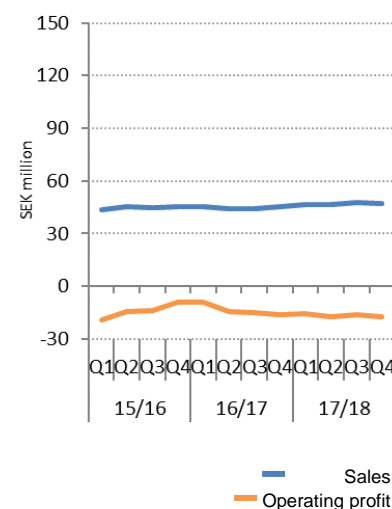
OTHER OPERATIONS

	Q4 Feb–Apr 2018	Q4 Feb–Apr 2017	Change %	Q1–4 May 2017– Apr 2018	Q1–4 May 2016– Apr 2017	Change %
Net sales, SEK million	11.9	12.3	-3.3	47.0	45.5	3.3
Operating loss, SEK million	-6.6	-5.6	-17.9	-17.5	-16.1	-8.7
Operating margin, %	neg	neg	n/a	neg	neg	n/a
Average no. of employees	54	57	-5.3	55	56	-1.8

Other Operations pertain to Sectra's joint functions for administration, recruitment, Group finances, IT, regulatory affairs, marketing communications and investor relations activities.

Sales and earnings

The outcome for Other Operations was essentially on par with the comparative year. Expenses were impacted by investments in internal IT security, measures linked to compliance with the new General Data Protection Regulation (GDPR), and recruitment.



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 communications, and investor relations activities. The Parent Company's income statement and balance sheet are reported on page 22.

THE SHARE

Sectra's 2017 share redemption program and recalculation of conversion prices

During October 2017, Sectra carried out a share redemption program, whereby SEK 4.50 per share, a total of SEK 170.7 million, was distributed to the 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 20, 2017.

In your Swedish tax assessment, a redemption or sale of redemption shares (designated SECT IL A and SECT IL B) is to be declared as a sale of shares on Form K4. The calculation of the acquisition fees for redemption shares can be carried out in one of two ways:

- According to the general advice issued by the Swedish Tax Agency, which entails that you allot a certain portion of the relevant acquisition fees for the original shares to redemption shares.
- Alternatively, the standard rule can be applied if the transaction pertains to Class B redemption shares.

According to the general advice issued by the Swedish Tax Agency regarding the redemption program, 96.8% of the acquisition fees for an original Class A or Class B share in Sectra AB should be attributed to remaining shares and 3.2% to redemption shares of the respective class. For more information, visit www.sectra.com/redemption.

Due to the share redemption program for 2017, the Board decided to recalculate the conversion prices for outstanding convertible programs. This 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 after the recalculation, refer to the information on Sectra's [website](#).

Share-related incentive programs

On the balance-sheet date, Sectra's share capital totaled SEK 38,119,669, distributed between 38,119,669 shares. Of these shares, 2,620,692 are Class A shares and 35,498,977 are Class B shares. These figures include new share issues as a result of the exercise of the following convertible programs:

- 2012/2017 during the first quarter at an amount of SEK 2.5 million, corresponding to 44,916 Class B shares.
- 2013/2017 and 2014/2017 during the third quarter at an amount of SEK 18.5 million, corresponding to 184,668 Class B shares.

As of the publication date of this report, on full exercise of outstanding convertibles, the number of Class B shares will increase by 395,881, corresponding to 1.0% of the share capital and 0.6% of the voting rights in the company.

Authorization

The 2017 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 this authorization.

2018 AGM AND PROPOSED SHARE REDEMPTION PROGRAM

Proposed share redemption program/dividend for 2018

For the 2017/2018 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. This proposal corresponds to a direct return of 2.3% based on the year-end share price. Combined with the price trend, this represents total value growth of 22.3% for the Sectra share during the fiscal year.

The proposal is in line with Sectra's dividend policy. 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. At the end of the fiscal year, the Group's equity/assets ratio was 49.1%. 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. 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.

Annual General Meeting and Nomination Committee

The 2017 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, 2017. 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)
- Jan Särilvik (representing Nordea Investment Funds, the fourth-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, 2018 in Linköping. 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 later than four weeks prior to the Meeting date.

The Nomination Committee will prepare and submit proposals regarding:

- election of and fees to the Chairman of the Board and other Board members, and fees for committee work
- election of and fees to the auditors and deputy auditors
- resolution on principles governing the composition of the Nomination Committee
- Chairman of the AGM

Shareholders who wish to submit proposals to the Nomination Committee may do so in writing by email: info.investor@sectra.com, or by mail: Sectra AB, Attn. Nomination Committee, Teknikringen 20, SE-583 30 Linköping, Sweden.

Shareholders are entitled to have a matter addressed by the AGM. The notice of the AGM is to be issued not earlier than six weeks and not later than four weeks prior to the AGM. To ensure that the company has time to include matters in the notice, requests for matters to be addressed by the AGM must be received by the company not later than seven weeks before the AGM, meaning July 19, 2018. Requests to have matters addressed by the AGM are to be submitted to the Board in writing via email: info.investor@sectra.se, or by mail: Sectra AB, Attn. Board of Directors, Teknikringen 20, SE-583 30 Linköping, Sweden.

Annual Report, Sustainability Report and Corporate Governance Report

Sectra's Annual Report, Sustainability Report and Corporate Governance Report will be announced through a press release in the week of June 25, 2018 and will be published on the company's website: www.sectra.com/investor/annual_reports

The printed version can also be ordered via:

- Sectra's website: www.sectra.com/investor/subscribe/reports/
- Email: info.investor@sectra.com
- Telephone: +46 (0)13 23 52 00

To reduce the company's environmental impact, mail distribution will be limited exclusively to Europe; other stakeholders should refer to the digital version.

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 European Commission for application within the EU.

The accounting policies and calculation methods remain unchanged compared with those applied in the [2016/2017 Annual Report](#).

The Group applies the European Securities and Markets Authority (ESMA) Guidelines on Alternative Performance Measures. In accordance with these guidelines, the Group's alternative performance measures are defined on page 23 of the interim report. The Group applies alternative performance measures since the company believes they provide valuable supplementary information for management and investors given that they play a central role when it comes to understanding and evaluating the Group's operations.

New and amended standards and interpretations that have not yet come into effect

IFRS 9 Financial Instruments replaces IAS 39 *Financial Instruments: Recognition and Measurement*, and application of the standard is mandatory for fiscal years starting January 1, 2018 or later. IFRS 9 contains new requirements for classification and measurement of financial instruments, derecognition, impairment and general hedge accounting. The new standard introduces a new model for impairment of accounts receivable, which entails that impairment is recognized for expected credit losses rather than credit losses that have already occurred. IFRS 9 is not expected to have any material impact on Sectra's financial statements since its historical loss patterns, on which the IFRS 9 model is based, are deemed to have a low forecast value with respect to expected credit losses. Individual circumstances, which are also considered under IFRS 9, are expected to have

a much more significant impact on the assessment of expected credit losses and are already taken into account. Sectra does not apply hedge accounting.

IFRS 15 Revenue from Contracts with Customers replaces IAS 11 *Construction Contracts* and IAS 18 *Revenue*, and application of the standard is mandatory for fiscal years starting January 1, 2018 or later. IFRS 15 introduces a control-based revenue recognition model and provides more detailed guidance in many areas that were not previously described in the applicable IFRS, such as how to recognize contracts containing several performance obligations, variable consideration, the customer's right of return and repurchase rights of suppliers. An analysis of the expected impact of the transition to IFRS 15 was carried out during the year, the conclusions of which are presented below by operating segment. The selected transition method to IFRS 15 entails that the accumulated effect of the transition will be recognized against equity as of the transition date of May 1, 2018.

Imaging IT Solutions' customer contracts include various combinations of deliveries of licenses, installation services, support and maintenance services and upgrades, hardware, and hardware support and maintenance. Significant integration and adaptation of licenses and installation services normally takes place, which is considered a distinct performance obligation and is to be recognized in revenue during the installation phase. Under IFRS 15, support and maintenance services and upgrades are considered to be distinctly separate from installations and are recognized in revenue over the contract period as a separate performance obligation. The introduction of IFRS 15 will entail differences in terms of when revenue is recognized. The difference is attributable in all material respects to the fact that under the current standards, the significant risks and benefits are considered to have been transferred for the first year of license upgrades as of the installation date, while under IFRS 15, they are considered to be separate performance obligations that are to be recognized as of the installation date and one year forward. The indicative assessed impact on equity on May 1, 2018 amounts to a decrease in the Group's equity of SEK 15–20 million.

Secure Communications' customer contracts include various combinations of preliminary studies, component deliveries, installation services, support and maintenance services and upgrades, and product deliveries. Preliminary studies are considered a separate performance obligation and are recognized as revenue when the preliminary study is completed. Installation services and components are delivered as a combined solution and are therefore deemed to jointly comprise a performance obligation that is recognized as revenue during the installation phase. Support and maintenance services are considered a distinct performance obligation according to the contracts and are recognized as revenue over the contract period. No material effects from the implementation of IFRS 15 have been identified.

Business Innovation's customer contracts include various combinations of licenses, hardware, upgrades and expanded warranty offerings. Licenses and hardware are considered to comprise a distinct performance obligation. Revenue is recognized at the point in time when delivery is made to the customer. Upgrades are considered a distinct performance obligation and are recognized as revenue over the contract period. Expanded warranties are considered to comprise a separate performance obligation, with revenue recognized over the expanded warranty period. No material effects from the implementation of IFRS 15 have been identified.

Sectra Customer Financing's customer contracts primarily include operations for financing major managed-services agreements with healthcare customers and are considered to comprise a coherent distinct performance obligation. Revenue is recognized over the contract period. No material effects on opening equity had been identified as of May 1, 2018. However, as of the 2018/2019 fiscal year, revenue currently considered to be and recognized as operating revenue will be considered a separate performance obligation and will therefore be recognized as financial revenue, with an expected deferred effect between earnings levels of SEK 6–8 million. Profit after net financial items will remain unchanged.

IFRS 16 Leasing replaces IAS 17 *Leases* and application of the standard is mandatory for fiscal years starting January 1, 2019 or later. IFRS 16 entails that all contracts with a term of more than 12 months of a certain monetary materiality are to be recognized as assets and liabilities in the balance sheet, with depreciation, amortization and interest expenses recognized in profit or loss. Accordingly, contracts that are currently recognized as operating leases will be capitalized in the balance sheet. During the spring, the Group initiated an assessment of the impact of the standard on the financial statements. The disclosures provided in Note 4 of the Annual Report with respect to operating lease expenses give an indication of the scope of the leases that existed on April 30, 2017.

Correction of elimination of intra-Group profit in accordance with IAS 8

In certain cases, when Imaging IT Solutions completes installations of major managed-services agreements, an internal sale takes place to Customer Finance, upon which intra-Group profit arises. Intra-Group profit is eliminated in the consolidated financial statements and then gradually reversed for consolidated revenue recognition over the duration of the managed-services agreements. In connection with the IFRS 15 project, it was determined that the reversal of the elimination of intra-Group profit, in certain cases, was based on incorrect values. Where appropriate, managed-services agreements have been subject to gradual changes in terms of their business content and intra-Group assumptions during the agreement period, which resulted in a premature reversal of intra-Group profit in these cases. The total effect in opening Group equity for the comparative year on May 1, 2016 amounts to a decrease of SEK 12.9 million and the effect in profit or loss for the comparative year of 2016/2017 a decrease in profit before tax of SEK 0.3 million, while the effect after tax amounts to a decrease in profit of SEK 0.2 million. For more detailed information and comments about the effects, refer to the notes on page 23.

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 are provided in the Administration Report in the Group's Annual Report for the 2016/2017 fiscal year and in Note 30 on page 69. No significant events have occurred that would alter the conditions reported.

FOR FURTHER INFORMATION

Contact Sectra's CEO Torbjörn Kronander, telephone +46 13 23 52 27 or email info.investor@sectra.se.

Presentation of the year-end report

A presentation will be held by Torbjörn Kronander, President and CEO of Sectra AB, and Mats Franzén, CFO of Sectra AB.

The presentation will be held in English.

Time: May 29, 2018, at 12:00 noon

Location: Operaterrassen in Stockholm, Sweden

To attend the presentation at Operaterrassen, register here: www.financialhearings.com/event/10336

The report presentation can also be followed live online: www.sectra.com/irwebcast. A recorded version will also be available via this link after the conference.

Financial calendar and AGM

Three-month interim report	September 4, 2018 at 8:00 a.m. (CET)
2018 AGM	September 6, 2018 at 3:30 p.m. (CET) in Linköping
Six-month interim report	December 7, 2018 at 8:15 a.m. (CET)
Nine-month interim report	March 6, 2019 at 08:15 a.m. (CET)
Year-end report	May 28, 2019 at 08:15 a.m. (CET)

For other IR events, visit: <http://www.sectra.com/investor/calendar/>

ASSURANCE

The Board of Directors and the President of Sectra AB (publ) hereby assure that the year-end report for the period May 2017–April 2018 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.

Linköping, May 29, 2018

Torbjörn Kronander
President, CEO and Board member

Carl-Erik Ridderstråle
Chairman

Ulrika Hagdahl
Board member

Anders Persson
Board member

Christer Nilsson
Board member

Jakob Svårdström
Board member

Jan-Olof Brüer
Board member

Tomas Puusepp
Board member

Deborah Capello
Board member and
employee representative

Bengt Hellman
Board member and
employee representative

This report was not reviewed by the company's auditor.

This information constitutes information that Sectra AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and/or the Swedish Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, at 8:00 a.m. (CET) on May 29, 2018.

Sectra AB (publ)

Teknikringen 20
SE-583 30 Linköping, Sweden
Tel: +46 (0)13-23 52 00
Email: info@sectra.com
Corp. Reg. No. 556064-0304

GROUP FINANCIAL SUMMARY

Consolidated income statements

SEK thousand	3 months Feb–Apr 2018	3 months Feb–Apr 2017	Full-year May 2017– Apr 2018	Full-year May 2016– Apr 2017
Net sales	387,856	340,838	1,266,496	1,140,922
Capitalized work for own use	7,714	6,216	28,228	29,369
Reversal of contingent consideration	0	0	0	12,355
Other operating income	869	835	3,706	2,398
Goods for resale	-69,453	-48,588	-187,783	-166,626
Personnel costs	-158,878	-142,308	-584,103	-542,464
Other external costs	-67,030	-67,864	-222,441	-205,251
Depreciation/amortization and impairment	-17,364	-14,606	-64,999	-70,575
Operating profit	83,714	74,523	239,104	200,128
Net financial items	29,833	3,882	10,167	-404
Profit after net financial items	113,547	78,405	249,271	199,724
Taxes	-22,715	-19,772	-51,007	-47,154
Profit for the period	90,832	58,633	198,264	152,570
Profit for the period attributable to:				
Parent Company owners	90,832	58,633	198,264	152,570
Non-controlling interest	0	0	0	0
Earnings per share				
Before dilution, SEK	2.38	1.55	5.22	4.04
After dilution, SEK	2.36	1.53	5.15	3.97
No. of shares				
Before dilution	38,119,669	37,890,085	38,119,669	37,890,085
After dilution ¹	38,515,550	38,499,139	38,515,550	38,499,139
Average, before dilution	38,119,669	37,890,085	38,012,454	37,772,864
Average, after dilution	38,515,550	38,499,139	38,506,104	38,420,443

¹ Dilution of the number of shares is based on the convertible programs issued in 2014/2015 (29,190), 2015/2016 (226,150) and 2016/2017 (140,541). On full exercise of convertibles, the number of shares will increase by 395,881.

Consolidated statement of comprehensive income

SEK thousand	3 months Feb–Apr 2018	3 months Feb–Apr 2017	Full-year May 2017– Apr 2018	Full-year May 2016– Apr 2017
Profit for the period	90,832	58,633	198,264	152,570
Change in translation differences for the period from translating foreign subsidiaries	27,299	7,877	16,048	3,256
Total other comprehensive income for the period	27,299	7,877	16,048	3,256
Total comprehensive income for the period	118,131	66,510	214,312	155,826

Consolidated balance sheets

SEK thousand	Apr 30, 2018	Apr 30, 2017
Assets		
Intangible assets	188,087	182,053
Tangible assets	90,251	103,205
Financial assets	37	1,799
Deferred tax assets	26,061	30,283
Total fixed assets	304,436	317,340
Other current assets	647,631	555,103
Cash and cash equivalents	282,341	273,216
Total current assets	929,972	828,319
Total assets	1,234,408	1,145,660
Equity and liabilities		
Equity (incl. profit for the period)	605,998	541,412
Provisions	21,078	30,318
Deferred tax liabilities	5,889	22,843
Long-term liabilities	28,528	56,611
Current liabilities	572,915	494,476
Total equity and liabilities	1,234,408	1,145,660

No material changes have occurred in pledged assets and contingent liabilities since the 2016/2017 Annual Report.

Consolidated statement of changes in equity

SEK thousand	Full-year May–Apr 2017/2018	Full-year May–Apr 2016/2017
Equity at start of period	541,412	545,603
Correction of elimination of intra-Group profit in accordance with IAS 8	0	-12,888
Equity at start of period after correction	541,412	532,715
Comprehensive income for the period	214,312	155,826
Dividend/redemption of shares	-170,707	-169,588
Settlement of share-related payments	20,983	22,458
Equity at end of period	605,998	541,412

Consolidated cash-flow statements

SEK thousand	Full-year May–Apr 2017/2018	Full-year May–Apr 2016/2017
Cash flow from operations before changes in working capital	253,344	204,258
Cash flow from operations after changes in working capital	222,692	235,185
Investing activities	-41,974	-59,553
Financing activities	-172,604	-146,084
Total cash flow for the period	8,114	29,548
Change in cash and cash equivalents		
Cash and cash equivalents, opening balance	273,216	239,768
Exchange-rate difference in cash and cash equivalents	1,011	3,900
Cash and cash equivalents, closing balance	282,341	273,216
Unutilized credit facilities	15,000	15,000

Alternative performance measures for the period and full-year

	Full-year Apr 30, 2018	Full-year Apr 30, 2017
Order bookings, SEK million	1,492.5	1,177.7
Operating margin, %	18.9	17.5
Profit margin, %	19.7	17.5
Average no. of employees	645	616
Cash flow per share, SEK	5.84	6.21
Cash flow per share after full dilution, SEK	5.78	6.11
Value added, SEK million	823.2	742.6
P/E ratio, multiple	37.2	40.2
Share price at end of period, SEK	194.2	162.5
Return on equity, %	34.2	28.1
Return on capital employed, %	38.7	32.5
Return on total capital, %	20.9	17.9
Equity/assets ratio, %	49.1	47.3
Liquidity, multiple	1.6	1.8
Equity per share, SEK	15.90	14.29
Equity per share after full dilution, SEK	15.73	14.06

Exchange rates

Currency	Average rates in SEK			Closing rates in SEK		
	Q1-4 2017/2018	Q1-4 2016/2017	Change	Apr 30, 2018	Apr 30, 2017	Change
US dollar, 1 USD	8.26	8.76	-5.7%	8.82	8.81	0.1%
Euro, 1 EUR	9.80	9.55	2.6%	10.45	9.61	8.7%
British pound, 1 GBP	11.07	11.27	-1.8%	11.86	11.38	4.2%

Quarterly consolidated income statement and alternative performance measures

SEK million	2017/2018				2016/2017				2015/2016	
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Net sales	387.9	300.1	313.4	265.1	340.8	294.2	275.4	230.5	315.1	268.9
Capitalized work for own use	7.7	11.1	5.6	3.9	6.2	8.0	9.4	5.7	10.8	12.8
Reversal of contingent consideration	0	0	0	0	0	12.4	0	0	0	0
Other operating income	0.9	1.5	0.5	0.9	0.8	1.1	0.1	0.4	1.5	0.4
Operating expenses	-295.4	-244.7	-243.6	-210.8	-258.7	-241.3	-224.1	-190.1	-254.7	-224.4
Depreciation/amortization and impairment	-17.4	-16.7	-16.1	-14.8	-14.6	-27.1	-14.4	-14.4	-14.7	-13.7
Operating profit	83.7	51.3	59.8	44.3	74.5	47.1	46.4	32.1	58.0	44.0
Net financial items	29.8	-6.3	2.1	-15.5	3.9	-1.3	-2.0	-0.9	-9.3	-7.1
Profit after net financial items	113.5	45.0	61.9	28.8	78.4	45.8	44.4	31.2	48.7	36.9
Tax on earnings for the period	-22.7	-9.9	-12.1	-6.3	-19.8	-10.8	-9.8	-6.9	-5.4	-8.1
Profit for the period	90.8	35.1	49.8	22.5	58.6	35.0	34.6	24.3	43.3	28.8
Order bookings, SEK million	500.3	337.9	426.8	227.6	349.6	302.9	299.6	225.5	447.8	369.0
Operating margin, %	21.6	17.1	19.1	16.7	21.9	16.0	16.8	13.9	18.4	16.4
Cash flow per share, SEK	2.68	1.21	1.33	0.64	1.59	2.76	1.40	0.47	1.65	1.74
Cash flow per share after full dilution, SEK	2.65	1.20	1.31	0.63	1.56	2.72	1.37	0.46	1.62	1.70
Earnings per share, SEK	2.38	0.92	1.31	0.59	1.55	0.92	0.92	0.65	1.15	0.77
Return on equity, %	15.7	6.6	10.0	4.0	10.8	6.8	7.0	4.1	7.5	5.1
Return on capital employed, %	17.6	7.6	10.8	4.6	12.6	7.8	7.9	4.8	7.7	5.9
Equity/assets ratio, %	49.1	46.5	43.0	49.1	47.3	45.8	45.4	52.7	49.5	49.5
Equity per share, SEK	15.90	13.14	11.76	14.80	14.29	12.87	11.73	15.37	14.55	13.74
Share price at end of period, SEK	194.20	189.40	164.00	152.50	162.50	153.00	139.50	133.00	110.75	105.75

Five-year summary

	2017/2018	2016/2017	2015/2016	2014/2015	2013/2014
Order bookings, SEK million	1,492.5	1,177.7	1,322.0	1,471.5	925.7
Net sales, SEK million	1,266.5	1,140.9	1,073.6	961.4	853.8
Operating profit, SEK million	239.1	200.1	165.5	150.3	128.1
Profit after net financial items, SEK million	249.3	199.7	154.8	164.4	141.5
Profit for the period after tax, SEK million	198.3	152.6	125.7	126.1	103.9
Operating margin, %	18.9	17.5	15.4	15.6	15.0
Profit margin, %	19.7	17.5	14.4	17.1	16.6
Earnings per share before dilution, SEK	5.22	4.04	3.35	3.38	2.80
Earnings per share after dilution, SEK	5.15	3.97	3.29	3.31	2.73
Dividend/redemption program per share, SEK	4.50	4.50	4.50	4.50	4.50
Share price at end of year, SEK	194.20	162.50	110.75	119.50	77.75
P/E ratio, multiple	37.2	40.2	33.0	35.3	27.8
Return on equity, %	34.2	28.1	21.7	20.6	16.3
Return on capital employed, %	38.7	32.5	24.2	25.1	21.1
Return on total capital, %	20.9	17.9	14.2	15.8	13.7
Equity per share before dilution, SEK	15.90	14.29	14.55	16.44	16.49
Equity per share after dilution, SEK	15.73	14.06	14.23	16.01	16.05
Equity/assets ratio, %	49.1	47.3	49.5	56.1	60.7

OPERATING SEGMENTS

Sales by business segment

SEK million	Q4 Feb–Apr 2018	Q4 Feb–Apr 2017	Full-year May 2017– Apr 2018	Full-year May 2016– Apr 2017
Imaging IT Solutions	312.7	285.8	1,032.3	970.5
Sectra Customer Financing	40.1	30.9	145.0	120.3
Secure Communications	40.9	33.7	142.9	105.7
Business Innovation	26.6	15.2	70.3	65.4
Other Operations	11.9	12.3	47.0	45.5
Group eliminations	-44.3	-37.1	-171.0	-166.5
Total	387.9	340.8	1,266.5	1,140.9

Operating profit by business segment

SEK million	Q4 Feb–Apr 2018	Q4 Feb–Apr 2017	Full-year May 2017– Apr 2018	Full-year May 2016– Apr 2017
Imaging IT Solutions	92.8	92.7	219.2	210.6
Sectra Customer Financing	2.6	1.3	4.9	4.7
Secure Communications	4.1	-1.6	6.9	1.7
Business Innovation	7.0	-2.7	7.0	5.0
Other Operations	-6.6	-5.6	-17.5	-16.1
Group eliminations	-16.2	-9.6	18.6	-5.8
Total	83.7	74.5	239.1	200.1

Sales per geographic market

SEK million	Q4 Feb–Apr 2018	Q4 Feb–Apr 2017	Full-year May 2017– Apr 2018	Full-year May 2016– Apr 2017
Sweden	94.4	82.6	346.2	280.5
US	97.4	79.3	284.6	258.6
UK	60.9	62.2	197.6	184.8
Netherlands	34.7	24.1	103.4	86.6
Rest of Europe	72.4	76.4	267.6	268.9
Rest of World	28.1	16.2	67.1	61.5
Total	387.9	340.8	1,266.5	1,140.9

PARENT COMPANY

Parent Company income statements

SEK thousand	3 months Feb–Apr 2018	3 months Feb–Apr 2017	Full-year May 2017– Apr 2018	Full-year May 2016– Apr 2017
Net sales	39,630	28,857	121,278	108,828
Capitalized work for own use	2,076	1,789	6,517	4,405
Other operating income	554	486	2,831	1,836
Goods for resale	-7,155	-3,557	-17,392	-16,234
Personnel costs	-15,042	-14,631	-53,287	-49,251
Other external costs	-16,062	-17,150	-56,373	-53,112
Depreciation/amortization	-2,175	-1,376	-7,651	-4,696
Operating profit/loss	1,826	-5,582	-4,077	-8,224
Net financial items	22,524	8,141	12,686	10,013
Profit after net financial items	24,350	2,559	8,609	1,789
Appropriations	226,629	204,339	226,629	204,339
Profit before tax	250,979	206,898	235,238	206,128
Tax on earnings for the period	-55,397	-42,247	-51,934	-43,926
Profit for the period	195,582	164,651	183,305	162,202
Comprehensive income for the period	195,582	164,651	183,305	162,202

Parent Company balance sheets

SEK thousand	Apr 30, 2018	Apr 30, 2017
Assets		
Intangible assets	14,896	10,765
Tangible assets	19,150	15,477
Financial assets	258,498	285,663
Total fixed assets	292,544	311,905
Other current assets	446,655	423,799
Cash and cash equivalents	212,709	221,099
Total current assets	659,364	644,898
Total assets	951,908	956,803
Equity and liabilities		
Equity (incl. profit for the period)	484,674	451,095
Untaxed reserves	0	87,629
Long-term liabilities	28,528	56,611
Current liabilities	438,706	361,468
Total equity and liabilities	951,908	956,803

Pledged assets and contingent liabilities

SEK thousand	Apr 30, 2018	Apr 30, 2017
Chattel mortgages	11,000	11,000
Total pledged assets	11,000	11,000
Guarantees on behalf of Group companies	154,074	190,948
Total contingent liabilities	154,074	190,948

NOTE

Correction of elimination of intra-Group profit in accordance with IAS 8

SEK million	Previous Q4 2016/2017	Change	After correction	Previous Q1–4 2016/2017	Change	After correction
Consolidated income statement						
Operating profit (EBIT) ¹	74.8	-0.3	74.5	200.4	-0.3	200.1
Operating margin, %	21.9	-	21.9	17.6	-0.1	17.5
Profit before tax (EBT)	78.7	-0.3	78.4	200.0	-0.3	199.7
Profit margin, %	23.1	-	23.1	17.5	-	17.5
Profit after tax	58.8	-0.2	58.6	152.8	-0.2	152.6
Total comprehensive income for the period	66.7	-0.2	66.5	156.0	-0.2	155.8
Consolidated balance sheet						
Total fixed assets				317.3	-	317.3
Other current assets				571.9	-16.8	555.1
Cash and cash equivalents				273.2	-	273.2
Total current assets				845.1	-16.8	828.3
Total assets				1,162.5	-16.8	1,145.7
Equity and liabilities						
Equity (incl. profit for the period)				554.5	-13.1	541.4
Provisions				30.3	-	30.3
Deferred tax liabilities				26.5	-3.7	22.8
Long-term liabilities				56.6	-	56.6
Current liabilities				494.5	-	494.5
Total liabilities and equity				1,162.5	-16.8	1,145.7
Consolidated cash-flow statement						
Cash flow before changes in working capital				221.1	-16.8	204.3
Cash flow after changes in working capital				235.2	-	235.2
Alternative performance measures for the period and full-year						
Profit margin, %				17.6	-0.1	17.5
Value added, SEK million				742.9	-0.3	742.6
Return on equity, %	10.7	0.1	10.8	27.8	0.3	28.1
Return on capital employed, %				32.2	0.3	32.5
Return on total capital, %				17.8	0.1	17.9
Equity/assets ratio, %				47.7	-0.4	47.3
Equity per share, SEK				14.63	-0.34	14.29
Equity per share after full dilution, SEK				14.40	-0.34	14.06
Earnings per share after dilution, SEK				3.98	-0.01	3.97

¹ The change has been recognized as an increase in the cost item "Goods for resale" in the consolidated income statement for the fourth quarter and as an increase in "Group eliminations" in the recognition of operating profit by business segment for quarter one to quarter four.

As a result of the low amount of the error in the comparative year, the effect has been recognized in full in the fourth quarter of the comparative year in the income statement. Since it has been deemed to be practically unfeasible to determine period-specific effects for previous years and quarters, retroactive figures have only been calculated as an accumulated effect in the opening balance of the comparative year. The determination that it would be practically unfeasible to recognize longer-term retroactive figures is attributable to the fact that the managed-services agreements in question have been subject to changes in terms of their business content and intra-Group assumptions for a number of years, combined with an insufficiently detailed model for the elimination of intra-Group profit with correct final dates for each change, which has now been corrected prospectively after the error was detected.

DEFINITIONS OF ALTERNATIVE PERFORMANCE MEASURES

Equity per share	Adjusted equity divided by the number of shares at the end of the period.
Equity per share after full dilution	Adjusted equity divided by the number of shares after full dilution.
Value added	Operating profit plus labor costs.
Adjusted equity	Recognized equity plus 78% of untaxed reserves.
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.
Cash flow per share after full dilution	Cash flow from operations after changes in working capital divided by the number of shares after full dilution.
Liquidity	Current assets divided by current liabilities.
Average no. of employees	Average number of full-time employees during the period.
Order bookings	Value of new orders received or changes to earlier orders during the reporting period.
P/E ratio	Share price at the end of the period in relation to the 12-month period's earnings per share.
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	Earnings after net financial items plus financial expenses as a percentage of average total assets.
Operating profit	Profit before net financial items and income tax.
Operating margin	Operating profit after depreciation/amortization as a percentage of net sales.
Debt/equity ratio	Interest-bearing liabilities divided by equity.
Equity/assets ratio	Adjusted equity as a percentage of total assets.
Capital employed	Total assets reduced by non-interest-bearing liabilities.
Growth in operating profit per share over a five-year period	Operating profit per share on the balance-sheet date less operating profit per share on the balance-sheet date five years earlier divided by operating profit per share on the balance-sheet date five years earlier.
Earnings per share	Profit/loss after tax divided by the average number of shares. This performance measure is defined in accordance with IFRS.
Earnings per share before dilution	Profit/loss after tax divided by the average number of shares at the end of the period.
Earnings per share after dilution	Profit/loss after tax divided by the average number of shares at the end of the period after dilution.
Profit margin	Earnings after net financial items as a percentage of net sales.

GLOSSARY

Artificial intelligence (AI)

A collective term for the scientific field that studies the creation of machines and computer programs that display intelligent behavior. AI research encompasses numerous disciplines, including everything from studying philosophical issues to developing tangible technological solutions in such areas as medical diagnostics.

Integrated diagnostics

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

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. To read encrypted information, the recipient must have the correct key and algorithm.

Critical infrastructure

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

Machine learning

A discipline within artificial intelligence (see above) where algorithms (computer programs) learn to solve tasks using analyzed data. One example involves allowing a program to train on a large sampling of test images, where information is provided about which images show healthy or sick patients, after which the program can also make accurate predictions regarding unfamiliar images.

Mammography

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

Cloud

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

Orthopaedics

A surgical specialty for disorders affecting the musculoskeletal system.

Picture archiving and communication system (PACS)

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.

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.

ABOUT SECTRA

Vision:

To contribute to a healthier and safer society.

Mission statements

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.

Operating areas/business models

Imaging IT Solutions helps hospitals across the world to become more efficient, enabling them to care for more patients and save more lives. Increased use of medical images and aging populations that are living longer pose huge challenges to healthcare. Sectra's IT solutions and services for medical diagnostic imaging enable greater efficiency and contribute to healthcare advancements. Sectra has more than 1,800 installations of medical IT systems, and customers include some of the largest healthcare providers in the world.

Secure Communications helps society's critical functions, government officials and diplomats to use modern technology to exchange information securely, thereby contributing to a stable and secure society. Sectra's solutions and services increase cybersecurity by protecting some of society's most sensitive information and communications. Several of the business area's 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.

Sectra Customer Financing is where the company's strong financial position is used to finance major managed-services agreements with healthcare customers.

Group-wide strategies

- Customers and customer satisfaction are always assigned top priority 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 strengthen the Group's organic growth.
- Expansion into new geographic markets following thorough analysis and at a 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—and in many cases, exceed—their expectations.
- Close collaboration with universities and research institutions to capture ideas and new product areas that Sectra's customers may find useful.

For further information, visit

www.sectra.com/investor



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 owner 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.

Are you a Sectra shareholder?

Your feedback is important to us! Please take the time to answer nine questions in Sectra's shareholder survey at:

www.sectra.com/irsurvey